

PAPER – 6B : STRATEGIC MANAGEMENT

QUESTIONS

1. State with reasons which of the following statements are correct/incorrect:
 - (a) Successful businesses have to recognize different elements of environment.
 - (b) A strength is an inherent capacity of an organization.
 - (c) Socio-cultural environment consists of factors related to government and politics.
 - (d) Strategies provide an integrated framework for the top management.
 - (e) SWOT analysis merely examines internal environment of an organization.
 - (f) Growth share matrix is popularly used for resource allocation.
 - (g) Corporate strategy is basically the growth design of the firm.
 - (h) Balance scorecard is a combination of strategic and marketing objectives.
 - (i) Augmented marketing is provision of additional customer services and benefits.
2. Briefly answer any two of the following questions.
 - (a) What is strategic decision making?
 - (b) What is strategic vision?
 - (c) Define Total Quality Management.
 - (d) What do you mean by core competencies?
 - (e) Define competitive advantage.
 - (f) Discuss network structure.
 - (g) How internet has helped business?
3. Explain the BCG model as a technique of portfolio analysis.
4. What are the various bases on which an existing firm can diversify strategically?
5. What is supply chain management? Discuss the various steps in implementing supply chain management system.
6. What is logistics strategy? What are the areas to examine while developing a logistics strategy?
7. Briefly discuss various elements of micro environment.
8. Explain in detail the 4 P's of Marketing Mix.
9. Discuss in brief the contribution of Glueck and Jauch in generic strategic alternatives.
10. What is Benchmarking? What are the areas where benchmarking can help.
11. Explain in detail the value chain analysis.

12. Explain in detail the various stages of corporate strategy formulation/implementation process.
13. Briefly discuss the difference between vision and mission.
14. In the mature and saturated South Indian food industry, competition for customers between the different chains, in north India, has been intense. 'Banana Leaf' is the industry leader. However, it has been under pressure to maintain its profit margins. As price wars between competitors have periodically broken out, the price of south Indian food has fallen. 'Delicious Food' started a major price war when it introduced its Rs. 35/- cheese dosa which pushed 'Banana Leaf' and other restaurants such as 'Tasty Treat' and 'South Delights' to find ways to lower their costs and prices. As a result of price competition, all the chains of restaurants were forced to learn how to make cheaper south Indian delicacies in order to lower their prices. With most restaurants now offering comparable prices, the focus of competition has shifted to other aspects of their products. First the major chains are all introducing bigger Dosa. The battle was started by 'South Delights', which is still waging an aggressive campaign to increase its market share at the expense of 'Banana Leaf'.

'South Delights' added 15 grams dry fruits to its 160 grams Dosa and followed this with an intense advertising campaign based on the slogan, "get worth of your Dosas". The advertisement made a comparison with the Masala Dosas of 'Banana Leaf' which were more than 20% lighter. The campaign worked for 'South Delights' and the chain's market share rose by 18% in a year. As a result, 'Banana Leaf' announced that it would enlarge its Masala Dosa by 25% to beat the challenge from 'South Delights'.

Developing bigger dosa is only one part of competitive strategy in the industry. Another major competitive strategy that 'South Delights' and 'Banana Leaf' have adopted is entering new markets by opening up new restaurants to attract customers. 'Banana Leaf' in particular has opened several restaurants in new locations such as in large retail stores and in smaller cities. This has been profitable and has helped it protect its market share and maintain its margins.

Finally, a major aspect of the competitive strategy has been to take their core competencies and apply them on an international level by having tie-ups globally in countries with strong presence of Indians.

In the mature industry, developing new competitive strategies to fend off attacks by other companies within the industry and to protect and enhance competitive advantage is a never ending task for strategic managers.

Questions:

- (a) What are the competitive strategies adopted by various restaurants in the industry?
- (b) What strategy is being adopted by 'Banana Leaf' to grow and sustain in the competitive market?
- (c) What the chains have to do for building international brand loyalty?

- (d) Which strategy helped south Indian chains to survive and sustain in this competitive environment?

SUGGESTED ANSWERS/HINTS

1. (a) Correct: To be successful businesses have to recognise different elements of the environment. They have to also respect, adapt to or have to manage and influence them. Businesses must continuously monitor and adapt to the environment to survive and prosper.
- (b) Correct: Strength is an inherent capacity which an organization can use to gain strategic advantage over its competitors. An example of strength is superior research and development skill which can be used for continuous product innovation or for new product development so that the company gains competitive advantage.
- (c) Incorrect: Socio-cultural environment consist of factors related to human relationships and the impact of social attitudes and cultural values which has bearing on the business of the organization. The beliefs, values and norms and general fabric of society determine how individuals and organizations should be interrelated.
- (d) Correct: Strategies provide a framework for management to negotiate its way through a complex and turbulent external environment. They provide a systematic basis for the enterprise to stand its ground in the face of challenge and change as also to quickly adjust to them.
- (e) Incorrect: SWOT analysis presents the information about both external and internal environment in a structured form to compare external opportunities and threats with internal strengths and weaknesses. This helps in matching external and internal environments so that strategic decision makers in an organisation can come out with suitable strategies by identifying patterns of relationship and develop suitable strategies.
- (f) Correct: Growth share matrix also known for its cow and dog metaphors is popularly used for resource allocation in a diversified company. Primarily it categorises organisations/products on the basis two factors consisting of the growth opportunities and the market share enjoyed.
- (g) Correct: Corporate strategy in the first place ensures the growth of the firm and ensures the correct alignment of the firm with its environment. It serves as the design for filling the strategic planning gap. It also helps to build the relevant competitive advantages.
- (h) Incorrect: Balance scorecard is a combination of strategic and financial objectives. It measure company performance, requires setting both financial and strategic objectives and tracking their achievement. Unless a company is in deep financial

difficulty, such that its very survival is threatened, company managers are well advised to put more emphasis on achieving strategic objectives than on achieving financial objectives whenever a trade-off has to be made.

- (i) Correct: Augmented marketing refers to deliberate and accelerated efforts to get better marketing returns through additional means. It includes provision of additional customer services and benefits built around the core and actual products that relate to introduction of hi-tech services like movies on demand, on-line computer repair services, secretarial services, etc. Such innovative offerings provide a set of benefits that promise to elevate customer service to unprecedented levels.
2. (a) Decision making is a managerial process and function of choosing a particular course of action out of several alternative courses for the purpose of accomplishment of the organizational goals. Decisions are routine, tactical or strategic in nature. Strategic decisions are different from other decisions that are taken at various levels of the organization during day-to-day working of the organizations. They have long term implications, steer organisation to its future path, have organisation wide implications and so on. These decisions are taken considering different internal and external factors. They are also taken with partial or no definite knowledge of different factors affecting the decision situation. Refer to Chapter 2.
- (b) A strategic vision delineates organization's aspirations for the business, providing a panoramic view of the position where the organization is going. A strategic vision points an organization in a particular direction, charts a strategic path for it to follow in preparing for the future, and moulds organizational identity. Refer to Chapter 2.
- (c) Total Quality Management is a people-focused management system that aims at continual increase in customer satisfaction at continually lower real cost. There is a sustained management commitment to quality and everyone in the organization and the supply chain is responsible for preventing rather than detecting defects. Refer to Chapter 7.
- (d) 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. Refer to Chapter 5.
- (e) Competitive advantage is position of a firm to maintain and sustain a favorable market position when compared to the competitors. Competitive advantage is ability to offer buyers something different and thereby providing more value for the money. It is the result of a successful strategy. This position gets translated into higher market share, higher profits when compared to those that are obtained by competitors operating in the same industry. Competitive advantage may also be in the form of low cost relationship in the industry or being unique in the industry along dimensions that are widely valued by the customers in particular and the society at large.

- (f) Network structure is a newer and somewhat more radical organizational design. The network structure could be termed as 'non-structure' as it virtually eliminates in-house business functions and outsources many of them. A corporation organized in this manner is a virtual organization because it is composed of a series of project groups or collaborations linked by constantly changing non-hierarchical, cobweb-like networks. Refer to Chapter 4.
 - (g) The Internet is an integrated network of high-speed computers and servers, digital switches and routers, telecommunications equipment and lines and individual computers of users. The Internet has provided a very fast means of communication to business with no geographic limitations. Internet also makes it feasible for companies to find, negotiate and deal across the world with suppliers on one hand and customers on the other. The evolving Internet technology is altering industry value chains, spawning substantial opportunities for increasing efficiency and reducing costs, and affecting strengths and weaknesses of business organisations.
3. Boston consulting group (BCG) growth-share matrix is the simplest way to portray an organisation's portfolio of investments. Growth share matrix is used for resource allocation in a diversified company. Using the BCG approach, a company classifies its different businesses on a two-dimensional growth-share matrix.
- ◆ 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.
- Using the matrix, organisations can identify four different types of products or SBU as follows:
- ◆ Stars
 - ◆ Cows
 - ◆ Question marks
 - ◆ Dogs
- Refer to Chapter 3.
4. Refer to chapter 4. Diversification endeavours can be related or unrelated to existing businesses of the firm. Based on the nature and extent of their relationship to existing businesses, diversification endeavours have been classified into four broad categories:
- (i) Vertically integrated diversification
 - (ii) Horizontally integrated diversification
 - (iii) Concentric diversification
 - (iv) Conglomerate diversification

5. Refer to chapter 5. The term supply chain refers to the linkages between suppliers, manufacturers and customers. Supply chain consists of dealer and distributor network and extends right up to the source of the raw materials, different stages of development of product and moves from the source of raw materials to the market. Planning and control of supply chains are important components of its management. Naturally, management of supply chains include closely working with channel partners – suppliers, intermediaries, distribution network, other service providers and customers.
6. Management of logistics is a process that integrates the flow of supplies into, through and out of an organization to achieve a level of service that facilitate movement and availability of materials in a proper manner. When a company creates a logistics strategy it is defining the service levels at which its logistics is smooth and is cost effective.

A company may develop a number of logistics strategies for specific product lines, specific countries or specific customers because of constant changes in supply chains. There are different areas that should be examined for each company that should be considered and should include:

- ◆ Transportation: Does the current transportation strategies help service levels required by the organisation?
 - ◆ Outsourcing: Areas of outsourcing of logistics function are to be identified. The effect of partnership with external service providers on the desired service level of organisation is also to be examined.
 - ◆ Competitors: Review the procedures adopted by competitors. It is also to be judged whether adopting the procedures followed by the competitors will be overall beneficial to the organisation. This will also help in identifying the areas that may be avoided.
 - ◆ Availability of information: The information regarding logistics should be timely and accurate. If the data is inaccurate then the decisions that are made will be incorrect. With the newer technologies it is possible to maintain information on movement of fleets and materials on real time basis.
 - ◆ Strategic uniformity: The objectives of the logistics should be in line with overall objectives and strategies of the organisation. They should aid in the accomplishment of major strategies of the business organisation.
7. Refer to Chapter 1. Micro environment affects business and marketing at routine and operating levels. Whereas the changes in the macro environment affect business in the long run, the effect micro environment changes are noticed immediately. Organizations have to closely analyse and monitor all the elements of micro environment in order to stay competitive. Micro environment can be broadly classified as:
 - ◆ Consumers/customers
 - ◆ Competitors
 - ◆ Organization

- ◆ Market
- ◆ Suppliers
- ◆ Intermediaries

8. Refer to chapter 5. Marketing mix forms an important part of overall competitive marketing strategy. The marketing mix is the set of controllable marketing variables that the firm blends to produce the response it wants in the target market. The marketing mix consists of everything that the firm can do to influence the demand for its product. These variables are often referred to as the "4 Ps" of marketing mix. The 4 Ps stand for product, price, place and promotion.

An effective marketing program blends all of the marketing mix elements into a coordinated program designed to achieve the company's marketing objectives by delivering value to consumers. Over a period of time different marketers have identified other elements as part of marketing mix but the four Ps remain the crux of marketing mix.

9. According to William F Glueck and Lawrence R Jauch there are four generic ways in which strategic alternatives can be considered. These are stability, expansion, retrenchment and combinations.

Stability strategies: One of the important goals of a business enterprise is stability to safeguard its existing interests and strengths, to pursue well established and tested objectives, to continue in the chosen business path, to maintain operational efficiency on a sustained basis, to consolidate the commanding position already reached, and to optimise returns on the resources committed in the business.

Expansion Strategy: Expansion strategy is implemented by redefining the business by adding the scope of business substantially increasing the efforts of the current business. Expansion is a promising and popular strategy that tends to be equated with dynamism, vigour, promise and success. Organisations can diversify, acquire and merge to expand.

Retrenchment Strategy: A business organization can redefine its business by divesting a major product line or market. The nature, extent and timing of retrenchment are matters to be carefully decided by management, depending upon each contingency. The enterprise has several options open to it in designing and acting upon its strategy.

Combination Strategies: The above strategies are not mutually exclusive. It is possible to adopt a mix of the above to suit particular situations. An enterprise may seek stability in some areas of activity, expansion in some and retrenchment in the others.

10. Refer to Chapter 7. In simple words, benchmarking is an approach of setting goals and measuring productivity based on best industry practices. It developed out of need to have information against which performances can be measured. For example, a customer support engineer of a television manufacturer attends a call within forty-eight hours. If the industry norm is that all calls are attended within twenty-four hours, then the twenty-four hours can be a benchmark.

Benchmarking helps in improving performance by learning from best practices and the processes by which they are achieved. It involves regularly comparing different aspects of performance with the best practices, identifying gaps and finding out novel methods to not only reduce the gaps but to improve the situations so that the gaps are positive for the organization. Benchmarking can help in almost all aspect of business that are amenable to comparison and are significant to business. Typically organisations can use benchmarking process to achieve improvement in diverse range of management function like:

- ◆ Maintenance operations
 - ◆ Assessment of total manufacturing costs
 - ◆ Product development
 - ◆ Product distribution
 - ◆ Customer services
 - ◆ Plant utilization levels
 - ◆ Human resource management
11. Refer to Chapter 6. Value chain analysis has been widely used as a means of describing the activities within and around an organization, and relating them to an assessment of the competitive strength of an organization (or its ability to provide value-for-money products or services). Value analysis was originally introduced as an accounting analysis to shed light on the 'value added' of separate steps in complex manufacturing processes, in order to determine where cost improvements could be made and/or value creation improved. These two basic steps of identifying separate activities and assessing the value added from each were linked to an analysis of an organization's competitive advantage by Michael Porter.
- One of the key aspects of value chain analysis is the recognition that organizations are much more than a random collection of machines, money and people. These resources are of no value unless deployed into activities and organised into routines and systems which ensure that products or services are produced which are valued by the final consumer/user.
12. Refer to Chapter 4. Crafting and executing strategy are the heart and soul of managing a business enterprise. It is a five-stage managerial process as given below:
1. Developing a strategic vision of where the company needs to head and what its future product-customer-market-technology focus should be.
 2. Setting objectives and using them as yardsticks for measuring the company's performance and progress.
 3. Crafting a strategy to achieve the desired outcomes and move the company along the strategic course that management has charted.
 4. Implementing and executing the chosen strategy efficiently and effectively.

5. Monitoring developments and initiating corrective adjustments in the company's long-term direction, objectives, strategy, or execution in light of the company's actual performance, changing conditions, new ideas, and new opportunities.
13. A Mission statement tells you the fundamental purpose of the organization. It concentrates on the present. It defines the customer and the critical processes. It informs you of the desired level of performance. On the other hand, a Vision statement outlines what the organization wants to be. It concentrates on the future. It is a source of inspiration. It provides clear decision-making criteria.

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

- ◆ The vision describes a future identity while the Mission serves as an ongoing and time-independent guide.
- ◆ The vision statement can galvanize the people to achieve defined objectives, even if they are stretch objectives, provided the vision is specific, measurable, achievable, relevant and time bound. A mission statement provides a path to realize the vision in line with its values. These statements have a direct bearing on the bottom line and success of the organization.
- ◆ A mission statement defines the purpose or broader goal for being in existence or in the business and can remain the same for decades if crafted well while a vision statement is more specific in terms of both the future state and the time frame. Vision describes what will be achieved if the organization is successful.

Refer to Chapter 2.

14. This case is for your practice. Remember, there is no rigid solution to a case problem. You can arrive at your own solutions. The opinions differ and your approach will also be different. However, you must offer supporting evidence for your views and judgments.

In part (a) you need to think and write the ways by which the food chains can confront competition like by developing bigger Dosas, opening the new restaurants etc. (b) Developing newer market through opening the new restaurant are the inferences given in the case study which are adopted by 'Banana Leaf' for its sustainability in the market. (c) For building brand loyalty, food chains must apply their core competencies. In part (d) use your imagination to suggest various strategies for chains for their survival and sustainability in this contemporary competitive environment.

For answering the questions, you should draw inferences from theoretical concepts of strategic management and integrate them. You should not rely upon unsupported opinions and over generalizations and clearly demonstrate that your interpretations are reasonable, logical and objective.