

SECTION – B: STRATEGIC MANAGEMENT

QUESTIONS

1. State with reasons which of the following statements are correct/incorrect:
 - (a) A kleretsu is a group of companies from unrelated industries cooperating with each other.
 - (b) Conglomerate diversification is where a firm diversifies into unrelated areas.
 - (c) Key success factors vary from industry to industry.
 - (d) Corporate strategy is basically the growth design of the firm.
 - (e) Augmented marketing is a provision of reducing customer services and benefits.
 - (f) Logistics management is conceptually wider than supply chain management.
 - (g) Corporate vision is the base of all strategies.
 - (h) Network structure provides an organization to concentrate on its distinctive competencies.
 - (i) Strategic management can not be used effectively in non commercial organizations.
 - (j) Benchmarking is an approach of setting goals and measuring productivity based on best industry practices.
 - (k) BPR focuses on all business processes.
2. Write short note on:
 - (a) Strategic Business Unit
 - (b) Core Competence
 - (c) Concentric Diversification
 - (d) Competitive advantage
 - (e) Forward and Backward Linkages
3. Porter's five forces model explains the five areas of the overall market where the competitive pressure exist. Explain them.
4. Discuss the process of strategic management.
5. Discuss strategic alternatives with reference to Michael Porter's strategies.
6. What is strategic management? What benefits accrue by following a strategic approach to managing?
7. What is human resource management? Discuss its role in implementation of strategy.
8. What is strategic implementation? How far is it different from strategy formulation?
9. Explain the BCG model as a technique of portfolio analysis.
10. "Structure undeniably can and does influence strategy." Critically examine this statement.

PAPER – 7 : INFORMATION TECHNOLOGY AND STRATEGIC MANAGEMENT

11. Explain the strategy-shaping characteristics of the E-commerce environment.
12. Define TQM? Explain the various principles that guide success of TQM.
13. Discuss PESTLE analysis as tool of environment scanning.
14. Explain the various methods of competitive analysis of an Industry.
15. Rajiv Chadha, CEO of the Soft Vision Enterprises was in the business of manufacturing and marketing electronic goods in India for last fifteen years. The business with his close supervision has gradually expanded to become a major electronic goods brand in the country. The strength of the company was in its vast distribution network. It also had products both for rural market and urban market. Recently, it opened multi-brand stores in seventeen metropolitan / large cities. The multi-brand stores were designed to have an exclusive area for its own brand.

Recently, Rajiv signed a five year agreement with Europe based New Vision Electronics to make and sell the thirty old 'Newvi' brand televisions in India. The deal with New Vision Electronics, a household name that once dominated the country's radio and audio cassette player market before the Korean invasion, will help Soft Vision better challenge other established brands in the Indian television market. The move will help Soft Vision Enterprises get access to advanced global technology and help it to grow faster in the country. The company of Rajiv Chadha will pay a royalty of around 4% to the European consumer electronics firm on the sales.

Under the terms Soft Vision Enterprises will manufacture the television as per the specifications and standards of New Vision Electronics. The agreement is very tightly done to ensure that there are very strict guidelines about the quality parameters to that Indian consumer get access to the best that 'Newvi' brand can offer. Under the agreement, both the parties have formed a brand committee to keep a close watch on the designing, branding and quality parameters. There is also provision to extend the deal by another five years.

According to New Vision Electronics, the move is consistent with the company's objective to bring the television business back to profitability in India. It would also reduce help them to concentrate more in their core markets, where they are facing recession related problems. The European major is also seriously considering making India a low-cost manufacturing hub for televisions through this deal.

However, a news report in a financial market has raised scepticism over the deal. They wrote that in spite of the deal the Soft Vision Enterprises will promote its own brands. There would be conflict of interest. Further, in highly competitive and price conscious market it would be very difficult for a premium brand to survive.

Questions

- (a) Discuss the advantages for Soft Vision Enterprises through this deal.
- (b) Is the price important for marketing television? How?
- (c) Do you agree with the reports in the financial papers raising doubts on the deal? Discuss.
- (d) How the deal is beneficial to New Vision Electronics?

SUGGESTED ANSWERS/HINTS

1. (a) **Incorrect:** *Kieretsus* is a loosely-coupled group of companies, usually in related industries. It is a Japanese term which is used for large cooperative networks of businesses. *Kieretsus* members are peers and may own significant amounts of each other's stock and have many board members in common.
- (b) **Correct:** When an established firm introduces a new product which has little or no affinity with its present product line and which is meant for a new class of customers different from the firm's existing customer groups, the process is known as conglomerate diversification. Both the technology of the product and of the market is different from the firm's present experience.
- (c) **Correct:** Key success factors vary from industry to industry and even from time to time within the same industry as driving forces and competitive conditions change. Only rarely does an industry have more than three or four key success factors at any one time. And even among these three or four, one or two usually outrank the others in importance.
- (d) **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 spells out the growth objective of the firm - the direction, extent, pace and timing of the firm's growth. It also spells out the strategy for achieving the growth.
- (e) **Incorrect:** Augmented marketing is a 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.
- (f) **Incorrect:** Supply chain management is an extension of logistic management. Logistic management is related to planning, implementing and controlling the storage & movement of goods & services while supply chain management is much more than that. It is a tool of business transformation and involves delivering the right product at the right time to the right place and at the right price.
- (g) **Correct:** Vision explains where the organization is headed, so as to provide long-term direction, delineate what kind of enterprise the company is trying to become and infuse the organization with a sense of purpose. All strategies need to be drawn in the light of corporate vision, which is what the firm ultimately wants to become.
- (h) **Correct:** The network organization structure provides an organization with increased flexibility and adaptability to cope with rapid technological change and shifting patterns of international trade and competition. It allows a company to concentrate on its distinctive competencies, while gathering efficiencies from other firms who are concentrating their efforts in their areas of expertise.

PAPER – 7 : INFORMATION TECHNOLOGY AND STRATEGIC MANAGEMENT

- (i) **Incorrect:** The strategic-management process can be and is also being used effectively by several non-profit governmental organizations. There are not-for-profit organizations that outperform other firms and corporations in terms of innovativeness, motivation, productivity, and strategic management.
 - (j) **Correct:** 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.
 - (k) **Incorrect:** BPR focuses on such critical business processes out of the many processes that go on in any company. These are the core business processes of the company. A core business process creates value by the capabilities it provides to the competitiveness. Core business processes are critical in a company's evaluation by its customers. They are vital for success in the industry sector within which the company is positioned. They are crucial for generating competitive advantages for a firm in the marketplace.
2. (a) A strategic business unit (SBU) is an operating division of firm which serves a distinct product-market segment or a well-defined set of customers or a geographic area. The SBU is given the authority to make its own strategic decisions within corporate guidelines as long as it meets corporate objectives.
- (b) 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.
- (c) Concentric diversification too 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.
- However, concentric diversification differs from vertically integrated diversification in the nature of the linkage the new product has with the existing ones. While in vertically integrated diversification, the new product falls within the firm's current process-product chain, in concentric diversification, there is a departure from this vertical linkage. 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.
- (d) 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

INTEGRATED PROFESSIONAL COMPETENCE EXAMINATION : NOVEMBER, 2010

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.

- (e) *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 effected 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.

3. Refer to chapter 1. Five forces model of Michael Porter is a powerful and widely used tool for systematically diagnosing the significant competitive pressures in the market and assessing their strength and importance. The model holds that the state of competition in an industry is a composite of competitive pressures operating in five areas of the over all market. These five forces are:
1. **Threat of new entrants**: New entrants are always a powerful source of competition. The new capacity and product range they bring in throw up new competitive pressure. And the bigger the new entrant, the more severe the competitive effect. New entrants also place a limit on prices and affect the profitability of existing players.
 2. **Bargaining power of customers**: This is another force that influences the competitive condition of the industry. This force will become heavier depending on the possibilities of the buyers forming groups or cartels. Mostly, this is a phenomenon seen in industrial products. Quite often, users of industrial products come together formally or informally and exert pressure on the producer. The bargaining power of the buyers influences not only the prices that the producer can charge but also influences in many cases, costs and investments of the producer because powerful buyers usually bargain for better services which involve costs and investment on the part of the producer.
 3. **Bargaining power of suppliers**: Quite often suppliers, too, exercise considerable bargaining power over companies. The more specialised the offering from the supplier, greater is his clout. And, if the suppliers are also limited in number they stand a still better chance to exhibit their bargaining power. The bargaining power of suppliers determines the cost of raw materials and other inputs of the industry and, therefore, industry attractiveness and profitability.

PAPER – 7 : INFORMATION TECHNOLOGY AND STRATEGIC MANAGEMENT

4. **Rivalry among current players:** The rivalry among existing players is quite obvious. This is what is normally understood as competition. For any player, the competitors influence strategic decisions at different strategic levels. The impact is evident more at functional level in the prices being changed, advertising, and pressures on costs, product and so on.
5. **Threats from substitutes:** Substitute products are a latent source of competition in an industry. In many cases they become a major constituent of competition. Substitute products offering a price advantage and/or performance improvement to the consumer can drastically alter the competitive character of an industry. And they can bring it about all of a sudden. For example, coir suffered at the hands of synthetic fibre. Wherever substantial investment in R&D is taking place, threats from substitute products can be expected. Substitutes, too, usually limit the prices and profits in an industry.

The five forces together determine industry attractiveness/profitability. This is so because these forces influence the causes that underlie industry attractiveness/ profitability. For example, elements such as cost and investment needed for being a player in the industry decide industry profitability, and all such elements are governed by these forces. The collective strength of these five competitive forces determines the scope to earn attractive profits. The strength of the forces may vary from industry to industry.

4. Refer to chapter 2. The term strategic management refers to the managerial process of forming a strategic vision, setting objectives, crafting a strategy, implementing and executing the strategy, and then overtimes initiating whatever corrective adjustments in the vision, objectives, strategy, and execution are deemed appropriate.

The basic framework of strategic process can be described in a sequence of five stages as shown in the figure - Framework of strategic management: The five stages are as follows:

Stage one - Where are we Now? (Beginning): This is the starting point of strategic planning and consists of doing a situational analysis of the firm in the environmental context. Here the firm must find out its relative market position, corporate image, its strength and weakness and also environmental threats and opportunities. This is also known as SWOT (Strength, Weakness, Opportunity, Threat) analysis. You may refer third chapter for a detailed discussion on SWOT analysis.

Stage two: - Where are we Want to Be? (Ends): This is a process of goal setting for the organization after it has finalised its vision and mission. A strategic vision is a roadmap of the company's future – providing specifics about technology and customer focus, the geographic and product markets to be pursued, the capabilities it plans to develop, and the kind of company that management is trying to create.

An organization's Mission states what customers it serves, what need it satisfies, and what type of product it offers.

Stage three - How Might we Get There? (Means): Here the organization deals with the various strategic alternatives it has.

INTEGRATED PROFESSIONAL COMPETENCE EXAMINATION : NOVEMBER, 2010

Stage four - Which Way is Best? (Evaluation): Out of all the alternatives generated in the earlier stage the organization selects the best suitable alternative in line with its SWOT analysis.

Stage five - How Can we Ensure Arrival? (Control): This is an implementation and control stage of a suitable strategy. Here again the organization continuously does situational analysis and repeats the stages again.

5. Refer to chapter 4. According to Porter, strategies allow organizations to gain competitive advantage from three different bases: cost leadership, differentiation, and focus. Porter calls these base generic strategies. Cost leadership emphasizes producing standardized products at a very low per-unit cost for consumers who are price-sensitive. Differentiation is a strategy aimed at producing products and services considered unique industry wide and directed at consumers who are relatively price-insensitive. Focus means producing products and services that fulfill the needs of small groups of consumers.

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

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

6. Refer to chapter 5. In a highly competitive marketplace, companies can operate successfully by creating and delivering superior value to target customers and also learning how to adapt to a continuously changing business environment. So to meet changing conditions in their industries, companies need to be farsighted and visionary, and must have a system of managing strategically.

Strategic management starts with developing a company mission (to give it direction), objectives and goals (to give it means and methods for accomplishing its mission), business portfolio (to allow management to utilise all facets of the organisation), and functional plans (plans to carry out daily operations from the different functional disciplines).

The overall objective of strategic management is two fold:

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

The following are the benefits of strategic approach to managing:

- Strategic management helps organizations to be more proactive instead of reactive in shaping its future.

PAPER – 7 : INFORMATION TECHNOLOGY AND STRATEGIC MANAGEMENT

- Strategic management provides framework for all the major business decisions of an enterprise such as decisions on businesses, products, markets, manufacturing facilities, investments and organisational structure.
 - Strategic management is concerned with ensuring a good future for the firm.
 - Strategic management serves as a corporate defense mechanism against mistakes and pitfalls.
7. Refer to chapter 5. The human resource strategy of business should reflect and support the corporate strategy. An effective human resource strategy includes the way in which the organization plans to develop its employees and provide them suitable opportunities and better working conditions so that their optimal contribution is ensured. Strategic human resource management may be defined as the linking of human resource management with strategic goals and objectives to improve business performance and develop organizational culture that fosters innovation and flexibility. The success of an organization depends on its human resources.

Strategic Role of Human Resource Management

The prominent areas where the human resource manager can play strategic role are as follows:

- o Providing purposeful direction
 - o Creating competitive atmosphere
 - o Facilitation of change
 - o Diversion of workforce
 - o Empowerment of human resources
 - o Building core competency
 - o Development of works ethics and culture
8. Refer to chapter 6. Strategy implementation concerns the managerial exercise of putting a freshly chosen strategy into place. Strategy execution 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 decision into action, with presupposes that the decision itself (i.e., the strategic choice) was made with some thought being given to feasibility and acceptability. Many managers fail to distinguish between strategy formulation and strategy implementation. Yet, it is crucial to realize the difference between the two because they both require very different skills. Strategy implementation is fundamentally different from strategy formulation.
9. Refer to Chapter 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.

INTEGRATED PROFESSIONAL COMPETENCE EXAMINATION : NOVEMBER, 2010

- 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
10. Refer to chapter 6. Structure undeniably can and does influence strategy. Strategies formulated must be workable, so if a certain new strategy required massive structural changes it would not be an attractive choice. In this way, structure can shape the choice of strategies. We examine this Issue by focusing on seven basic types of organizational structure: functional, divisional by geographic area, divisional by product, divisional by customer, divisional process, strategic business unit (SBU), and matrix.
- The Functional Structure
 - The Divisional Structure
 - The Strategic Business Unit (SBU) Structure
 - The Matrix Structure
11. Refer to chapter 7. We need to understand how growing use of the Internet by businesses and consumers reshapes the economic landscape and alters traditional industry boundaries. The following characteristics of the strategy-shaping E-Commerce environment are:
- The Internet makes it feasible for companies everywhere to compete in global markets.
 - Competition in an industry is greatly intensified by the new e-commerce strategic initiatives of existing rivals and by the entry of new, enterprising e-commerce rivals.
 - Entry barriers into the e-commerce world are relatively low.
 - Online buyers gain bargaining power because they confront far fewer obstacles to comparing the products, prices, and shipping times of rival vendors.
 - The Internet makes it feasible for companies to reach beyond their borders to find the best suppliers and, further, to collaborate closely with them to achieve efficiency gains and cost savings.
 - Internet and PC technologies are advancing rapidly, often in uncertain and unexpected directions.
 - The internet results in much faster diffusion of new technology and new idea across the world.

PAPER – 7 : INFORMATION TECHNOLOGY AND STRATEGIC MANAGEMENT

- The e-commerce environment demands that companies move swiftly.
 - E-commerce technology opens up a host of opportunities for reconfiguring industry and company value chains.
 - The Internet can be an economical means of delivering customer service.
 - The capital for funding potentially profitable e-commerce businesses is readily available.
 - The needed e-commerce resource in short supply is human talent-in the form of both technological expertise and managerial know-how.
- 12.** Refer to chapter 7. TQM or 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 organisation and the supply chain is responsible for preventing rather than detecting defects.

TQM is a total system approach (not a separate area or program) and an integral part of high-level strategy. It works horizontally across functions and departments, involves all employees, top to bottom, and extends backward and forward to include the supply chain and the customer chain. TQM stresses learning and adaptation to continual change as keys to organizational success.

Principles guiding TQM

Implementing TQM requires organization wide support. There are several principles that guide success of TQM. Various principles that guide the total quality management philosophy are as follows:

- A sustained management commitment to quality
- Focusing on the customer
- Preventing rather than detecting defects
- Universal quality responsibility
- Quality measurement
- Continuous improvement and learning
- Root cause corrective action
- Employee involvement and empowerment
- The synergy of teams
- Thinking statistically
- Inventory reduction
- Value improvement
- Supplier teaming
- Training

13. The term PESTLE is used to describe a framework for analysis of macro environmental factors. PESTLE analysis involves identifying the political, economic, socio-cultural, technological, legal and environmental influences on an organization and providing a way of scanning the environmental influences that have affected or are likely to affect an organization or its policy. PESTLE is an acronym for political, economic, socio-cultural, technological, legal and environmental factors. The PESTLE analysis is a simple to understand and quick to implement. The advantage of this tool is that it encourages management into proactive and structured thinking in understanding the business environment and in decision making.

Factors in PESTLE Analysis

- **Political** factors include the prevalent political ideology of government governing the country and its markets. The factors include the nature and extent of government involvement and intervention in the economy and the activities of business. Political factors may also cover goods and services that the government wants to be provided to the society and those that the government wants to be kept under close supervision and control. The political factors also determine the focus area and policies on key areas such as health, education and infrastructure in the country.
- **Economic** factors have major impact on how businesses operate and take decisions. The efficiency of financial markets and policies of central bank have bearing on the businesses. For example, interest rates affect a firm's cost of capital. Exchange rates affect the costs of exporting goods and the supply and price of imported goods in an economy. The money supply, inflation, credit flow, per capita income, growth rates are often considered while taking business decisions.
- **Social** factors include taste, preferences, culture, demographic factors and so on. They affect the demand for a company's products and the manner it conducts its business. Social factors can affect a business in major and minor way. For example, social factors can be a strong base to decide location of plant and machinery.
- **Technological** factors can determine barriers to entry, minimum efficient production level and influence outsourcing decisions. Furthermore, technological shifts can affect costs, quality, and lead to innovation.
- **Legal** factors include the laws and regulations within which businesses are being conducted. They include laws on different aspect of business such as competition, safety, working conditions and taxes. Prevailing laws and the benefits available within them can be a strong reason to influence major decisions. For example, plant may be located in a particular state on account of availability of tax benefits.
- **Environmental** factors connotes natural environment in Pestle Analyses. It includes whether and climate of a particular place. Ecological factors and natural environment significantly influences sectors such agriculture, fisheries, tourism. The awareness to climatic change is also affecting the businesses in a big way. Controlling carbon emissions is an uphill challenge facing industry and nations. It has also helped in evolving new businesses such as trade in carbon credits.

PAPER – 7 : INFORMATION TECHNOLOGY AND STRATEGIC MANAGEMENT

By using pestle analyses, it is possible to identify a number of key environmental influences. Different factors may be considered in a matrix for a clear understanding of them and basing strategic decisions.

The PESTLE Matrix

Political • Political stability • Political principles and ideologies • Government policies • Government term and change • Thrust areas of political leaders.	Economic • Income • Market conditions and trade cycles • Specific industry factors • Customer/end-user drivers • Interest and exchange rates • Inflation and unemployment
Social • Lifestyle trends • Demographics • Consumer attitudes and opinions • Brand, company, technology image • Consumer buying patterns • Ethnic/religious factors • Media views and perception	Technological • Replacement technology/solutions • Maturity of technology • Manufacturing processes and capacity • Innovation potential of technology • Technology access, licensing, patents • Intellectual property rights and copyrights
Legal • Business and Corporate Laws • Laws governing employment. • Laws on competition • Health & Safety • Taxation • International Treaties	Environmental • Ecological/environmental issues • Environmental hazards • Environmental legislation • Energy consumption • Waste disposal

14. Refer to chapter 3. Industry and competitive analysis can be done using a set of concepts and techniques to get a clear fix on key industry traits, the intensity of competition, the drivers of industry change, the market positions and strategies of rival companies, the keys to competitive success, and the industry's profit outlook. It provides a way of thinking strategically about any industry's overall situation and drawing conclusions about whether the industry represents an attractive investment for company funds. The analysis entails examining a company's business in the context of a much wider environment. Industry and competitive analysis aims at developing insight in several issues. Analysing these issues build understanding of a firm's surrounding environment and, collectively, form the basis for matching its strategy to changing industry conditions and competitive realities. The issues are given below:

- Dominant economic features of the industry
- Nature and strength of competition
- Triggers of change
- Identifying the companies that are in the strongest/weakest positions

INTEGRATED PROFESSIONAL COMPETENCE EXAMINATION : NOVEMBER, 2010

- Likely strategic moves of rivals
- Key factors for competitive success
- Prospects and financial attractiveness of industry

15. 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) students may write about the direct advantages that accrue to them by having an established brand in their portfolio. The company will also be able to synergies their existing manufacturing facilities and distribution network to increase their volumes. It is an action directed towards the growth of company.

In part (b) write about how price sensitive customers may take decisions. Gradually, the difference in the preferences for one or two brands is reducing. Customers are readily experimenting new brands. In such a scenario price becomes an important influencer of purchase decision. However, there will always be loyal customers who will continue with their preferred brands.

In part (c) clearly give your views on the issues raised by the reports in the financial papers. The newspaper report may not be without any substance. Possibility lies that the Soft Vision will promote its own brand over the brands of European company. However, at the same time, it is also a possibility that the Soft Vision genuinely sells the Newvi brand of products. The actual scenario will emerge only over a period of time. It is also important to know what are the exact terms for marketing of the products. The New Vision must have built enough safety measures to safeguard their own interest.

In part (d) students may highlight that the New Vision will be assured of revenue as a percentage of total sales. Manufacturing activity or the costs would not be a matter of botheration for them. Their involvement would be limited to check and ensure the quality for which the brand is known. Further, the deal may be a good opportunity for European company to base India as a low-cost manufacturing hub for sourcing televisions for other markets.

For answering the questions, students 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. You may also take cues from what you have learnt from newspapers and other business magazines.