CA - IPCC
COURSE MATERIAL

CLASS NOTES
STRATEGIC MANGEMENT_35e

(NEW EDITION THOROUGHLY REVISED & UPDATED UPTO JULY 2016. APPLICABLE FOR NOV.2016 & MAY 2017 IPCC EXAMINATIONS. THIS MATERIAL IS SYNCHRONISED WITH OCTOBER 2015 EDITION OF ICAI SM AND PM)

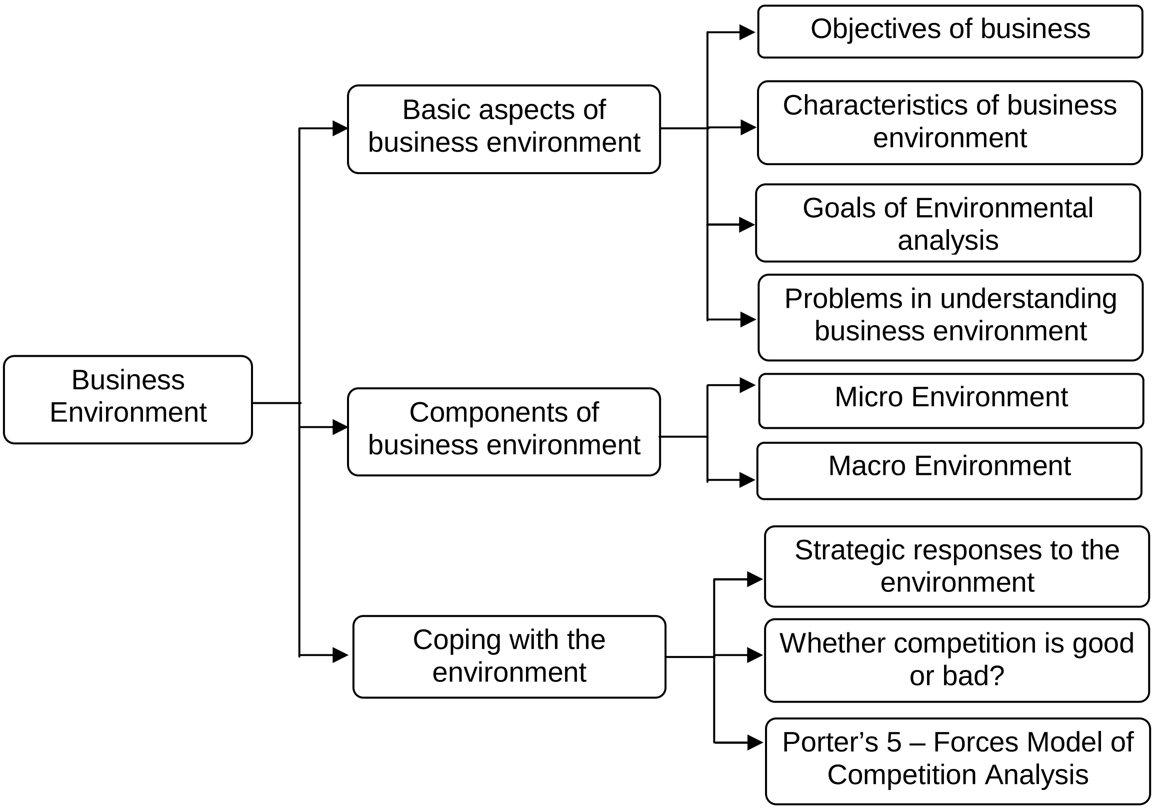
INDEX FOR STRATEGIC MANAGEMENT

DEAR STUDENTS,

IF YOU FIND ANY CONTROVERSY WITH RESPECT TO ABC ANALYSIS PROVIDED IN THE MAIN MATERIAL & ABC ANALYSIS PROVIDED IN THIS MATERIAL THEN FOLLOW THE ABC ANALYSIS PROVIDED IN THE MAIN MATERIAL ONLY.

IN OUR MAIN MATERIAL YOU CAN FIND SOME QUESTIONS UNDER HEADINGS "QUESTIONS FOR ACADEMIC INTEREST" AND "APPLICATION ORIENTED QUESTIONS". WE HAVE NOT INCLUDED THOSE QUESTIONS IN THIS CLASS NOTES SO AS TO MINIMIZE THE SIZE OF THIS MATERIAL. YOU CAN REFER THOSE QUESTIONS DIRECTLY IN THE MAIN MATERIAL.

1. BUSINESS ENVIRONMENT



QUESTION WISE ANALYSIS OF PAST EXAM PAPERS OF IPCC

Q. No.	CATEGORY	M-07	N-07	M-08	N-08	M-09	N-09	M-10	N-10	M-11	N-11	M-12	N-12	M-13	N-13	M- 14	N- 14	M-15	N-15
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Q.No.1. Define the term Business. What are its Objectives?
According to Peter F. Drucker, 'a Business exists for making Profit.' Comment
(N12, M14 – 4M, PM, RTP - M12, N14, N15 - 4M)

In addition to the profitability objective, businesses have many other objectives as given below:

Survival > Stability > Growth > Efficiency > Profitability > Others

Survival:

a) Survival is the basic objective of every business.

b) It is more important in the initial stage of establishment and during economic recession.

Stability: Here a firm aims for:

- Smooth work flow,
- Less dynamism from managers, and
- Less managerial tensions.

Growth: A firm's growth can be measured by way of increase in assets, manufacturing facilities, sales volume, new products, higher profits and market share, increase in manpower employment, etc.

Efficiency:

a. Efficiency is an operational objective.

b. It means designing and achieving suitable input output ratios of funds, resources, facilities and efforts.

Profitability:

a. Profit is the overall measure of performance and it is the main objective of every business.

b. Profit maximisation has a long-term perspective and includes development of wealth, increased goodwill and benefits to all shareholders.

Others: Various other objectives of a business in the more long- run include:

a. Technological Dynamism,

b. Self-reliance,

c. Competitive strength,

d. Customer service and product quality ,

e. Employee satisfaction and welfare

f. contribution to societal welfare,

g. Compliance with laws and government regulations, etc.

Q.No.2. Explain the Interactions / Exchanges / Relationship between an Organisation and its Environment. (Or) Organisation and its Environment are interdependent. Comment

THE VARIOUS INTERACTIONS BETWEEN THE ORGANISATION AND ITS ENVIRONMENT CAN BE ANALYSED AS UNDER:

The various interactions between the organisation and its environment can be analysed as under:

1. **Exchange of Information:**

Inflow	Organisations analyse the variables in external environment and generate important information (about economic &market conditions, technological developments, social and demographic factors, the activities of other organisations etc.) for planning, decision-making and control purposes.
Outflow	Organisations transmit information to several external agencies either voluntarily, inadvertently (=unintentionally) or legally.

2. **Exchange of Resources:**

Inflow	Organisations receive inputs – men, money, materials, methods, machinery from the external environment.
Outflow	Organisations are dependent on external environment for selling their output i.e. products and services.

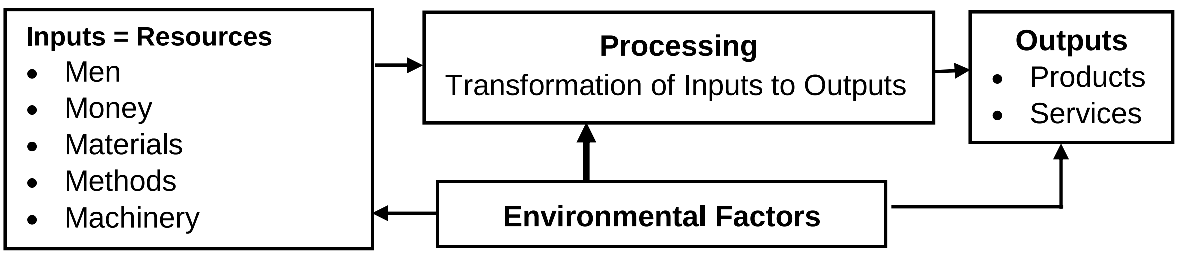
3. **Exchange of Influence and Power:**

Inflow	External environment (Government, competitors, markets, customers, suppliers, investors, etc.) holds considerable power over the planning and decision--making process of the organization.
Outflow	In some aspects, firms can influence external environment. They can dictate the terms to the external forces and mould them to their will.

Q.No.3. Business can function in an Isolated Manner. Comment (For student self - study)

A business can't function in an isolated manner due to the following reasons:

1. Business operates as a sub-system of environment and obtains human, physical, financial and other related resources from the environment and converts them into outputs of products and/or services.
2. The input-output exchange activity is a continuous process and requires active interaction with the external environment.



From the above points we can conclude that a business can't function in an isolated manner.

Q.No.4. State the Characteristics of Business Environment?
(N11, 13 - 3M, PM, MTP Oct14 - 3M)

The important characteristics of Business Environment are:

1. **Pervasiveness:** A business enterprise can't operate in vacuum and it should interact with environment irrespective of its size, objectives, nature of business, products / services, years of standing, etc.
2. **Complexity:** Business environment consists of number of factors, events, conditions and influences arising from different sources, which interact with each other continuously.

3. **Dynamism:** As business environment is completely dynamic in nature, it is continuously changing in shape and character.
4. **Multi-faceted:**. A particular change may be treated as an opportunity by one firm while other firm may treat it as a threat.
5. **Significant Impact:** The growth and profitability of a firm depends critically on the environment.

Q.No.5. What are the Basic Goals of Environmental Analysis? (PM)

Environmental Analysis: It refers to the analysis of various environmental factors that influence a business firm, namely micro and macro environmental factors.

The basic goals of environmental analysis are:

1. **To Understand Changes:** An analysis of the environment will provide information about the current and potential changes taking place in the environment.
2. **To Generate Inputs for Strategic Decision Making:** Proper environmental analysis will provide inputs for strategic decision making.
3. **To Facilitate and Foster Strategic Thinking:** A proper environmental analysis leads to strategic thinking i.e. it will be a rich source of ideas and understanding of the context within which a firm operates.

Q.No.6. Discuss the Problems associated with the efforts in Understanding the Environment (Or) Problems in Environmental Analysis (For student self- study)

The concept of business environment is a broader one. Managers face a number of problems in understanding the business environment.

The problems in understanding the environmental influences on business are:

1. **Diversity:** The environment has different sub-systems and parts, each having different influences on the business. It is very difficult to analyse all environmental influences on business because it is very difficult to assess important influences on business.
2. **Uncertainty:** Due to the pace of technological change and speed of global communications, future external influences on business can't be ascertained.
3. **Complexity:** The environment consists of number of factors, events, conditions and influences arising from different sources. They do not exist in isolation but interact with each other to create entirely new sets of influences. It is difficult to understand it immediately and to grasp it totally.

COMPONENTS OF ENVIRONMENT

Q.No.7. what are the Broad Categories or Components of Environment? (N 11 - 4M, M 12 - 3M, PM)

The environment of a business can be categorised into - (a) Micro-Environment, & (b) Macro-Environment.

Micro- Environment:

1. Micro environment is the immediate environment with in which the firm operates.
2. It is also known as internal environment or task environment.
3. It affects business and marketing in the daily operating level.

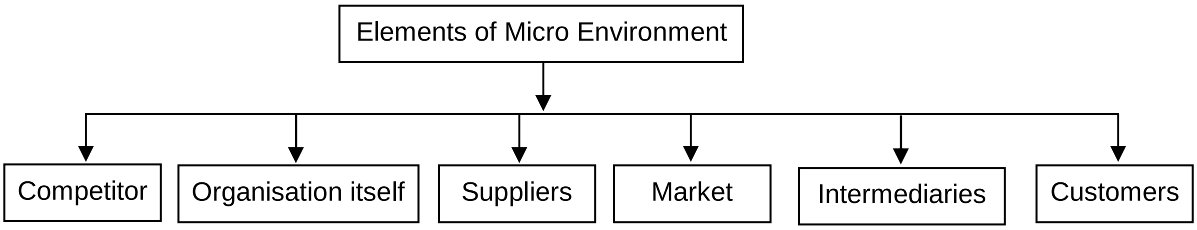
Macro - Environment:

a. Macro-Environment constitutes the general environment, which affects the working of all firms.

b. It is beyond the direct influence and control of the firm. But it shows powerful influence over the functioning of the business.

Q.No.8. Explain the Elements of Micro Environment	**(PM, MTP Sept - 14)**

Micro Environment: It consists of all those factors that affect the functioning of a business firm in the daily operating level. These factors are individual firm specific and are controllable to certain extent.



(COSMIC)

1. **Competitors:**
   - **a)** Competitors refer to other business entities that compete for resources as well as markets.
   - **b)** Competition may be Direct or Indirect.
   - **c)** The major aspects to be considered for analysing competition are:
     - **i)** Who are the competitors
     - **ii)** What are their present business scope and objective
     - **iii)** Who are the potential competitors
2. **Organisation Itself:**
   - **a)** Internal analysis or self-analysis is an important aspect of micro environment analysis. Organisation must understand its own strengths and weaknesses.
   - **b)** The following organisations or groups affect the organisation's environment:
     - **i) Owners:** Individuals, Shareholders, Groups or organisations, who have a major stake in the organisation will have interest in the well-being of the company.
     - **ii) Governing Body:** Board of Directors or Governing Body should oversee the general management of the organisation, to ensure that it is being run in the best interest of the shareholders.
     - **iii) Employees:** There should be synchronization between the values and goals of the employees with that of the firm, irrespective of the difference in beliefs, education, attitudes and capabilities.
3. **Suppliers:**
   - **a)** Suppliers provide inputs like Raw Materials, Components, Equipments, Services, etc.
   - **b)** Firms have to take decisions on "Make or Buy" i.e. Own Production vs. Outsourcing, depending on the Supplier Environment.
   - **c)** Firm can chose number of suppliers who can supply qualitative raw material for low cost.
4. **Market/Industry:** A manager should study the latest trends, developments and key success factors of the market in which the business is operating. Important issues relating to the market are:
   - **i)** Actual and Potential size,
   - **ii)** Cost structure of the Market,

- **iii)** Price Sensitivity of the Market,
- **iv)** Technological Structure of the Market,
- **v)** Existing Distribution System of the Market,
- **vi)** Maturity Level of the Market,

5. **Intermediaries:** Intermediaries in the marketing channel i.e. Wholesalers, Retailers and Dealers establish an important link between the organisation and its customers.

6. **Consumers/Customers:**

- **a)** The aim of any business is to Create and Retain customers.
- **b)** Customer is the person who buys the product and consumer is the person who ultimately consumes the product.
- **c)** Every customer is not a consumer but every consumer is a customer
- **d)** Aspects to be considered in respect of consumers are:
  - **i)** Who are the customers/consumers.
  - **ii)** What benefits are they looking for
  - **iii)** Buying Patterns of Consumers,

Q.No.9. State the Elements of Macro Environment? (RTP – M13, M14 - 3M, PM)

Macro Environment: It constitutes the general environment, which affects the working of all firms. Macro environmental factors are largely external to the firm and are uncontrollable in nature.

Elements of Macro Environment

- Socio Cultural Environment
- Population or Demographic Environment
- Economic Environment
- Legal - Political
- Technological Environment
- Global Environment

(SPELT G)

Q.No.10. Explain the factors in Socio - Cultural Environment which have an impact on business.

1. Socio - Cultural environment is a combination of factors like Social Traditions, Values and Beliefs, Level and Standards of Literacy and Education, Ethical Standards and state of society, Extent of Social Stratification, Conflict and Cohesiveness, etc. which determine the functioning of an organisation.

The two fast food US MNCs have not tasted success in India until they have adopted

2. Some important factors in this environment that influence the activities of a business are:

- **a)** **Social Concerns,** e.g. the role of business in society, environmental pollution, corruption, use of mass media and consumerism.
- **b)** **Social Attitudes and Values,** e.g. expectations of society from business, social customs, beliefs, rituals (= conventions, traditions) and practices, changing lifestyle patterns & materialism.

c) **Family Structure** and changes therein, attitude towards and within the family and family values.

d) **Role of Women** in society, position of children and adolescents (= youngsters) in family and society.

e) **Educational Levels,** awareness and consciousness of rights and work ethics of members of society.

Q.No.11. Write short notes on Demographic Environment

1. "Demographics" denote Characteristics of Population in an area, district, country or in the world.
2. It includes factors such as Race, Age, Income, Educational attainment, Asset Ownership, Home Ownership, Employment Status and Location, etc.
3. The following factors should be considered in the analysis of Demographic Environment:

a) **Population Size:** Population size is important to firms that require a "critical mass" of potential customers. Some of the most important changes in population size that have an influence on the business are:

   i) Changes in nation's birth rate or life expectancy.

   ii) Increase or decrease in total population.

b) **Geographic Distribution of Population:** Population shifts from one region of a nation to another or from non-metropolitan to metropolitan areas. This may have impact on the company's strategic competitiveness.

c) **Ethnic Mix:** It refers to the Cultural Composition of Population. Issues to be analysed include:

   i) Need for changes in service design and delivery.

   ii) Need for new products and services and modification of existing products/ services.

   iii) Managers' preparedness to manage a more culturally diverse workforce.

   iv) Taking advantage of increased heterogeneity in workforce.

d) **Income Distribution:** Tracing, tracking, forecasting and assessing changes in income patterns helps to identify new opportunities for business.

Q.No.12. Write short notes on Economic Environment.

1. It refers to the nature and direction of economy in which company competes or may compete.
2. Key economic factors to be considered are:

a. **Rates:** Interest Rates, Tax Rates, Inflation Rates, Money Market Rates, Exchange Rates, etc.

b. **GDP Aspects:** Monetary and fiscal policies, Government budget deficits, GDP trends, Consumption patterns, Unemployment trends.

c. **Customer related:** Demand shifts for different categories of goods and services, Income differences by region and consumer groups, Propensity to spend, Level of disposable income, etc.

d. **External Trade:** Economic conditions of foreign countries, Import / export factors, Coalitions of Countries/ Regional blocks.

e. **General:** Availability of credit, Trade Block Formations, Price Fluctuations, Shift to a service economy, Worker productivity levels, Stock market trends.

Q.No.13. What are the aspects in Legal - Political Environment that affect business enterprises?

LEGAL - POLITICAL ENVIRONMENT INCLUDE FACTORS LIKE:

a) General State of Political Development, **b)** Extent of political interference in business and economic issues, **c)** Political Stability, **d)** Political Ideology and Practices of the ruling party, **e)** Level of Political Morality, **f)** Law and Order situation,	**g)** Government's attitude towards business, **h)** Specific Laws and Frameworks in which the enterprise has to function, **i)** Degree of effectiveness with which laws are implemented, **j)** Government Policies (fiscal, monetary, industrial, labour and import-export policies, etc.) **k)** Purposefulness and efficiency of Government Agencies.

Q.No.14. Explain the various aspects of Technological Environment

1. Technology and Business are highly inter-related and inter-dependent. Technological inventions show way for business innovations.
2. The fruits of technological research and development are available to society through business only.
3. Factors to be considered in the technological environment are:
   - **a)** Pull Effect of Technological Change,
   - **b)** Opportunities arising out of technological inventions,
   - **c)** Risk and Uncertainty of technological development,
   - **d)** Role of R&D in a country and Government's R&D budget,
   - **e)** Additional technologies required to achieve current corporate objectives
   - **f)** Implications of technological changes on the company's strategy

Q.No.15. Write short notes on Global Environment (PM, RTP- N11, N14)

1. **Meaning:** Globalisation refers to the process of integration of the world into one huge market. This unification leads to removal of all trade barriers among countries. Even political and geographical barriers become irrelevant.
2. **Factors of Global Environment that should be assessed include:**
   - **a)** Potential Positive and Negative impact of Significant International Events.
   - **b)** Identification of changing and emerging global markets.
   - **c)** Differences between cultural and institutional attributes of individual global markets.

Q.No.16. What is a Multinational or Global Company? (N 08 - 4M, M 12, N 12, 13 - 3M, PM)

1. **Meaning:** A Multinational Company (MNC) or a Transnational Company (TNC) is the one that by operating in more than one country, gains R&D, production, marketing and financial advantages in its costs and reputation that are not available to purely domestic competitors.

2. **Features:**

   a) MNC is a Conglomerate of multiple units (located in different parts of the globe) but all linked by common ownership.

   b) Multiple units draw Common Pool of Resources, such as money, credit, information, patents, trade names and control systems.

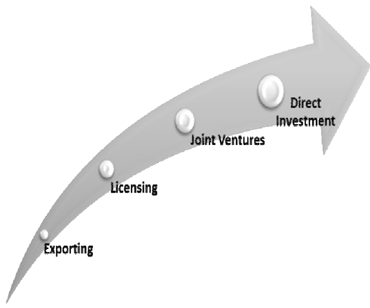
   c) Units will respond to some common strategies.

Q.No.17. What are the different Methods/Modes of Expansion into Foreign Markets?

EXPANSION INTO FOREIGN MARKETS CAN BE ACHIEVED THROUGH ANY OF THE FOLLOWING WAYS:

a. Exporting:

- Exporting is marketing of domestically produced goods in a foreign country.
- Exporting does not require separate production facilities. So, it does not require new investment.



b. Licensing:

- Licensing permits a company in the target country to use the property of the licensor.
- The licensee pays a fee in exchange for the rights to use the intangible property and for the technical assistance.

c. Joint Venture: Joint ventures are favoured when:

- The partner's strategic goals match while their competitive goals differ;
- The partners' size, market power and resources are small when compared to the industry leaders; and
- Partners' are able to learn from one another while limiting access to their own proprietary skills.

d. Direct Investment:

- Direct investment is the ownership of facilities in the target country.
- It involves the transfer of resources including capital, technology and personnel.

Q.No.18. Explain different Strategic Approaches for Globalization (N 08 - 6M, PM)

THERE ARE THREE MAJOR STRATEGY OPTIONS FOR GOING INTERNATIONAL:

1. **Multi-domestic Approach:**

   a) The organisation Decentralizes Operational Decisions and activities to each country in which it is operating and Customizes its products and services to each market.

   b) For years, U.S. auto manufacturers maintained decentralized overseas units that produced cars adapted to different countries and regions. For example, General Motors produced Opel in Germany and Vauxhall in Great Britain while Chrysler produced the Simca in France and Ford offered a Canadian Ford.

2. **Global Approach:**

   a) The organisation offers Standardized Products and uses Centralised Operations.

   b) **Example:** Ford is treating its Contour as a car for all world markets – one that can be produced and sold in any industrialized nation.

3. Transnational Approach:

a) The organisation seeks the best of both the multi- domestic and global strategies by globally Centralizing Operations while Tailoring products and services to the local market.

b) In other words a company 'thinks globally but acts locally'.

STRATEGIC APPROACH	OPERATIONS	PRODUCTS/ SERVICES
Multi- domestic	Decentralized	Customized
Global	Centralised	Standardised
Transnational	Centralised	Customised

COPING WITH THE ENVIRONMENT

Q.No.19. What are the different Strategic Responses to the Environment? (RTP - M13, N14 - 4M)

SOME OF THE STRATEGIC RESPONSES TO THE ENVIRONMENT ARE:

1. Conservative Approach - Least Resistance:

i) Companies with this approach are simple goal-maintaining units and they manage to survive by way of coping with their changing external environments.

ii) They are not ambitious and are least bothered about the environmental changes.

2. Cautious Approach - Proceed with Caution:

i) Firms with this approach take an intelligent interest, to adapt with the changing external environment.

ii) They try to monitor the changes in environment, analyse their impact on their own goals and activities and try to prepare specific strategies for survival, stability and strength.

3. Confident Approach - Dynamic Response:

i) Companies with this approach treat external environmental forces as partially manageable and controllable by their actions and they try to convert those threats into opportunities.

ii) Within certain limits, such firms can shape part of its external environment on reciprocal basis.

Q.No.20. Competition is Bad for Organisations. Comment? (PM, RTP- M12, MTP OCT14 - 3M)

1. **Pervasiveness:** Competition exists in any business environment and is inevitable.
2. **Effect of competition:** Competition brings the best out of the business enterprises, their quest (= search) for survival and growth.
3. **Stimulator for Growth:** Competition leads to newer products, processes, better quality in products and improved customer service.

   Hence we can say that Competition is not bad for organisations but it serves as a stimulator for their growth.

Q.No.21. Explain Michael Porter's Five Forces Model of Competition Analysis (N 11 – 3M, PM, RTP - M12)

1. **Meaning:** It is a powerful and widely used tool for systematically diagnosing the principal competitive pressures in a market and assessing the strength and importance of each. The five forces together determine an industry attractiveness / profitability.

2. **<u>Competitive Pressures:</u>** This model states that the state of competition in an industry is the result of competitive pressures operating in five areas of the overall market:

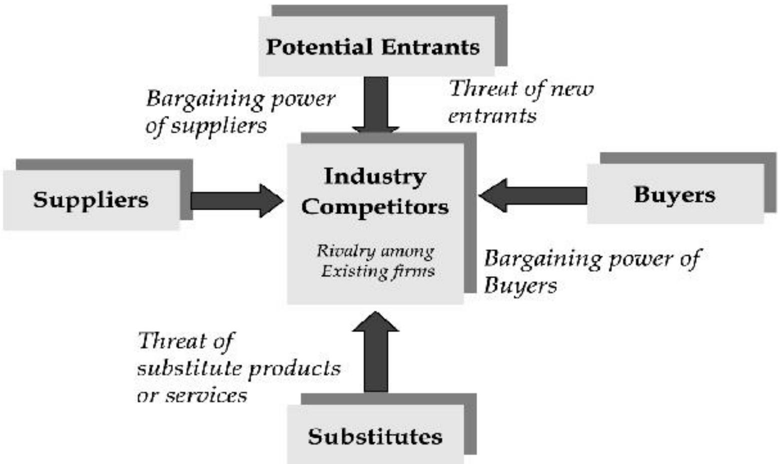
   a) Competitive Pressures associated with the market i.e. competition among <u>rival sellers</u> in the industry.

   b) Competitive Pressures associated with the threat of <u>new entrants</u> into the market.

   c) Competitive Pressures coming from companies in other industries to attract buyers towards their own <u>substitute products</u>.

   d) Competitive Pressures arising from <u>supplier bargaining power</u> & supplier-seller collaboration.

   e) Competitive Pressures arising from <u>buyer bargaining power</u> and seller-buyer collaboration.



Q.No.22. Explain the Five Forces of Porter's Competition Analysis. Under Porter's model, New Entrants are insignificant source of competition. Comment
(N09 – 10M, N11, 12 – 3M, PM, RTP- M14, MTP Oct14 - 7M)

1. **<u>Rival Sellers or Competition Proper or Existing Rivalry:</u>** Competitors influence prices as well as the costs of competing in the industry, in production facilities, product development, advertising, sales force, etc.

2. **<u>Threat of New Entrants:</u>** New entrants provide competition in the form of - (a) more capacity, (b) new product version / range, and (c) lower prices and cheaper substitutes.

Air Cooler is a better Substitute for Air Conditioner.

3. **<u>Threat of Substitute Products:</u>**

   a) Substitute products are a <u>latent / indirect source of competition</u> in an industry.

   b) Substitute products that can offer price advantage and/or performance improvement to the consumer can significantly affect the competitive character of an industry.

Intel & AMD are the two major players in the micro processors market globally. Though they are in the 1st & 2nd places, the gap between the two is enormous with Intel clearly in the lead in the global market.

4. **<u>Bargaining Power of Suppliers:</u>**

   a) Suppliers exercise bargaining power over companies through <u>specialised offering</u>. If there are only few suppliers, they can exercise more bargaining power.

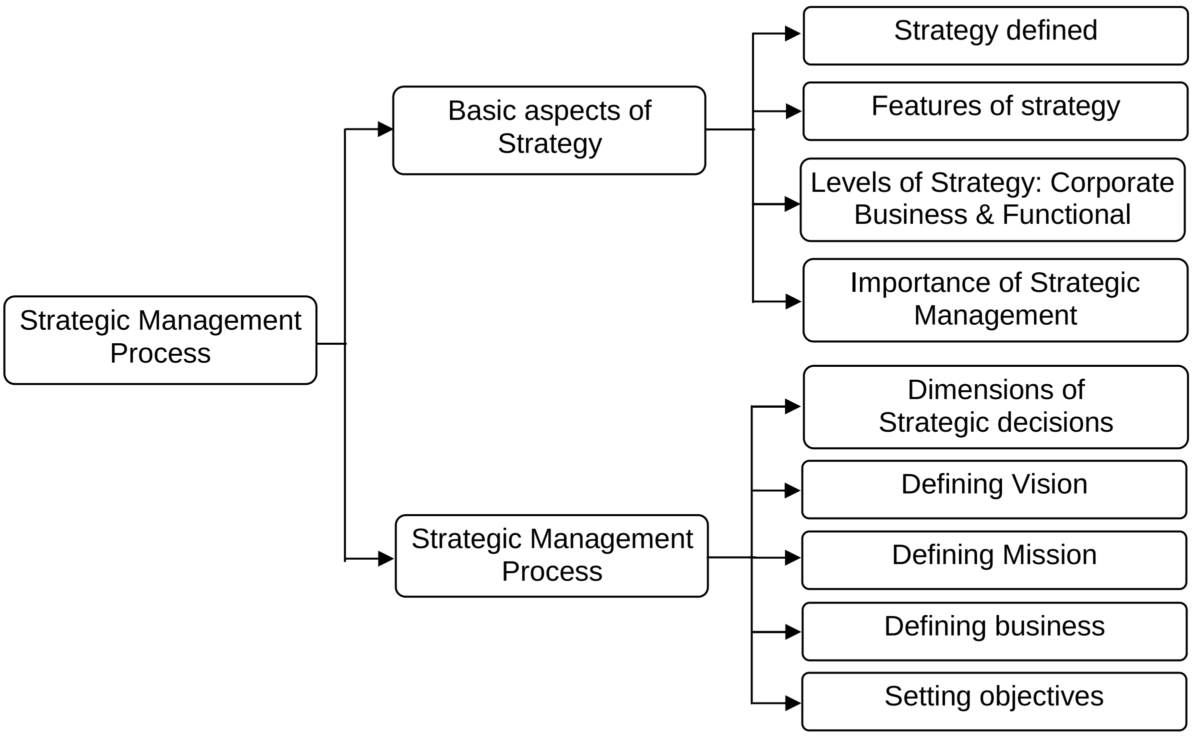
   b) Bargaining power of suppliers determine the cost of raw materials and other inputs of the industry and therefore, industry attractiveness and profitability.

5. <u>Bargaining Power of Customers:</u>

a) On account of competition, users of industrial products may come together formally or informally and bring pressure on the producer in matters such as price, quality and delivery.

b) Bargaining power of the buyers influence - (i) product prices, and also (ii) costs and investments of the producer, because powerful buyers usually bargain for better services which involve costs and investment on the part of producer.

2. STRATEGIC MANAGEMENT PROCESS



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11.	A	-	6	-	-	-	-	-	-	4	-	3	-	3	-	-	-	-	-
12.	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13.	A	-	-	-	-	-	-	-	-	-	3	-	-	-	3	-	-	-	4
14.	A	-	-	-	2	-	-	2	1	-	1	-	3	3	-	-	3	-	-
15.	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
16.	A	2	-	-	-	-	2	4	-	1	1	3	-	-	-	3	-	-	-

17.	**A**	-	-	-	**2**	-	**2**	**4**	-	-	-	-	-	-	-	-	-	-	-
18.	**B**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
19.	**A**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20.	**A**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

BASICS OF STRATEGY

Q.No.1. Explain Business Policy as a Discipline (= a field of study, branch of education) **(PM)**

1. **Definition:** Business Policy is the study of:
   - **a)** The functions and responsibilities of senior management,
   - **b)** The crucial problems that affect the success of the total enterprise, and
   - **c)** The decisions that determine the direction of the organisation and shape its future.
2. **Organised:** Business policy emphasizes on the rational and analytical aspects of strategic management and strategic decision-making.
3. **Framework:** Business policy presents a framework for understanding strategic decision-making.

Q.No.2. Define the term Strategy. Businesses can respond to hostile environment with Strategy. Comment

MEANING OF STRATEGY:

1. "Strategy is the Unified, Comprehensive, and Integrated (= included) Plan designed to assure that the basic objectives of the enterprise are achieved." - **William F. Glueck**
2. Firms can effectively deal with the hostile external environment if they adopt a strategic approach.

The following points support the given statement in the question.

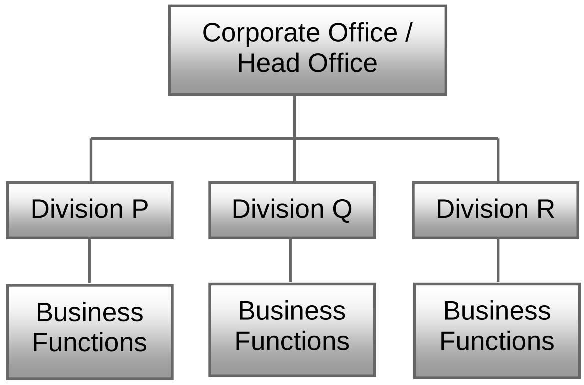
Alfred D. Chandler was one of the earliest contributors to the filed of Strategic Management. His 'Strategy and Structure' concept has been very popular.

Features of Strategy: "Without a strategy the organisation is like a ship without a rudder."

1. Strategy is a Long range Blueprint of an organisation's Desired Image, Direction and Destination.
2. Strategy is a consciously chosen and flexibly designed scheme of corporate intent (= intention, goal, target) and action:
   - **a)** To achieve effectiveness
   - **b)** To mobilise resources
   - **c)** To direct efforts and behaviour
   - **d)** To handle events and problems
   - **e)** To perceive and utilise opportunities, and
   - **f)** To meet challenges and threats to corporate survival and success.
3. "Strategic Management is not a box of tricks or a bundle of techniques. It is Analytical Thinking and Commitment of Resources to Action."

Q.No.3. State the Characteristics of a Corporate Strategy. "Strategies are not perfect or flawless. They are not a substitute for sound, alert and responsible management". Discuss. (PM)

<u>FOLLOWING ARE THE CHARACTERISTICS OF A CORPORATE STRATEGY:</u>



1. **Long-Range:** Strategy is generally long-range in nature.
2. **Action oriented:** It is action- oriented
3. **Integrated:** It is multi-branched and integrated.
4. **Flexible:** It is flexible and dynamic.
5. **Formulated at top level:** Strategy is formulated at the top level management.
6. **Purposive:** It is generally designed to deal with a competitive and difficult situation.
7. **Goal - Oriented:** It flows out of the goals and objectives of the enterprise
8. **Efficiency:** Strategy is concerned with the efficient use of the organisation's resources.
9. **Harmonised:** It provides an integrated and unified framework for managers, affecting all sub-systems in an organisation.
10. **Provision for Uncertainties**: Strategy is the art of the 'possible'. It includes provision for second-best choices, trade-offs, sudden emergencies, pervasive pressures, failures, miscalculations and unanticipated events.

Q.No.4. What are the various Strategic Levels in an organisation? (PM)

Based on the significance of decisions taken by them, following are the strategic levels of management in an organisation:

1. **<u>Corporate Level:</u>** CEO, Senior Executives, Board of Directors, and Corporate Staff.
2. **<u>Business Level:</u>** Divisional Managers, in charge of separate areas of activity and their staff.
3. **<u>Functional Level:</u>** Operational managers handling individual functions e.g. Finance, Production, Marketing, R&D, Materials, Management, Personnel, etc.

Q.No.5. Write short notes on Formulation of Strategies at Different Managerial Levels (PM)

1. Strategies are formulated at:
   a) Corporate b) Divisional and c) Functional level.
2. Corporate level Strategies are formulated by top management. They include determination of the business lines, expansion and growth, vertical and horizontal integration, diversification, takeovers and mergers, new investment and divestment areas, R & D projects, etc.
3. They <u>should be supported by divisional and functional strategies</u> about product lines, production volumes, quality ranges, prices, product promotion, market penetration, purchasing sources, personnel development, etc.

Q.No.6. Write short notes on Corporate Level Management (M15 - 3M, PM)

1. Corporate level of management consists of Chief Executive Officer (CEO), other Senior Executives, the Board of Directors and Corporate Staff.

2. Their role is to oversee the development of strategies for the whole organisation in consultation with other Senior Executives.

3. This role includes defining the mission and goals of the organisation, determining what businesses it should be in, allocating resources among the different businesses, formulating and implementing strategies that span individual businesses and providing leadership for the organisation.

Q.No.7. Write short notes on Business Level Managers (PM)

1. The Principal General Manager at the Business Level or the Business-Level Manager is the Head of the concerned division.

2. The strategic role of these managers is to translate the general statements of direction and intent that come from the corporate level into specific strategies for individual businesses.

3. They design and implement very important strategies that will contribute towards the maximization of long-run profitability. They are held responsible for the performance.

Q.No.8. What are the activities performed by Functional Level Managers? (PM)

1. Responsible for the specific business functions/ tasks/ operations (e.g. Human Resources, Purchasing, Product Development, Customer Service, etc.) that constitute a Company or one of its divisions.

2. They have a major strategic role to develop functional strategies in their area that help to fulfill the strategic objectives set by Business-Level and Corporate-Level General Managers.

3. They provide most of the information required by Business-Level and Corporate-Level General Managers to formulate realistic and achievable strategies because they are closer to the customer.

Q.No.9. What is Strategic Management? What are its objectives? Also state the Process of Strategic Management? (N 07 - 5M, PM, RTP - N11, M12, M14)

Meaning: Strategic Management refers to the Managerial process of forming a strategic vision, mission, setting objectives, crafting a strategy, implementing and executing the strategy, and making necessary corrective adjustments in the vision, objectives, strategy and execution, which are deemed appropriate, over a period of time.

Objectives: The objectives of Strategic Management are –

a. To create Competitive Advantage over rivals

b. To guide the Company through all changes in the environment.

Strategic Management process: The strategy making and implementing process consists of five inter-related managerial tasks.

1. Setting Vision and Mission.

2. Setting Objectives: Converting the strategic vision into specific performance outcomes or goals, for the Company to achieve.

3. Crafting a Strategy to achieve the desired outcomes.

4. Implementing and executing the chosen strategy efficiently and effectively.

5. Evaluating Performance & initiating corrective adjustments in vision, long-term direction, objectives, strategy or execution.

Q.No.10. Explain the Framework of Strategic Management (PM, RTP - M12, M14)

Strategic Management consists of following stages:

1. **Stage 1- Situational Analysis/ Strategic Analysis/ SWOT Analysis:**
   a. The initial stage consists of doing a situational analysis of the firm in the environmental context.
   b. The firm must find out its relative market position, corporate image, its strengths and weaknesses, and also environmental threats and opportunities.
2. **Stage 2 - Goal Setting:** After finalising its vision and mission, goals should be set for the organisation.
3. **Stage 3 - Analysis of Alternatives:** At this stage, various alternatives for achieving the goals are considered. The long-term and short-term effects of each alternative are evaluated.
4. **Stage 4 - Decision Making:** Out of all the alternatives generated in the previous stage, the firm should select the best suitable alternative, in line with its SWOT analysis.
5. **Stage 5 – Implementation & Control:** During the implementation and control stage of the appropriate strategy, the organisation should continuously perform the situational analysis (Stage 1) and repeat the stages again.

Q.No.11. Explain the Importance or Benefits of Strategic Management. Do you think that Companies should manage strategically? Discuss. (N 07 - 5M, M 12, 13 - 3M, PM, RTP- M12)

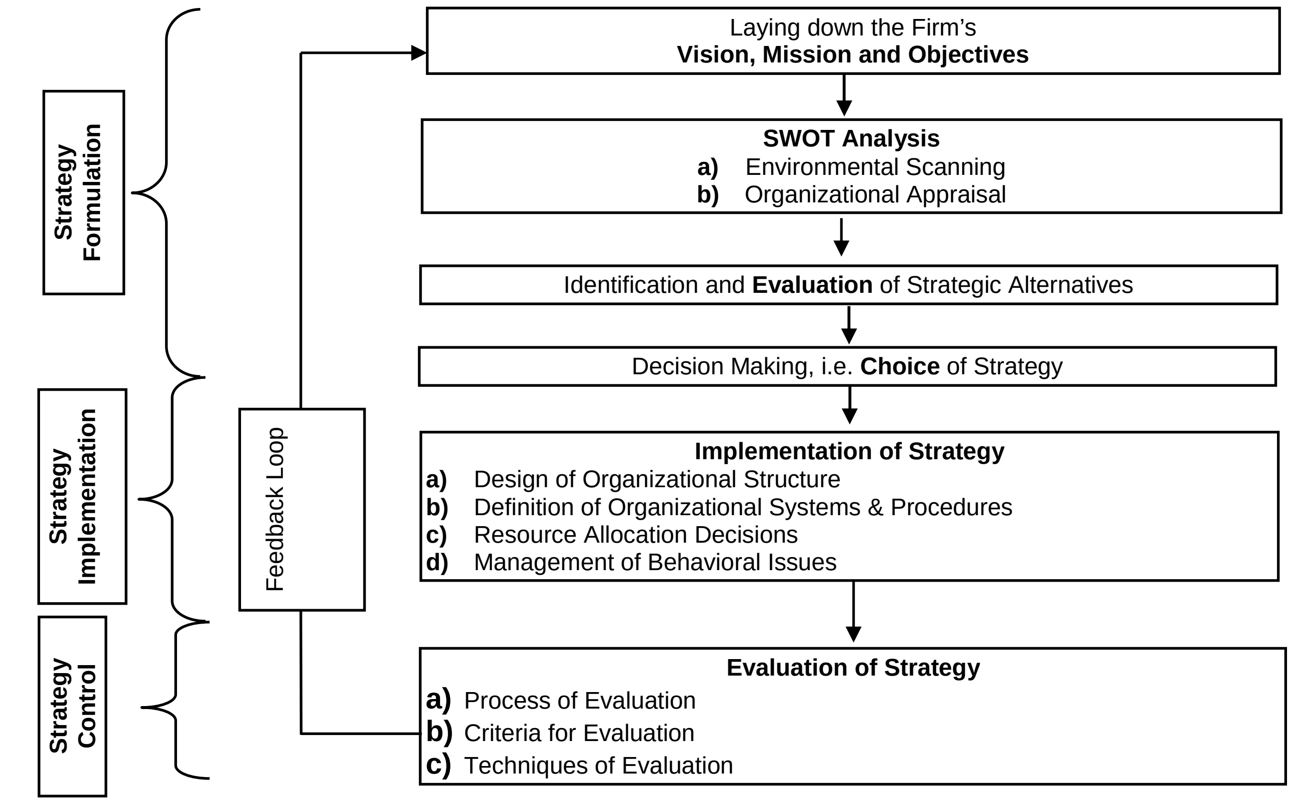
The importance of Strategic Management is highlighted as under:

1. **Framework for Decision-making:** Strategic Management provides the framework for all major business decisions.
2. **Acts as the Pathfinder:** Strategic planning works as the pathfinder to various business opportunities.
3. **Helps in building Competitive Advantages and Core Competencies:** Strategic Management provides a firm with certain core competencies and competitive advantages in its fight for survival and growth.
4. **Makes an organization future-driven:** Strategic Management is concerned with ensuring a good future for the firm.
5. **Helps in influences environmental factors and adopting them:** Strategic Management plays an important role in influencing the environmental forces in its favour.

Q.No.12. Outline the Broad Phases of Strategic Management Process?

The Strategic Management Process consists of 3 broad phases: Strategy Formulation, Strategy Implementation and Strategy Control. One must remember the fact that the process of formulating, implementing and controlling a strategy or strategies is a continuous and an ongoing process.

STRATEGIC MANAGEMENT MODEL:



Conclusion: The Strategic Management process is dynamic and continuous. Strategy Formulation, Implementation and Evaluation activities should be performed on a continuous basis, not just at the end of the year or semi-annually.

Q.No.13. List the Features/ Major Dimensions of Strategic Decision Making.
(N 11, 13 – 3M, PM, RTP - M13, N14)

The features / major dimensions of Strategic Decisions are:

1. **Top-Management:** Problems calling for strategic decisions should be considered by top management.
2. **Commitment of Resources:** Strategic issues involve commitment of resources i.e. large amounts of Company's financial investment.
3. **Long-Term Effect:** The results of strategic implementation should be analysed and reviewed on a long term basis and not immediately.
4. **Future oriented:** Strategic thinking involves predicting the future environmental conditions and how to orient for the changed conditions.
5. **Multi-functional Effects:** Strategic decision making involves an organisation in its totality. They affect different sections of the organisation with varying degrees.
6. **Analysis of Environmental factors:** Strategic decision-making in organisation involves orienting its internal environment to the changes of external environment.

Q.No.14. What do you mean by Strategic Vision? What are its elements?
(N12 - 3M, PM, RTP - M12, N14)

Vision is what a firm or a person would ultimately like to become. It expresses the position that a firm would like to attain or achieve in the distant future.

Meaning: A Strategic Vision:

a) a roadmap of a company's future,

b) Providing details about technology and customer focus, the geographic and product markets to be pursued, and

c) The capabilities it plans to develop and the kind of company that the management is trying to create.

Elements of Strategic Vision:

a) Through vision statement, a firm conveys its ambitions i.e. where exactly it would like to reach and what it would like itself to be.

b) A vision serves as a reference point in developing the objectives as well as the strategies of the firm.

c) Good visions are clear, inspiring and motivating.

d) A vision helps the people at various levels in an organisation to understand in what direction they should move.

Q.No.15. How to develop Strategic Vision?

a) The entrepreneurial challenge in developing strategic vision is to think creatively about how to prepare a company for the future.

b) Forming a strategic vision is an exercise in intelligent entrepreneurship.

c) A well prepared strategic vision creates enthusiasm for the direction management has selected and involves members of the organisation.

d) The best worded vision statement clearly and confidently explains the direction in which organisation is headed.

Q.No.16. What do you mean by Mission? Bring out its features. (PM, RTP - N11, N14)

Mission:

a) Mission is defined as "an Enduring Statement of Purpose that distinguishes one organisation from other similar organisations".

b) The mission is the Purpose or reason for the organisation's existence.

c) A mission statement specifies 'this is what we are', 'this is what we stand for' and 'this is what we all about'

The mission is a firm's guiding principle, common purpose which the entire firm shares and pursues.

Examples:

1. "To be either No.1 or No. 2 Company in whatever the business we enter into."

2. "To stimulate, continue and accelerate efforts to develop and maximise the contribution of the energy sector to the economy of the country."

Features:

a) It helps to define performance standards.

b) It is an expression of the growth ambition of the firm, i.e. a grand design of the firm's future.

c) It satisfies the firm's presence and existence i.e. what purpose it seeks to achieve as a business firm.

d) Corporate Vision is expressed / spelt out through the Mission. Vision comes alive, through the Mission.

e) It inspires employees to work more productively by providing focus and common goals.

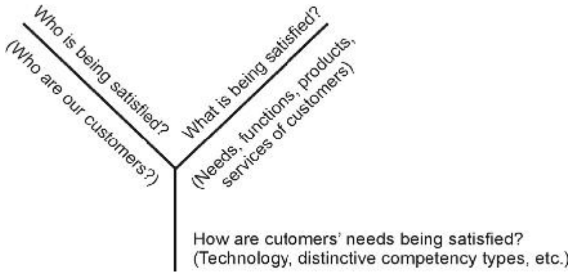
Q.No.17. What are the Guidelines in the Formulation of Mission Statement?
(N09 - 2M, M10 - 4M, PM, RTP - N11)

The following guidelines should be kept in mind while formulating mission statement for a company:

1. A mission statement should give special identity to the organisation, business emphasis and path for development.
2. This should be specified in the Mission.
3. Mission statements should be highly personalized i.e. unique to the firm.
4. Profit making should not be the only mission of a business.
5. Mission statements should contain elements of long-term strategy as well as desired outcomes.
6. Mission statements should be precise, clear, feasible, distinctive and motivating.
7. Mission statements should serve as justification for the presence and existence of the firm.

Q.No.18. According to Peter F. Drucker every organisation must ask an important question "What Business are We in?" – Elucidate.

To ensure continued evolution of growth, an organisation must define their business in a broader sense to take advantage of the growth opportunities that emerge over time. They must continuously understand and act on their customers' needs and desires. A company should define the purpose of its business in 3 dimensions.



REVLON

"In the factory we make cosmetics. In the drug store we sell hope." – Charles Revson.

According to Derek F. A. bell, defining a business involves answering three basic questions.

a) What is our Business?
b) What will it be?
c) What should it be?

E.g.1:

Organisation	*Production - Oriented Answer (Internal Perspective)*	*Marketing - Oriented Perspective (External Perspective)*
Indian Railways	*We run a railroad system .*	*We offer a public transportation and material-handling system.*
IndianOil	*We produce oil and gasoline products.*	*We provide various types of safe and cost-effective energy.*
Kodak	*We make cameras and film.*	*We help people to preserve beautiful memories.*

Pitfalls of narrowly defining a business: Traditionally, firms viewed their businesses as one of producing some goods. They used to set their future plans around the production of more of those goods. Organisations that define their businesses too narrowly dig their own graves. They develop short sightedness over a period of time and get unrecognised in the market in the long run.

Q.No.19. What do you mean by Objectives?

The accomplishment of vision and mission of an organisation requires the formulation of objectives.

1. Objectives are the performance targets of an organisation.
2. They act as benchmark for measuring the performance and progress of an organisation.
3. Business organisations should translate their vision and mission into objectives.
4. Objectives provide the basis for strategic decision making.
5. Goals are open - ended in nature and they denote the future states or outcomes. Objectives are close - ended attributes which are more precise and specific.

However, the terms "Objectives" and "Goals" can be used interchangeably.

Q.No.20. State the Characteristics of Objectives

OBJECTIVES SHOULD:

1. Define the organisation's relationship with its environment.
2. Facilitate achievement of mission and purpose.
3. Provide the basis for strategic decision-making
4. Provide standards for performance appraisal.
5. Be understandable.
6. Be concrete and specific.
7. Relate to a time frame.
8. Be measurable and controllable.
9. Be challenging enough to motivate people into performance.
10. Be correlated and inter-related with each other.
11. Be set within constraints.

An objective should satisfy the SMART principle.

S - Specific

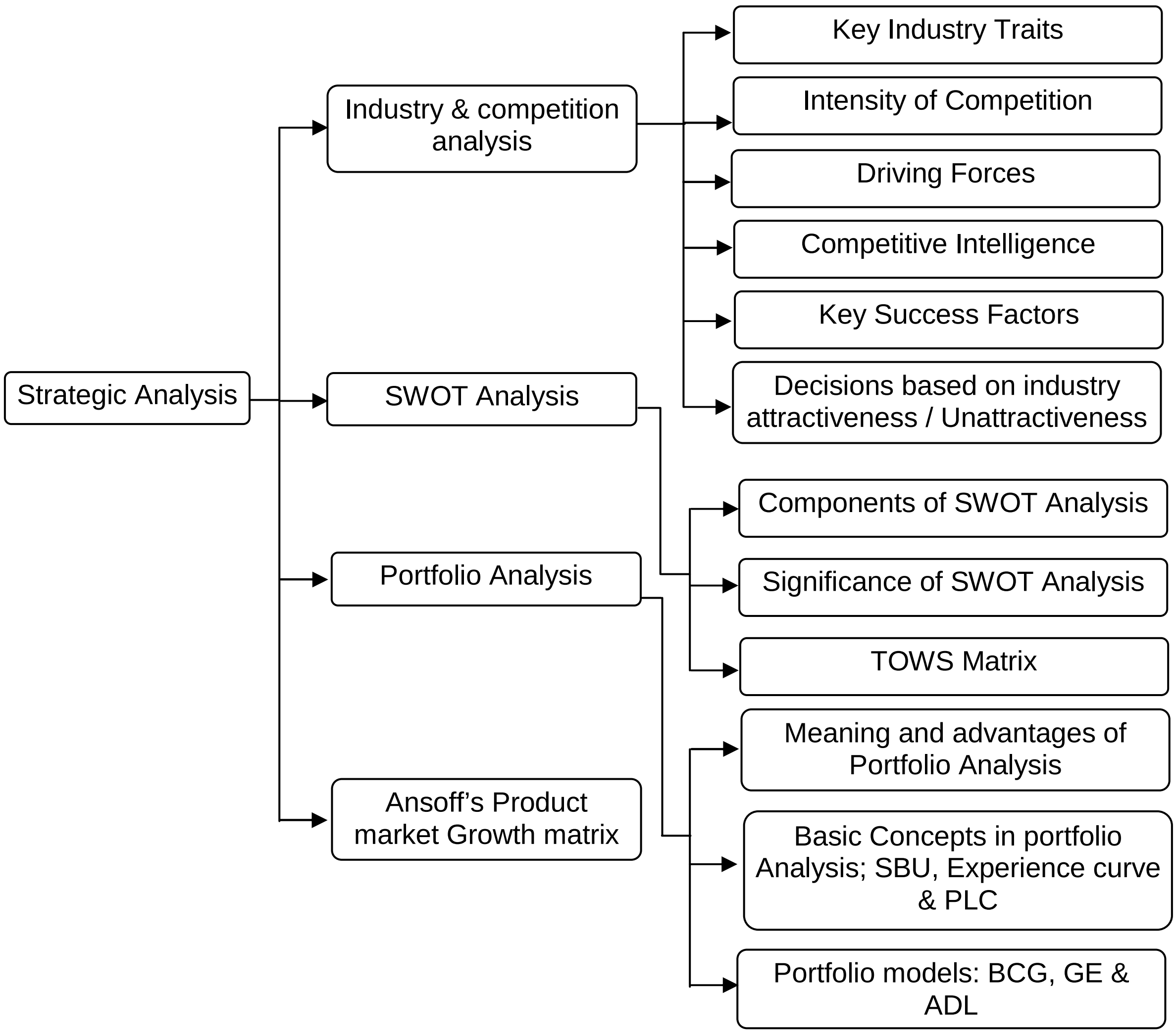
M - Measurable

A - Achievable or Attainable

R - Realistic

T - Time bound

3. STRATEGIC ANALYSIS



QUESTION - WISE ANALYSIS OF PREVIOUS EXAMINATIONS

Q. No.	CATEGORY	M-07	N-07	M-08	N-08	M-09	N-09	M-10	N-10	M-11	N-11	M-12	N-12	M-13	N-13	M- 14	N- 14	M-15	N-15
1.	A	-	-	-	-	-	-	-	-	-	-	4	-	-	-	-	-	-	-
2.	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3.	A	-	-	-	-	-	-	-	-	1	-	1	-	-	-		-	-	-
4.	A	-	-	2	-	-	-	-	-	-	-	-	-	2	-	-	3	-	-
5.	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2	-	-
6.	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7.	C	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8.	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9.	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10.	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3	-	-	-
11.	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2
12.	A	-	-	-	-	-	-	-	-	-	-	-	2	-	-	-	-	-	-
13.	A	-	-	2	-	2	-	-	1	-	-	-	4	-	4	7	-	-	-
14.	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15.	A	2	2	-	-	10	-	4	-	-	4	-	-	-	7	-	-	3	-

16.	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
17.	A	-	-	-	-	-	-	-	-	-	-	-	1	-	-	-	-	-	-
18.	A	-	-	-	-	-	-	-	4	-	-	2	-	3	-	-	4	-	-

Q.No.1. What are the Elements to be considered in conducting a "Strategic Situational Analysis"? (M 12 – 4M, PM, RTP – M13)

<u>Introduction:</u> Before developing any strategy it is very important to conduct some form of situational analysis. This is an essential part of any business plan and should be reviewed over a period of time to ensure that it is kept current. The elements to be considered in "Strategic Situational analysis" are:

1. **Product:** The nature of the product produced by the company should be analysed with respect to its utility, life, need satisfying ability, cost, price, re-using possibility, etc.
2. **Competition:** The main competitors, their expected moves, their competitive advantages, etc. should be reviewed carefully in order to adjust our strategies.
3. **Distribution:** The company's distribution channel should be reviewed i.e. ways of capturing the market and the mode through which the products are to reach the prospective (=potential) customers i.e. through distributors or direct selling to customers.
4. **Environment:** The external and internal environmental factors, including economic or sociological factors, that have an impact on the firm's performance, should be listed for situational analysis.
5. **Strengths, Weaknesses, Opportunities and Threats:**
   - Current opportunities that are available in the market,
   - The main threats that business is facing and may face in the future,
   - The strengths that the business can rely on and
   - Any weakness that may affect the business performance, are to be considered.

INDUSTRY AND COMPETITION ANALYSIS

Q.No.2. List out the factors to be considered in Industry and Competition Analysis. (RTP– M13)

A business firm should consider the following factors in its industry and competition analysis.

a) Key industry traits i.e. dominant economic features of the industry.

b) Nature and strength (i.e. intensity) of the competition.

c) Triggers (i.e. driving forces) of industry change.

d) Market position i.e. identifying the companies that are in the strongest / weakest positions.

e) Competitive intelligence i.e. expected strategic moves of rivals.

f) Key Success Factors.

g) Industry's profit outlook, i.e. prospects and financial attractiveness of the industry.

Q.No.3. Write short notes on Strategic Group Mapping (or) How should the Market position of rivals / competitors be analysed?

1. **<u>Meaning:</u>** Strategic Group Mapping is one of the analytical tools/techniques, which helps in evaluating the market positions of the competitors/rivals in the industry, by comparing the market positions of each firm separately or for grouping them into similar positions.

2. **Procedure:**

Step	Description
1.	Identify the competitive characteristics that differentiate firms in the industry.
2.	Plot the firms on a two-variable map, using pairs of differentiating characteristics.
3.	Classify firms that follow the same strategy into one strategic group.
4.	Determine the position of each strategic group, on the basis their share in the total industry sales revenue.

Q.No.4. What are the characteristics of a Strategic Group?
(PM, RTP - N11, MTP - Oct14, N14 - 3M)

1. **Meaning:** A strategic group consists of rival firms with similar competitive approaches and positions in the market.
2. **Areas:** Companies in the same strategic group have similarity in any one or more of the aspects like, Product – lines, Product attributes, Price / Quality range, Distribution and Marketing Channels, Technological approaches, Services and technical assistance of buyers.

Q.No.5. What are the Key Success Factors for competitive success? (PM, RTP - M12)

1. **Meaning:** Key Success Factors (KSFs) are the elements that influence the ability of a firm to succeed in the market place. They influence a company's financial or competitive success in an industry.
2. **Areas:** Some of the Key Success Factors of a business are:
   - **a.** Strategic advantages in production, marketing, etc.
   - **b.** Product attributes and strengths,
   - **c.** Internal and External Resources,
   - **d.** Core Competencies,
   - **e.** Competitive capabilities, and

Q.No.6. Explain the Process of Identifying the Key Success Factors of an industry

1. KSFs are determined based on elements like:
   - **a)** Basis on which the customers choose between competing brands of sellers,
   - **b)** Product attributes which are crucial in influencing the behaviour of buyer,
   - **c)** Resources and competitive capabilities a seller needs in order to be successful, and
   - **d)** Way in which the sellers achieve a sustainable competitive advantage.
2. Managers should understand the industry situation well, to know what is more important to competitive success and what is less important.

Q.No.7. What are the Possible Decisions based on Industry Attractiveness / Unattractiveness?

Decisions if the Industry is "Attractive"	Decisions if the Industry is "Unattractive"
1. Strengthen the Long-term Competitive Position in the Business. **2.** Expand Sales Efforts.	**1.** Invest Cautiously. **2.** Look for ways to protect the Long-term Competitiveness and Profitability.

3. Invest in Additional Facilities and Equipment as needed.	**3.** Acquire Smaller firms if the price is right. **4.** Diversification into more attractive businesses.

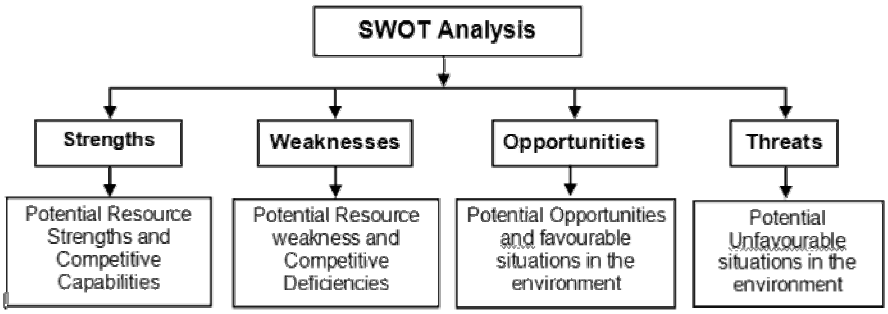
Attractiveness is relative but not absolute. Industry environment will look unattractive to weak competitors and may be attractive to strong competitors.

SWOT ANALYSIS

Q.No.8. What do you mean by SWOT ANALYSIS? (PM, RTP - M12)

SWOT analysis enables a firm in the identification of strategic alternatives by analysing its various internal strengths and weaknesses, external opportunities and threats. The components of SWOT analysis are:

1. **Strength:** An Inherent Capability of the firm to gain strategic advantage over its competitors.
2. **Weakness:** An Inherent Limitation or Constraint of the firm which creates strategic disadvantage to it.
3. **Opportunity:** It is a Favourable Condition in the firm's environment which enables it to strengthen its position.
4. **Threat:** An Unfavourable Condition in the firm's environment which causes a risk for, or damage to the firm's position.



Q.No.9. Explain the Significance of SWOT Analysis. (PM, RTP - M12, M14 - 3M)

1. **Logical Framework:** SWOT analysis provides a logical framework for systematic and sound analysis of issues which show impact on - (i) business situation, (ii) generation of alternative strategies, (iii) Choice of strategy.
2. **Comparative analysis:** It presents the information in a structured manner so as to compare external opportunities and threats with internal strengths and weaknesses.
3. **Strategy Identification:** **SWOT** analysis helps to identify appropriate strategies.
4. **To analyse organisation's performance:** An organisation's performance in market place is influenced by 3 factors: Organisation's current market place, Nature of environmental opportunities and threats and Organisation's capability to capitalise the opportunity and its ability to protect against threats.

Q.No.10. Write short notes on TOWS matrix. How can TOWS Matrix be used for analyzing strategic situation of a company? (PM, RTP - N14, MTP Sept, Oct - 14)

1. Heinz Weihrich has developed a matrix called TOWS Matrix by comparing the strengths and weaknesses of an organization (internal) with that of market opportunities and threats (external).

2. TOWS Matrix uses the inputs viz. Strengths, Weaknesses, Opportunities and Threats.
3. This matrix takes into account various environmental and organizational factors, so as to facilitate strategy formulation and ensure efficient utilisation of organisational resources.
4. The various combinations in TOWS Matrix are given below:

TOWS Matrix
Heinz Weihrich

Internal Environmental factors

External Factors

	Organisational Strengths	Organisational Weaknesses
Opportunities	**Strength & Opportunity (SO):** To capitalize or build upon existing or emerging opportunities based on available strengths.	**Weakness & Opportunity (WO):** » To overcome organizational weaknesses if existing, » To exploit/utilize emerging opportunities.
Threats	**Strength & Threat (ST):** To minimize existing or emerging threats.	**Weakness & Threat (WT)** » To minimize or overcome weaknesses, » To cope with existing or emerging threats as far as possible.

PORTFOLIO ANALYSIS

Q.No.11. What do you mean by Portfolio Analysis (in the context of Strategic Management)? (N 12 -2M, RTP – M13)

1. A business portfolio is a collection of businesses and products that make up the company.
2. In the context of Strategic Management, Portfolio analysis can be defined as a set of techniques that facilitate in taking strategic decisions with regard to individual products or businesses in a firm's portfolio.
3. Portfolio analysis is a tool by which management identifies and evaluates various businesses, product-lines, business units and investments of the company and the returns expected / obtained from them.

HUL is maintaining more than 150 products in its portfolio.

Q.No.12. Bring out the Advantages of Portfolio Analysis.

1. **Channelisation of Resources:** Portfolio approach helps a multi - product, multi - business firm to channelise its resources (at the corporate level) to the businesses that have greater potential.
2. **Strategy Formulation:** Based on the portfolio analysis, firms will develop growth strategies for adding new products or businesses to the portfolio.

Q.No.13. What are the important concepts in the context of Portfolio Analysis?

The three important concepts in the context of Portfolio Analysis are:

1. **Strategic Business Unit (SBU):**

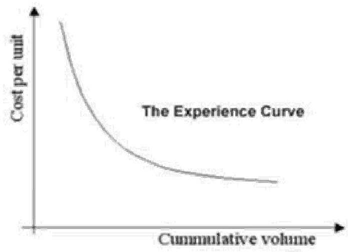
   Meaning:

   a) SBU is a unit of the company that has separate vision and objectives, and which can be planned independently from other businesses of the company.

b) SBU can be a company division, or a product line within a division, or even a single product or brand.

c) Every SBU has a manager who is responsible for strategic planning and profit.

2. Experience Curve:

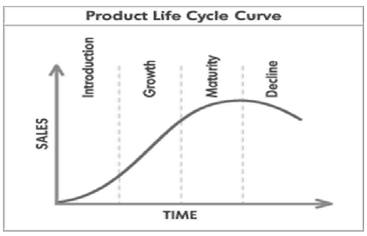


a) Meaning: The concept of Experience Curve is based on common experience that Average Cost per unit declines as a firm accumulates experience in terms of volume of production.

b) Factors: It results from factors like – (i) Learning Effects, (ii) Economies of Scale, iii) Product Re-design, and (iv) technological improvements in production.

3. Product Life Cycle: PLC is an S-shaped curve which shows the relationship of sales with respect to time that passes through the four successive stages explained below:

Aspect	Introduction	Growth	Maturity	Decline
Sales volume	Initial stage, hence low	Rise in sales levels at increasing rates.	Rise in sales levels at decreasing rates.	Sales level off an then start decreasing.
Price of products	High levels to cover initial costs and promotional expenses.	Retention of high level prices except in certain cases.*	Prices fall closer to cost, due to the effect of competition.	Gap between price and cost is further reduced.
Ratio of SOH to Sales	Highest, because of the efforts needed to inform potential customers.	The ratio of SOH to sales is reduced due to increase in sales.	Ratio reaches a normal % of sales. Such normal % becomes the industry standard.	Reduced sales promotional efforts because the product is no longer in demand.
Competition	Negligible and insignificant.	Entry of large number of competitors.	Fierce competition.	Starts disappearing due to withdrawal of products.
Profits	Nil, due to heavy initial costs.	Increase at a rapid speed.	Normal rate of profits since costs and prices are normalised.	Declining profits.



Q.No.14. List some various models of Portfolio Analysis.

1. Boston Consulting Group (BCG) Growth – Share Matrix.
2. General Electric (GE) Matrix.
3. Arthur D. Little (ADL) Matrix.

Q.No.15. Explain the BCG Growth- Share Matrix.
(M 09 – 10 M, N 11 – 4M, PM, RTP - N11, M12, N14)

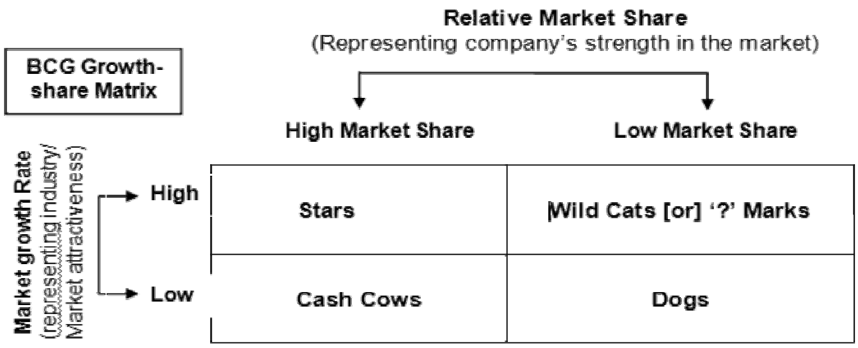
BCG matrix helps a multi-business or multi-product firm in allocating its resources among its various SBUs in a scientific manner and selecting appropriate strategies.

The 2 parameters used in BCG matrix are:

1. Relative market share of SBUs
2. Market / Industry growth rate of SBUs

BCG
THE BOSTON CONSULTING GROUP

The Boston Consulting Group is a global management consulting firm and is recognised as one of the most prestigious management consulting firms in the world.



BCG – Concept

Stage 1	Evaluation of relationship between Growth and Market share.
Stage 2	Classification of SBUs into – (a) Stars, (b) Cash Cows, (c) Question Marks and (d) Dogs.
Stage 3	Determination of Strategy – (a) Build, (b) Hold, (c) Harvest and (d) Divest

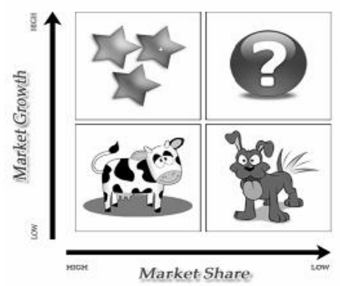
1. **Stage 1:** Under the BCG approach, a company classifies its different businesses on a two-dimensional Growth – Share matrix. In this matrix:
   - **a)** Vertical axis represents Market Growth Rate and provides a measure of Market Attractiveness.
   - **b)** Horizontal axis represents relative market share and serves as a measure of company strength in the market.

2. **Stage 2:** Using the BCG matrix, firms can identify 4 different types of products or SBUs:

Item	Features
Stars – Products or SBUs that grow rapidly	**a)** Stars can generate their own internal cash flows in view of: **i)** Low cost advantage, **ii)** Large scale economies, **iii)** Cumulative production experience. **b)** Some stars can meet investment requirements from their own internal cash flows while others need additional investments. **c)** They represent best opportunities for expansion.
Cash Cows Low growth, high market share SBUs or products.	**a)** They generate cash and have low costs. **b)** They are established, successful and need less investment to maintain their market share. **c)** In the long run, when the growth rate slows down, Stars become Cash Cows.

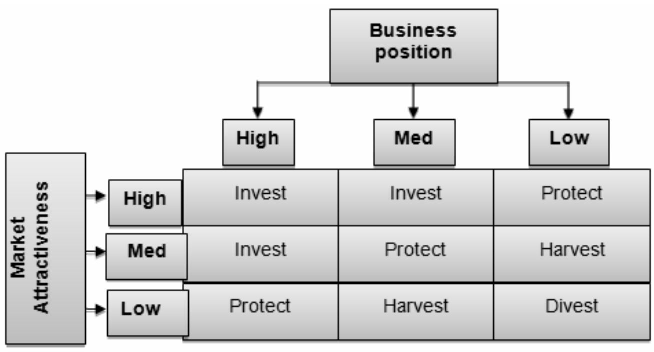
Question Marks or Problem Children or Wild Cats	**a)** Low market-share business in high-growth markets. **b)** They need heavy investments but have low potential to generate cash. **c)** Question marks if left unattended may become cash traps.
Dogs – Low growth, low share SBUs & products	**a)** They may generate enough cash to maintain themselves, but do not have much future. **b)** Sometimes they may need cash to survive. **c)** Dogs should be minimised through divestment or liquidation.

3. **Stage 3:** After classifying the SBUs as above, the role of each SBU is determined on the basis of the following strategies. The four strategies that help to determine the role of SBUs are:



   a) **Build (Stars):** To increase market share, even by foregoing short-term earnings in favour of building a strong future with large market share.
   b) **Hold (Question Marks):** To preserve market share.
   c) **Harvest (Cash Cows):** To increase short-term cash flows, irrespective of long-term effect.
   d) **Divest (Dogs):** To sell or liquidate the business because resources can be better used elsewhere.

Q.No.16. Explain the General Electric (GE) Model of Portfolio Analysis. ("Stop- Light" Strategy Model) (PM, RTP - M14)



1. **<u>Factors/ Dimensions:</u>** The General Electric Model is similar to the BCG Growth Share Matrix. The two dimensions analysed in GE Model are – (a) Market Attractiveness, and (b) Business position.

2. **<u>Evaluation of SBU:</u>** Each SBU is labeled as high, medium or low, on the above dimensions. The following criteria are adapted for evaluation of SBU:

Evaluating Competitive Strength/ Business Position	Evaluating Market Attractiveness
• Size • Growth • Share by segment • Customer loyalty • Margins • Distribution • Technology skills • Patents	• Size • Growth • Customer satisfaction levels • **Competition:** Quality, Types, Effectiveness, Commitment • Price levels • Profitability • Technology

• Marketing • Flexibility • Organisation	• Government regulations • Sensitivity to economic trends.

3. **<u>Strategy:</u>** Overall ratings for both dimensions are calculated for each SBU. Appropriate strategy (as indicated in the above matrix) is adopted based on the classification of SBU.

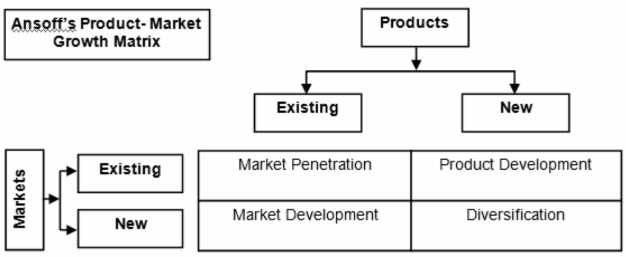
Q.No.17. Explain the ADL Matrix. (N 12 - 1M)

Arthur D. Little consulting company developed the ADL matrix in the late 1970. It involves a 2 dimensional matrix based on 2 parameters.

1. **<u>Firm's competitive position:</u>** The five categories for competitive position are as follows
   a. **Dominant:** This is rare and typically short lived. The competition is very less, usually as a result of bringing a brand new product to the market or by building an extremely strong reputation in the market.
   b. **Strong:** Here the firm's market share is strong and stable, regardless of what its competitors are doing.
   c. **Favourable:** Here the firm's business line enjoys competitive advantage in certain segments of the market. However, there are many competitors of equal strength and the firm has to work to maintain its competitive advantage.
   d. **Tenable:** The firm's position in the overall market is small, and the market share is based on a niche, a strong geographic location, or some other product differentiation.
   e. **Weak:** Here, there is a continuous loss of market share and the firm's business line is too small to maintain profitability.
2. **<u>The state of industry maturity:</u>** There are 4 categories of industry maturity (also referred to as industry life cycle).
   a. **Embryonic:** This is the introduction stage, characterised by rapid market growth, very little competition, new technology, high investment & high prices.
   b. **Growth:** The industry continues to strengthen, sales increases, few competitors exist and the company enjoys rewards for bringing a new product to the market.
   c. **Mature:** The industry is stable, there is a well-established customer base, market share is stable, there are lots of competitors and energy is put to differentiate from competitors.
   d. **Aging:** Demand decreases, companies start abandoning the market, the fight for market share among remaining competitors gets too expensive & companies begin leaving or consolidating until the markets demise.

Q.No.18. Explain the Growth Strategies under Ansoff's Product- Market Growth Matrix. (PM)

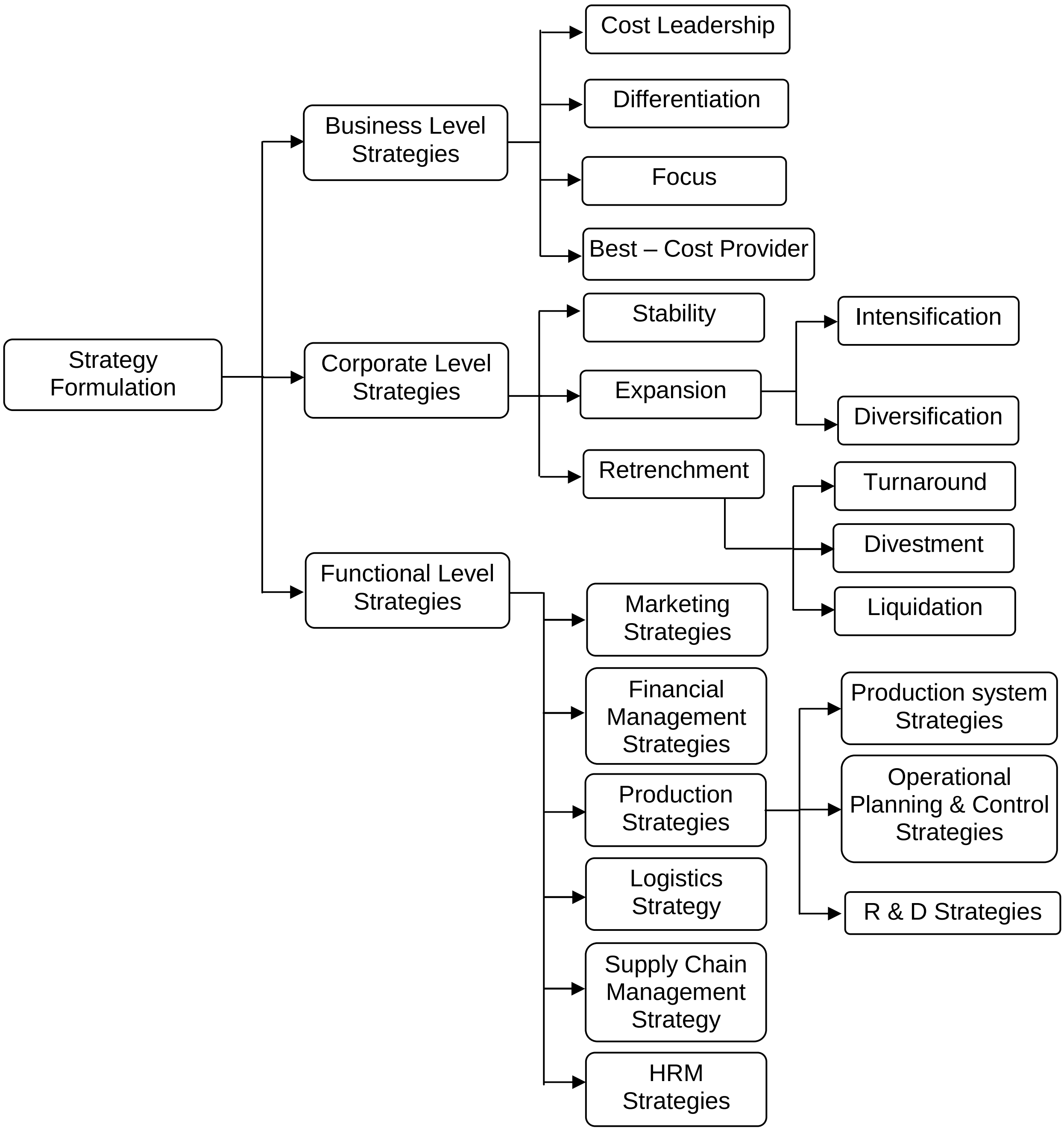
Igor Ansoff's Product Market Growth Matrix helps businesses to decide their product and market growth strategy on the basis of following
:



Igor Ansoff is popularly known as the father of Strategic Management. His product market growth matrix has been very popular

Strategy	Meaning	Explanation
Market Penetration 	To sell Existing Products into Existing Markets	**1.** Penetration i.e. making increased sales to present customers, without changing products in a major way, might require greater spending on advertising or personal selling. **2.** Market Penetration can be achieved by: • Increasing Product Usage/ Utilities, • Increasing the frequency of usage,
Market Development 	To sell Existing Products into New Markets	This strategy may be achieved through: • New Geographical Markets, • New Product Dimensions or Packaging, • New Distribution Channels, • Different Pricing Policies to Attract Different Customers, • Creating New Market Segments.
Product Development SAMSUNG	To introduce New Products into Existing Markets	**1.** The company seeks growth by offering modified or new products to current markets. **2.** Product Development can be achieved by: • Adding new features to the product (product refinement), • Developing a new generation product
Diversification ITC Limited	To sell New Products in New Markets.	• It involves starting up or acquiring businesses outside the company's current products and markets. • This strategy is risky, because it does not rely on either the company's successful product or its position in already established markets.

4. STRATEGY FORMULATION



QUESTION - WISE ANALYSIS OF PREVIOUS EXAMINATIONS

Q. No.	CATEGORY	M-07	N-07	M-08	N-08	M-09	N-09	M-10	N-10	M-11	N-11	M-12	N-12	M-13	N-13	M- 14	N- 14	M-15	N-15
1.	A	-	-	-	-	-	-	-	-	1	-	-	4	-	-	3	-	-	-
2.	A	-	-	-	2	-	-	-	-	-	-	-	3	-	2	-	-	-	-
3.	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.	A	-	-	-	-	-	-	-	-	1	-	-	-	3	-	-	-	-	-
5.	A	-	-	-	-	-	-	3	-	-	-	-	-	-	-	-	-	-	-
6.	A	-	-	-	-	-	-	3	-	-	-	-	-	-	-	-	-	-	-
7.	A	-	-	-	-	-	-	4	-	-	-	-	-	-	-	-	-	-	-
8.	A	-	-	-	-	-	-	-	-	-	-	-	1	-	-	-	-	-	-

9.	A	8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10.	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2	-	-	-
11.	C	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13.	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4
14.	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15.	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
16.	A	-	-	-	-	2	-	-	3	-	-	-	3	-	-	-	1	-	3
17.	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.	A	-	2	-	-	-	-	-	2	-	3	-	-	-	4	-	-	-	-
19.	C	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20.	A	-	-	2	-	-	-	-	-	-	-	-	-	-	-	-	-	7	-
21.	A	-	2	-	-	-	-	-	-	-	-	-	-	-	-	-	3	-	-
22.	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
23.	A	-	-	10	-	-	-	2	-	-	-	-	-	-	-	-	-	-	-
24.	A	-	-	-	-	-	-	-	1	-	1	-	3	-	-	-	-	-	-
25.	A	-	-	-	-	-	-	-	1	-	-	-	-	-	-	-	-	-	-
26.	A	-	-	-	-	-	-	-	-	1	-	-	-	-	-	-	-	-	-
27.	A	-	-	-	-	-	-	-	-	-	-	-	-	-	3	-	-	-	-
28.	A	-	-	-	-	2	-	-	3	-	-	-	-	4	-	-	3	-	-
29.	A	-	-	-	-	-	-	-	-	1	3	2	1	-	-	-	-	2	
30.	A	-	-	-	-	-	-	-	-	-	3	-	-	-	-	-	-	-	-
31.	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
32.	A	-	-	-	-	-	-	-	-	4	-	-	-	2	-	-	-	-	-
33.	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
34.	A	-	-	-	-	-	-	-	-	-	-	1	-	-	-	3	-	-	-
35.	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
36.	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
37.	A	-	-	-	2	-	-	-	-	-	1	-	-	-	4	-	-		3
38.	A	-	-	-	-	-	-	-	-	-	3	-	-	-	7	-	-	-	-
39.	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
40.	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3	-	-	-
41.	A	-	-	-	-	-	-	-	-	-	3	-	3	-	-	-	-	-	3
42.	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Q.No.1. What is Corporate Strategy? Bring out its Features. (Or) Outline the Need for Corporate Strategy (N 12 - 4M, M 14 - 3, PM, RTP - N14)

1. Corporate strategy consists of competitive moves and business approaches to produce successful performance. It is the objective – strategy design of the firm.
2. **Features of corporate strategy:**
   a) **Alignment:** It ensures that the firm aligns itself with the external environment effectively.
   b) **Balance:** It helps to achieve balance between the firm's objectives and actual performance.
   c) **Competitive Advantages:** It helps to identify, create and maintain competitive advantage for the firm.
   d) **Decision-making:** It is concerned with choice i.e. changes / additions / deletions to the firm's products, markets, distribution channels, production technologies, etc.
   e) **Enterprise-wide Effect:** It has entity-wise effect i.e. any corporate strategy has its effect on every department / activity of the firm.

f) **Futuristic:** Corporate strategy focuses on shaping the future of the firm.

g) **Growth:** Strategy is intended to facilitate the firm's growth by gainfully using the available opportunities and effectively managing the threats.

h) **Proactive and Reactive:** A company's strategy is a combination of – (a) pro-active actions of the firm to improve its market position and performance, and (b) re-active measures to face unanticipated developments and new environmental conditions.

Q.No.2. Strategy of a company is partly Pro-active and partly Re-active. Explain
(N12 - 3M, PM, RTP - M14, MTP Oct14 - 3M)

Yes, the given statement is true. A company's strategy is an effective combination of – (a) pro-active actions of the firm to improve its market position and performance, and (b) re-active measures to face unanticipated developments and new environmental conditions.

A Company's Strategy is a judicious blend of

Pro-active Measures
i.e. careful planning and deliberate management

- To take 'charge' of external opportunities,
- To strengthen the firm's market position and performance

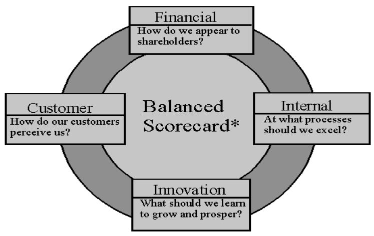
Reactive Measures
i.e. adapting or responding to environmental changes

- To manage unforeseen development & changes,
- To adjust, adapt and to avoid unanticipated threats.

Thus, designing a strategy involves blending together a proactive/intended strategy and then adapting as circumstances surrounding the company change or better options emerge i.e. a reactive/adaptive strategy.

Q.No.3. Explain the Balanced Score Card Approach in setting objectives

1. It is an approach advocated by Kaplan & Norton.
2. Balanced Score Card is a set of financial and non-financial measures, which provides a view of the Firm's overall performance.
3. The Balanced Scorecard Approach for measuring a company's performance requires setting both financial and strategic (non-financial) objectives and tracking their achievement.



BUSINESS- LEVEL STRATEGIES

Q.No.4. Write short notes on Michael Porter's Generic Strategies (M 10 - 10M, RTP - M12)

1. **Classification:** According to Michael Porter, Generic or basic strategies allow organisations to gain competitive advantage from 3 different bases:

   a) **Cost Leadership:** Producing standardised products at a very low cost per unit, for price-sensitive consumers.

b) Differentiation: Producing <u>unique products</u> and services and targeting consumers who are relatively price - insensitive.

c) Focus: Products and services that fulfill the needs of <u>small group</u> of consumers.

One of the interesting things about Michael E. Porter is he was originally an engineer, then an economist before he specialized in strategy.

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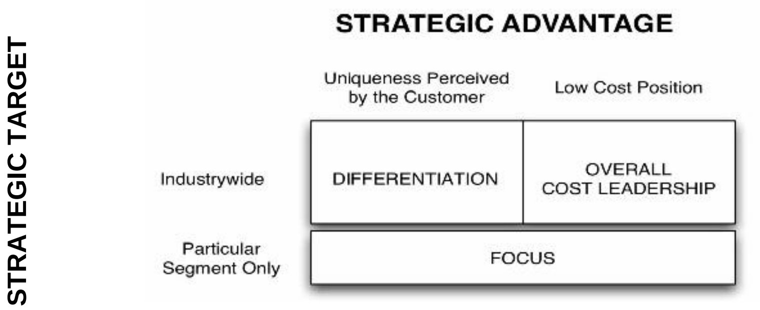


Q.No.5. Write short notes on Cost Leadership Strategy

Meaning: Cost Leadership strategy involves producing standardized products at a very low cost per unit and charging a low price, <u>targeting price-sensitive buyers/consumers.</u>

In 2004, Nirma's detergent approached 800,000 tonnes – one of the largest volumes sold in the world – under a single brand 'Nirma'

1. **Situations:** Cost Leadership Strategy attempts to make the firm a low-cost producer in the industry. **This strategy is more effective when:**
   - **a)** The market consists of many <u>price sensitive buyers</u>.
   - **b)** Buyers do not care much about differences from one brand to another brand,
   - **c)** There is large number of buyers with significant bargaining power.
2. **Effect (Advantage):** helps to gain good market share.
3. **Procedure:** Cost leadership strategy can be achieved by –

• High Efficiency, • Low Overheads, • Effective Budgetary Control, • Wide Spans of Control,	• Limited Perquisites for Managers, • Reduction of Waste and Inefficiency, • Rewards linked to Cost Containment, and • Employee Participation in Cost Control Efforts.

4. **Risks:** Some risks of Cost Leadership Strategy are:
   - **a)** Competitors may imitate the strategy, thus decreasing the overall industry profits,
   - **b)** Instead of price, buyer interest may shift to other differentiating features.

Q.No.6. Write short notes on Differentiation Strategy

Meaning: Differentiation business - level strategy involves producing unique products and services and charging a premium price, <u>targeting consumers who are relatively price-insensitive.</u>

1. **<u>Situations / Requirements:</u>** Differentiation strategy requires-
   - **a.** Suitable facilities to attract scientists and creative people,
   - **b.** Strong co-ordination between the R&D and marketing functions, and
   - **c.** Possibility of creating customer loyalty by offering special features.
2. **<u>Effect:</u>** Differentiation strategy allows a firm to charge a higher price for its product and to gain customer loyalty because customers may become strongly attached to the differentia ion features.

3. **Advantages:** Successful differentiation can lead to:

• Premium Price for the firm • Sustaining Competitive Advantage • Increase in number of units sold • Increase in Brand Loyalty by the Customers.	• Improved Service, • Less Maintenance, • Greater Convenience or More Features,

4. **Risks:** Differentiation strategy will not be successful if
   - **a)** Standardised products are sufficient to meet the customer needs.
   - **b)** Competitors quickly copy the differentiating special features of the product.

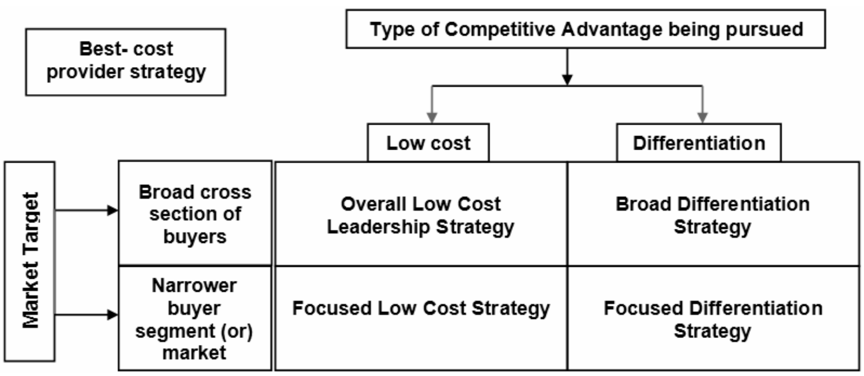
Q.No.7. Explain Focus Strategy

Meaning: Focus strategy involves producing products and services that fulfill the needs of a narrow market niche that consists of consumers whose needs and preferences are distinctively different from the rest of the market.

1. **Situations:** Focus strategy is effective
   - **a)** When consumers have distinctive preferences or requirements,
   - **b)** For medium and large size firms, who can effectively pursue focus-based strategies along with differentiation or cost leadership strategies.
2. **Effect:** A firm using a focus strategy may **concentrate on a particular group of customers, geographic markets, or on particular product lines**, in order to serve a well-defined but narrow market better than competitors, who serve a broader market.
3. **Requirements:** A Successful Focus Strategy depends on an industry segment:
   - **a)** that is of sufficient size,
   - **b)** has good growth potential, and
   - **c)** is not critical to the success of other major competitors.
4. **Risks:** Risks of focus strategy include
   - **a)** Possibility that more competitors will recognize the successful focus strategy and copy it, and
   - **b)** Consumer preferences will shift towards the product attributes desired by the market as a whole.

Q.No.8. Write short notes on Best- Cost Provider Strategy

The Best Cost provider strategy is a further development of 3 generic strategies described above:



Best-Cost Provider Strategy: It means offering a well – differentiated product with a focus on cost reduction at the same time.

CORPORATE LEVEL STRATEGIES

Q.No.9. What are Grand Strategies/ Directional Strategies (or) Master Strategies? What are the broad categories of Corporate Strategies?

Strategy	Basic Feature
Stability	The firm stays with its current businesses and product markets; maintains the existing level of effort; and is satisfied with incremental growth.
Expansion	Here, the firm seeks significant growth either in the existing business or by entering new businesses that are either related to or unrelated to the existing businesses.
Retrenchment	The firm retrenches some of the activities in a given business (es), or drops the business as such through sell-out or liquidation.
Combination	The firm combines the above strategic alternatives in some permutation/combination so as to suit the specific requirement of the firm.

Q.No.10. Bring out the Features of Stability Strategy

1. **Approach:** In this strategy, the firm – (a) stays with its current business and product- market postures and functions, (b) maintains the existing level of effort as at present, and (c) is satisfied with incremental growth.
2. **Efficiency:** The endeavor of the firm in stability is to enhance functional efficiencies in an incremental way, through better deployment and utilization of resources.
3. **Modest Growth:** The growth objective of firms employing this strategy will be quite modest.
4. **Risk:** It is basically a safety-oriented, status quo-oriented strategy. The risk is also less.
5. **Resources:** The firm can concentrate its resources and attention on the existing businesses/ products and markets. The firm seeks to deal in the same markets/ products/ services.
6. **New Investment:** It does not warrant much of fresh investments.
7. **No Redefinition:** Stability strategy does not involve a redefinition of the business of the corporation
8. **Frequency:** It is a fairly and frequently employed strategy.

Q.No.11. What are the Objectives of Stability Strategy?

The Objectives of Stability are:

1. To safeguard existing interest and strengths,
2. To pursue well established and tested objectives,
3. To continue the chosen path of business,
4. To maintain operational efficiency on sustainable basis,
5. To consolidate the reigning position, and
6. To optimize returns on resources committed in the existing business.

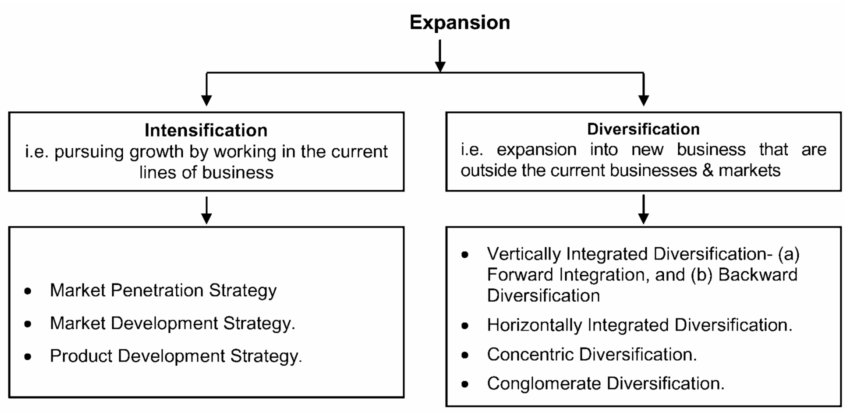
Q.No.12. What are the Reasons for Adopting Stability Strategy?

1. IT is less risky, involves less changes, and people feel comfortable with things as they presently are.
2. The environment faced is relatively stable.

3. Expansion may be perceived as being threatening.
4. Consolidation is sought through stabilizing after a period of rapid expansion.

Q.No.13. What are the Features of Expansion Strategy?

1. **Approach:** The Firm seeks significant growth by – (a) Entering new business related to existing business, or by (b) Entering new businesses that are unrelated to existing businesses.
2. **Efficiency:** A Firm opting for expansion strategy can generate many alternatives within the strategy and pick the one that suits it most, thus leading to overall efficiency.
3. **High Growth:** Expansion Strategy leads to high growth rate.
4. **Risk:** Risk is higher in Expansion Strategy than in Stability Strategy.
5. **Resource:** Under Expansion, the firm seeks to mobilize and utilize all its resources by venturing into new/unexplored areas of activity.
6. **Investments:** It involves renewal of the firm through fresh investments and new business/ products/ markets.
7. **Redefinition:** Expansion Strategy involves a re-definition of the business of the Firm.
8. **Classification:** Expansion Strategy can be analyzed as under



Q.No.14. What are the Reasons for Adopting Expansion Strategy?

1. It may become imperative when environment demands increase in pace of activity.
2. Strategists may feel more satisfied with the prospects of growth from expansion, i.e. organisations are perceived to be growth-oriented.
3. Increasing size may lead to more control over the market vis-à-vis competitors.
4. Advantages from the experience curve and scale of operations may accrue.

Q.No.15. Explain the concept of Expansion through Diversification?

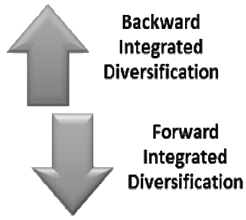
1. Diversification refers to the entry into new products or product lines, new services or new markets, involving substantially different skills, technology and knowledge.
2. **Reasons:**
   a) **Right Strategy for Innovative Firms:** Innovative and creative Firms look for opportunities and challenges to grow, to venture into new areas of activity and to break new frontiers with the zeal of entrepreneurship. Diversification offers greater prospects of growth and profitability, for such “active” Firms.

b) **To Ensure Excess Capacity Utilization:** Firms which have excess capacity or capability in manufacturing facilities, investible funds, marketing channels, competitive standing, market prestige, etc. can diversify into new lines of activity.

c) **To Achieve Synergy Benefit:** Sales and profits of existing products can be improved by adding suitable related or new products, because of linkages in technology and/or in markets.

Q.No.16. Explain the concepts of Vertical and Horizontal Integration Diversification (N 12 - 3M, RTP - N14)

Vertically Integrated Diversification Strategy:



1. **Related:** Here, the firm engages in businesses that are related to its existing business.
2. **Forward and Backward:** The firm moves forward or backward in the chain, and enters specific product/process steps with the intention of making them into new business for the Firm.

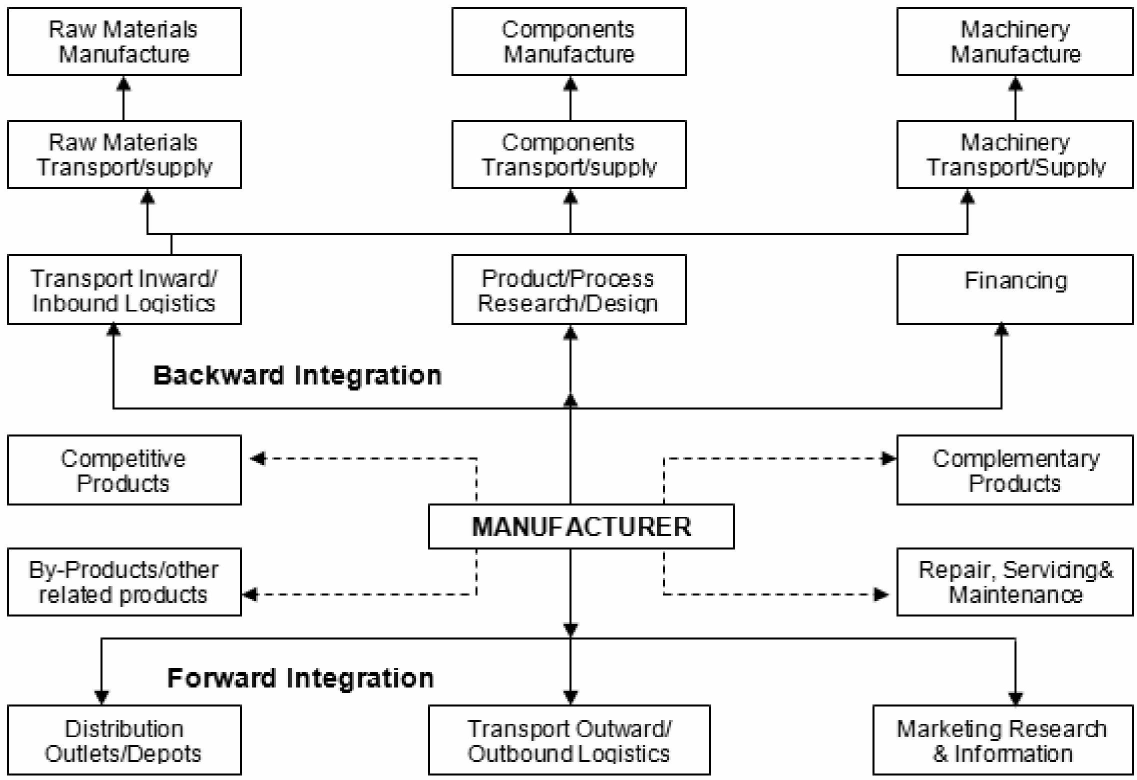
Horizontally Integrated Diversification Strategy: This involves adding/acquisition of one or more similar businesses at the same stage of the production – marketing chain. This can be achieved by-

a) Taking over Competitor's products,

b) Production of Complementary products,

c) Sale of By- products,

d) Entering into Repairs and servicing of products.



Note: In the above diagram, Dotted lines indicate Horizontal Diversification.

Q.No.17. What are the Reasons for Adopting Related and Unrelated Diversification Strategies?

Purposes / Reasons for

1. Related Diversification	2. Unrelated Diversification
a. To exchange or share assets or competencies, by exploiting- • Brand Name, • Marketing Skills, • Sales and Distribution Capacity, • Manufacturing Skills, • R&D, and • New Product Capacity, **b.** To achieve economies of scale.	**a.** To manage and allocate cash flows. **b.** To obtain high ROI. **c.** To enhance market power. **d.** To re-focus a firm's, objectives and operations. **e.** To reduce risk by operating in multiple product markets. **f.** To obtain tax benefits. To ensure better utilization of the liquid assets.

Q.No.18. Write short notes on "Concentric Diversification" and "Conglomerate Diversification Strategies". (N 11 – 3M, PM, RTP - N11)

Concentric Diversification	Conglomerate Diversification
1. In this Strategy, the firm adds a new business which is linked to the existing business through- (a) Process, (b) technology, or (c) marketing. **2.** So, the new product is a spin-off from existing facilities, products and processes.	**1.** This involves entering into new businesses/ products, which are disjoined from the existing businesses/ products in every way. **2.** It is a totally unrelated diversification. There are no vertical or loop-like linkages with existing products/processes.

Q.No.19. Compare & Contrast between Vertical, Horizontal, Concentric and Conglomerate Diversification Strategies

Type	Vertical	Horizontal	Concentric	Conglomerate
1. New Businesses	Intermediary/ support services become new businesses.	Similar business at same stage of production - marketing chain.	New businesses/ products connected to existing facilities and products.	Completely new areas of activity/ businesses.
2. Nature of Diversification	Related	Related	Related	Unrelated
3. Linkage to the Existing Business	Vertical	Horizontal	Loop-like linkage to one or more products.	No linkages with existing product-process chain.

Q.No.20. Explain the concept of Expansion through Mergers and Acquisitions (RTP - M12, MTP Oct14 - 3M, N14 - 3M)

1. Expansion through Mergers and Acquisitions (i.e. takeover/ absorption/ amalgamation) is an attractive method of Diversification. It circumvents the time, risks and skills involved in screening internal growth opportunities, seizing them and building up the necessary resource base required to materialize growth.

2. **Reasons:**
   - **a)** To meet the basic business urge to grow.
   - **b)** To achieve a measure of synergy between the Parent and the acquired enterprises, which results from factors like physical facilities, technical and Managerial skills, distribution channels, general administration, R&D etc.

Q.No.21. Bring out the Features of Retrenchment Strategy (PM)

1. **Meaning:** Retrenchment grand strategy is followed when an organization find itself in adverse or hostile conditions. Here necessary steps are taken to solve the problems.
2. **Approach:** The Firm retrenches some of the activities in a given business (es), or drops the business as such through sell-out or liquidation. The Firm reduces the scope of its business.
3. **Ways of Retrenchment:**
   - **a)** Cutting back on capital and revenue expenditure, e.g. R&D projects, advertising, executives perks, etc.
   - **b)** Reduction in inventory levels, production volumes, manpower, dividend rates, etc.
   - **c)** Withdrawal of some products / product versions, winding up some branch offices, etc.
   - **d)** Disposal / Sale of manufacturing facilities and product divisions
   - **e)** Retirement either from the production or the marketing stage.
   - **f)** Offering itself for take-over by another more viable enterprise.
   - **g)** Seeking liquidation or winding up (corporate death).

Retrenchment means a reduction in the size / scope of the firm's business

4. **Types:** Retrenchment may be done either – (a) Internally (i.e. Turnaround) or (b) Externally (i.e. Divestment or Liquidation).

Q.No.22. What are the Reasons for Adopting Retrenchment Strategy? (M08 - 5M, M 10 - 2M)

1. Obsolescence of Product/Process
2. High Competition.
3. Industry Overcapacity.
4. Failure of Strategy.

Q.No.23. How will a firm implement Turnaround Strategy? (M08 - 5M, PM, RTP - M14)

1. **Meaning:** Turnaround Strategies are those which are formulated by laying emphasis on improving internal efficiency so as to bring about internal retrenchment.
2. **Indicators:** The danger signals that create the need for Turnaround Strategy are-
   - **a)** Negative Cash Flow and Profits,
   - **b)** Mismanagement.
   - **c)** Declining Market value,
   - **d)** Deterioration in Physical Facilities,

   - **e)** Over manning, High Turnover of Employees, & Low Morale,
   - **f)** Uncompetitive products or services, and
3. **Action Plan:** Turnaround Strategy can be achieved by first creating a workable action plan. This plan should include-
   - **a)** Analysis of product, market, production processes, competition, and market segment positioning.
   - **b)** Clear thinking about the market place & production logic.
   - **c)** Implementation of plans by target-setting, feedback, and remedial action.

Q.No.24. What is a Divestment Strategy? Explain why is it adopted? (N 12 - 3M, PM)

1. **Meaning:** Divestment Strategy involves the sale or liquidation of portion of business, or a major division, profit centre or SBU.
2. **Reasons:** Divestment Strategy may be adopted due the following reasons-
   - **a)** The acquired business proves to be a mismatch and cannot be integrated within the Company.
   - **b)** Continuous negative cash flows
   - **c)** Inability to cope with the heavy competition
   - **d)** Inability to invest in the updated technology
   - **e)** Availability of a better alternative for investment than the current business.

Tata divested and sold its Tata Oil Mills & Company (TOMCO) in 1993 to HUL as Soaps and detergents were not considered a core business for Tatas.

Q.No.25. Write short notes on Liquidation Strategy (RTP - M14)

1. **Meaning:** Liquidation Strategy involves closing down a firm and selling off all its assets and paying off its liabilities. It is the most extreme strategy, and is considered as the last resort, i.e. when turnaround and divestment will not be successful.
2. **Effects:**
   - **a)** Loss of employment for workers,
   - **b)** Termination of opportunities, if the business has other activities/ventures,
   - **c)** Stigma of failure.
3. **Process:** Planned Liquidation will ensure that assets are disposed off and liabilities settled in the best interests of the firm and its Shareholders/Owners.

Q.No.26. What are the reasons for adopting Combination Strategy?

1. **Meaning:** Stability, Expansion and Retrenchment alternatives are not mutually exclusive. Hence, a combination thereof can be adopted. An enterprise may seek stability in R&D area of activity, expansion in some product lines and retrenchment in the less profitable products. Retrenchment of ailing products followed by stability and capped by expansion in some situations.
2. **Reasons:** Some reasons for adopting Combination Strategy are-
   - **a)** The organisation is large and faces complex environment.
   - **b)** The organisation is composed of different businesses, each of which lies in a different industry requiring a different purpose.

FUNCTIONAL LEVEL STRATEGIES

Q.No.27. What is meant by Functional Strategies? In terms of level where will you put them? Are functional strategies really important for business?
(For student self-study) (M07 - 4M, N13 – 3M, PM, RTP - N14)

Introduction: Once corporate level and business level strategies are developed, management has to formulate and implement strategies for each functional area. For effective implementation, strategists have to provide direction to functional managers regarding the plans and policies to be adopted.

1. **Meaning:** Functional strategies refer to strategies which are formulated in the individual functional departments such as marketing, finance, production, R & D, Human Resource Management etc.
2. **The need or importance of Functional Strategies:**
   - **a)** Strategies formulated at corporate level should be translated into operational plans for each functional area. Only then, the plans will be practically feasible.
   - **b)** Functional Strategies act as basis for controlling activities in the different functional areas of business.
   - **c)** Functional strategies help in bringing harmony and coordination as they remain part of major strategies.

MARKETING MANAGEMENT STRATEGIES

Q.No.28. Discuss the concept of Marketing Mix (Extended/ Expanded Marketing Mix)
(PM, RTP - M12, N14 - 3M)

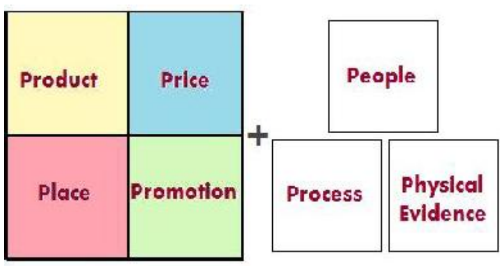
The Marketing Mix is the set of controllable marketing variables that the firm blends-

a) to influence the demand for its products, and

b) to produce the desired response it wants, in the target market.

These variables are often referred to as the **"Seven Ps" [or] "Seven Cs"** of Marketing.

7P's of Marketing Mix (from Company's perspective	**7C's of Marketing Mix** (from Customer's perspective
• Product	• Customer Solution
• Price	• Customer Cost
• Place	• Convenience
• Promotion	• Communication
• People	• Customer Interaction
• Physical Environment	• Customer Service
• Process	• Chain of Process and Activities



Variable	Areas of Strategy/ Matters
Product: Goods & services offered by the Company, to the target market	• To manage existing product(s) over time. • To add new products and drop failed products. • To decide on branding, packaging, and other product features (e.g. Warranties).
Price: Amount of money that customers have to pay to obtain the product.	• Location of customers and effect on Price. • Price flexibility. • Pricing of related items within a product line, • Terms of Sale, • New Product Pricing, i.e. penetration or skimming pricing.
Place: All Company activities that make the product available to target customers.	• To manage the channel(s) by which ownership of product is transferred from producers to customers. • To review the system(s) by which goods are moved from where production locations to sales outlets. • To decide terms of business (e.g. Wholesalers and Retailer).
Promotion: Activities that communicate the merits of the product and persuade target consumers to buy it.	• To combine individual methods such as advertising, personal selling, and sales promotion into a co-ordinated campaign.
People: All human actors who play a part in delivery of the market offering and thus influence the buyer's perception, namely the firm's personnel.	• To determine extent of co-ordination between Firm's personnel (in rendering services) to the customer. • To identify ways and means to improve healthy business relations with customers.
Physical Evidence: The environment in which the market offering is delivered, and where the Firm and customer interact.	• To identify the impact of service environment on the customer and level of his satisfaction.
Process: The actual procedures, mechanisms and flow of activities by which the product/service is delivered.	• To simplify the 'process flow' by eliminating unnecessary or non-value added activities and processes. • To obtain cost reduction advantage by simplifying essential activities and processes.

Q.No.29. Explain the various Marketing Strategies/ Techniques

1. **Social Marketing:** It refers to the design, implementation, and control of programs to create social awareness and to bring social change. e.g. "No Smoking" Campaign.
2. **Augmented Marketing:** It refers to provision of additional customer services and benefits built around the actual products, and introduction of hi-tech services, e.g. movies on demand, on-line computer repair services, etc.
3. **Direct Marketing:** It is the process of marketing through various advertising media that interact directly with consumers, generally calling for the consumer to make a direct response. Direct Marketing includes Catalogue Selling, Mail Telecomputing, Electronic Marketing and TV Shopping.
4. **Relationship Marketing:** It is the process of creating, maintaining and enhancing strong, value-laden relationship with customers.

5. **Services Marketing:** It is the process of applying the concepts, tools and techniques, of marketing to services. Service refers to any activity or benefit that one party can offer to another, and is essentially intangible, e.g. Banking, Retailing, Educational or other utilities.
6. **Person Marketing:** Person marketing consists of activities undertaken to create, maintain or change attitudes or behaviour towards particular people. For example, politicians, sports, stars, film stars, etc. market themselves to get votes, or to promote their careers and income.
7. **Organisation Marketing:** Organisation Marketing consists of activities undertaken to create, maintain, or change attitude and behaviour of target audiences towards an organisation as a whole. Both profit and non-profit entities practice organisation marketing.
8. **Place Marketing:** Place Marketing involves activities undertaken to create, maintain, or change attitudes and behaviour towards particular places, e.g. business sites marketing, tourism marketing.
9. **Enlightened Marketing:** It involves marketing with a philosophy that a Company's marketing efforts should support the best long-run performance of the marketing system. Its five principles include- (a) customer-oriented marketing, (b) innovative marketing, (c) value marketing, (d) sense of-mission marketing, and (e) societal marketing.
10. **Differential Marketing:** It is a market-coverage strategy in which a Firm decides to target several market segments and designs separate offer for each segment. For example, Hindustan Lever Limited has Lifebuoy, Lux and Rexona in its popular segment Liril and Pears in its premium segment.
11. **Synchro Marketing:** In some cases, the demand for the product is irregular, due to season, some parts of the day, or on hour basis, causing idle capacity or over-worked capacities. In such cases, Synchro marketing can be used to smoothen or regularize the pattern of demand through flexible pricing, promotion, and other incentives. E.g. fans and ACs sold at off season prices.
12. **Concentrated Marketing:** It is a market-coverage strategy, in which a Firm goes after a large share of one or few sub-markets.
13. **De-marketing:** It is a marketing strategy to reduce demand temporarily or permanently. The aim is not to destroy demand, but only to reduce or shift it. De-marketing can be applied to regulate demand, in case of full demand in certain cases, e.g. zoological parks are over-crowded on Saturdays, Sundays and holidays.

FINANCIAL MANAGEMENT STRATEGIES

Q.No.30. Explain the factors to be considered in Formulating Strategy for Acquiring Capital, i.e., Source of Funds (N 11 - 3M, MTP Sept - 14)

1. **Internal or External:** The ratio of external funding (Fresh Issue of Shares, New Loans), to internal funding, should be determined.
2. **Debt-Equity Ratio Mix and Leverage Effect:** An enterprise should have enough debt in its capital structure, to boost its ROE and EPS by utilizing debt to products and projects, where ROCE is greater than rate of interest on debt.
3. **Control:** If Special Stock/Shares are issued to finance a strategy implementation, ownership and control of the entity may get diluted. This may be of particular relevance in case of hostile takeovers, mergers and acquisitions.
4. **Other Considerations:** In formulating a strategy for procurement of funds, the Finance Manager should consider aspects such as:

• Risk, • Cost, • Gearing Effect,	• Legal Requirements, • Working Capital Funding Approaches, • Nature of Share Price movements,

• Floatation Costs and Procedures, • Gestation Period for returns from Project, if any.	• Terms of repayment in case of Loans, etc.

Q.No.31. Explain the role of Budget in the context of Financial Strategy. What are the different types of Budgets?

1. Financial Budget refers to the planned allocation of a firm's resources based on forecasts of the future.
2. Common types of Budgets are:

• Cash Budget • Expenses Budget • Operating Budget	• Sales Budget • Profit Budget • Flexible Budget	• Capacity Usage Budget • Capital Expenditure Budget • Fixed Budget

Q.No.32. What are the various Methods for determining the Net Worth of a Business? (M 11 - 4M, M 13 – 2M, RTP - M12, M13, M14 PM)

The Net Worth of a business can be determined in the following ways-

Method	Net Worth of the Firm is computed as under-
1. Asset-based or Balance Sheet Based	**a)** Net Worth=Fixed Assets + Net Working Capital – Long - Term Debt. **(OR)** **b)** Net Worth = Equity Share Capital + Preference Share Capital + Reserves and Surplus – Miscellaneous Expenditure and Accumulated Losses. **Note:** An appropriate amount may be adjusted for Goodwill, and overvalued or undervalued assets.
2. Profit based.	Net Worth = 5 Times × Current Annual Profit **Note:** This approach in determining a Firm's value is based on the assumption that the worth of any business should be based largely on the future benefits its owners may derive through Net Profits.
3. Comparative Price	Net Worth or Selling Price of a similar Company is considered.
4. P/E based	Net Worth=PE Ratio × Average Net Income for the past 5 years. **Note:** PE Ratio = Market Price per Share ÷ Earnings per Share.
5. Outstanding Shares Method	Net Worth = Current Market Price per share × No. of Shares outstanding (i.e. issued and paid-up) **Note:** A Premium may be added towards the amount the acquirer may be ready to pay, in order to obtain control over the Company.

PRODUCTION MANAGEMENT STRATEGIES

Q.No.33. Write short notes on Production Strategy Formulation (PM)

1. Production Strategy is related to- (a) Production System, (b) Operational Planning and Control, and (c) Research and Development (R&D).
2. Production Strategies have an effect on- (a) nature of product/service, (b) markets to be served, and (c) the manner in which the markets are to be served.

Q.No.34. Write short notes on Strategy formulation in the areas of – (a) Production System, and (b) Operational Planning and Control

Area	Scope	Importance	Examples
1. Production System Strategy	The production system is concerned with the capacity, location, layout, product or service design, work system, degree of automation, extent of vertical integration, and similar factors.	Production System Strategies involve decisions which are long-term in nature, and have an influence on- **a)** Operations capability of the firm, and **b)** Its ability to implement strategies and achieve objectives.	Production Technology strategy, Make or Buy strategy for Components, etc.
2. Operational Planning and Control Strategy	Here, Strategies are concerned with aggregate production planning, materials supply, inventory, cost, quality management, maintenance of plant & equipment, etc.	Operational Strategies seek to ensure that the resources are efficiently utilized, and the day-to-day operations are carried out in the light of long-term objectives.	Quality Assurance, JIT, Preventive Maintenance Strategy, etc.

Q.No.35. List a few areas/ issues for which the R&D Strategies are formulated

The following are the areas/ issues for which R&D Strategies should be formulated-

1. Emphasize on Product or Process Improvements
2. Focus on Basic or Applied Research
3. Be Leader or Follower in R&D
4. Develop Robotics or Manual-type processes
5. Spend a high, average, or low amount of money on R&D
6. Perform R & D within the Firm or to contract R & D to outside Firms
7. Use University Researchers or Private Sector Researchers

Robotic arms are being used extensively in manufacturing assembly now a days.

Q.No.36. What are the three major approaches for implementing R & D strategies? (RTP - M14, PM)

The three major R&D approaches for implementing strategies are -

1. Leader/ Pioneer	• To market new technological products first in the market. • To have an <u>aggressive R&D policy</u> and seize the market opportunities.
2. Follower/ Imitator	• To be an <u>innovative imitator of successful products</u>, thus minimizing the risks and costs of start-up
3. Low-cost Producer	• To be a low-cost producer by mass-producing products similar to but less expensive than products recently introduced.

Some of the top spending companies on R & D include Toyota, Nokia, Microsoft, IBM etc. These companies top the list of major spending companies on R & D every year.

LOGISTICS AND SUPPLY CHAIN MANAGEMENT STRATEGIES

Q.No.37. Write short notes on Logistics Strategy (N13 – 4M, RTP - M12, PM)

1. **Meaning:** Management of Logistics is a process which integrates the flow of supplies into, through and out of an organisation. The objective is to ensure that the right materials are available at the right place, at the right time, of the right quality, and at the right cost.
2. **Issues:** Logistics Strategy deals with the following issues
   - **a.** Sources of Raw Materials and Components available,
   - **b.** Number of manufacturing locations, and the products manufactured therein,
   - **c.** Modes of transportation used for various materials and components,
   - **d.** Nature of Materials Handling Equipment used,
   - **e.** Nature of distribution facilities.
   - **f.** Method for deploying inventory in the logistics network.
   - **g.** Ownership of transport vehicles by the Firm.

Q.No.38. What is Supply Chain Management? What are the requirements for the successful implementation of supply chain management system? Explain (N11 – 3M, N13 – 7M, PM, RTP - N14)

MEANING:

a) SCM refers to the linkages between suppliers, manufacturers and customers.

b) It encompasses all movement and storage of raw materials, work-in-process inventory, and finished goods from point-of-origin to point-of-consumption.

IMPLEMENTING SUPPLY CHAIN MANAGEMENT SYSTEMS:

1. **Product development:** Customers and suppliers must work together in the product development process. This enables an organisation in developing and launching products in shorter time and remain competitive.
2. **Procurement:** Procurement requires careful resource planning, quality issues, identifying sources, negotiation, order placement, inbound transportation and storage. Suppliers are involved in planning the manufacturing process.
3. **Manufacturing:** Flexible manufacturing processes must be used to respond to market changes. Manufacturing should be done on the basis of just-in-time (JIT) and minimum lot sizes.
4. **Physical distribution:** Availability of the products at the right place at right time is important for each channel participant.
5. **Outsourcing:** The Company has to focus on those activities where it has competency and everything else will be outsourced
6. **Customer services:** Organizations through interfaces with the company's productionand distribution operations develop customer relationships so as to satisfy them.
7. **Performance measurement:** Performance is measured in different parameters such as costs, customer service, productivity and quality.

HUMAN RESOURCE MANAGEMENT STRATEGIES

Q.No.39. What are the responsibilities of Human Resource Management? (or) What are the issues to be addressed by Human Resource Management?

Meaning of HRM: It is the art of procuring, developing and maintaining competent work force to achieve the goals of an organisation in an effective and efficient manner.

The various responsibilities of human resource management are as follows:

1. Staffing Needs	The HR Manager should assess the staffing needs and costs of the firm. He should develop a Staffing Plan for effectively implementing strategies.
2. Matching	HR Department must ensure that there is a perfect match between a job position and the employee working in it.
3. Incentives	HR Department must develop a scheme of performance incentives that clearly link performance and pay to strategies. This includes the regular remuneration package and option like ESOP, etc.
4. Employee Welfare	Instituting an effective employee childcare policy, and providing leadership for employees in a way that allows them to balance work and family, etc. are some other responsibilities of HR Management, to promote employee's welfare.
5. Social / political Structure	The HR Department should anticipate the possible disturbance of social and political structures and manage them effectively.
6. Corporate Support	The HR Department should ensure top management support and commitment to create an atmosphere of trust and avoid hostility.

Q.No.40. Explain briefly the internal factors which have a strong influence on employee competence (M14 - 3M)

The organisational factors which have a strong influence on employee competence are-

1. **Recruitment & Selection:** The workforce will be more competent if the firm can successfully identify, attract, and select the most competent applicants. The right person should be appointed to the right job.
2. **Training:** Employees' efficiency and competence will improve if they are well trained to perform their jobs properly.
3. **Performance Appraisal:** Performance deficiencies due to lack of competence if identified, can be solved through counseling, coaching or training.
4. **Remuneration:** A firm can increase the competence of its employees by offering pay and benefit packages that are more attractive than those of their competitors. This will help the firm to attract and retain the most capable people.

Q.No.41. Outline the key areas where the Human Resource Manager can play a strategic role (N11, 12 – 3M, PM, RTP – M13, MTP Oct14 - 7M, N15 - 3M)

1. **In ensuring Purposeful Direction:** HR management should ensure that there is synchronization of the objects of the firm and individuals working therein. All actions of Managers and Employees must be consistent with the corporate goals.
2. **In building up the Core Competencies:** Core Competence is a unique strength of an organisation, which may be in the form of human resources, marketing, capability, or technological capability.

3. **In creating a Competitive Atmosphere among employees:** HR Management should create a competitive atmosphere in the firm, manned by a committed and competent workforce. This will ensure competitive advantage for the firm.
4. **In developing good Work Ethics and Culture:** HR Management should try to develop a vibrant work culture-
   - **a)** to create an atmosphere of trust among people, and
   - **b)** to encourage creative ideas by the people.
5. **In HR Empowerment:** Empowerment means authorising every member of a society or organisation to take to his/her own destiny realizing his/her full potential. Thus, HR Management seeks to satisfy the <u>Self-esteem and Self-actualization needs</u> of employees.
6. **In Change Management:** HR Management is responsible for maintaining the present situation, and also for ensuring growth and better performance by coping with the changes in the external environment.
7. **In managing the Workforce Diversity:** Workforce diversity can be observed in terms of male and female workers, young and old workers, educated and uneducated workers, unskilled and professional employee, etc. This brings out the need for higher degree of participation and avenues for worker's satisfaction, through various monetary and non-monetary incentives.

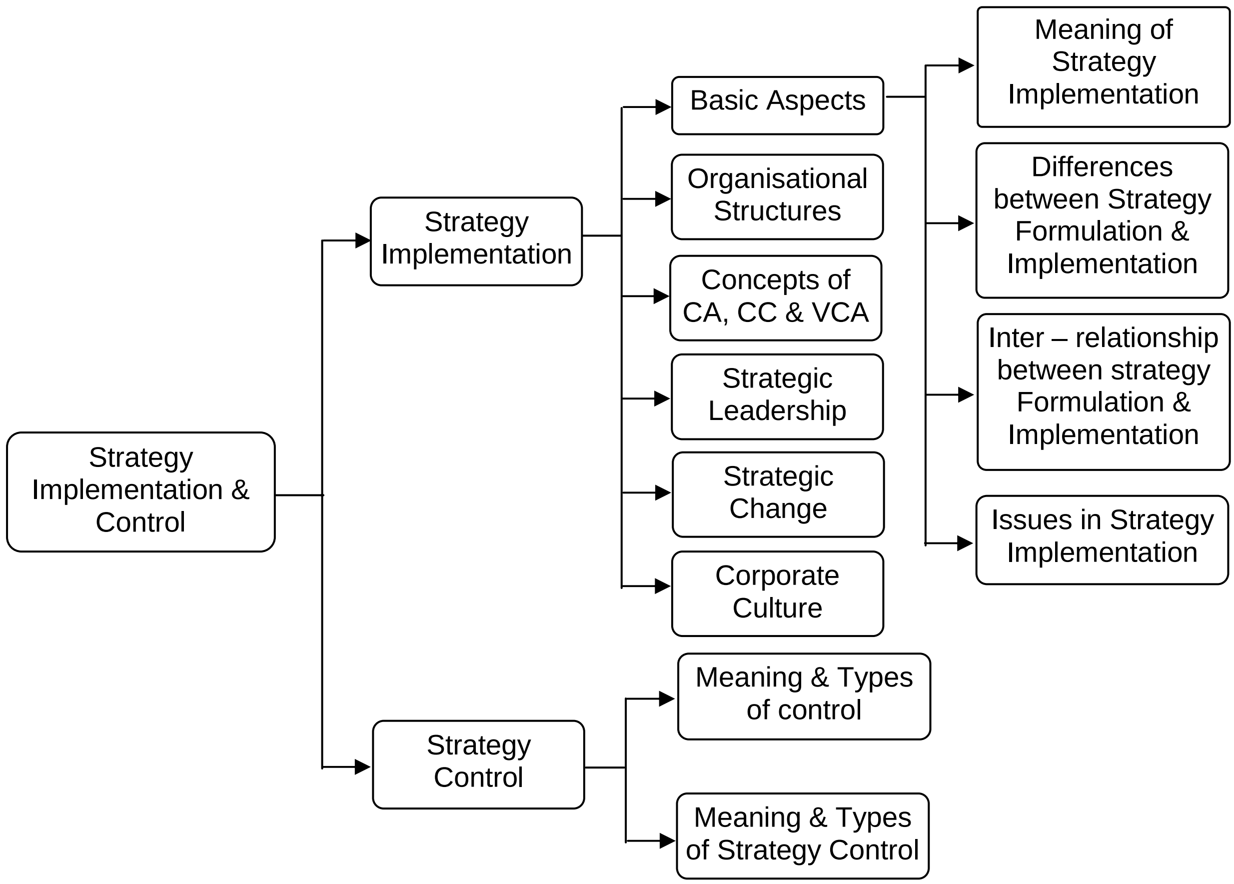
As a company focused on innovation, Intel is committed to investing in its employees. Their unique skills, experiences and backgrounds allow them to contribute valuable new ideas and perspectives to everything Intel does.

QUESTIONS OF ACADEMIC INTEREST

Q.No.42. Write short notes on dealing with Strategic Uncertainty (PM, RTP - M14)

1. **<u>Meaning:</u>** Strategic uncertainty refers to the future trend or event that has inherent unpredictability. Uncertainty has strategic implications and is a key concept in strategy formulation.
2. **<u>Impact:</u>** Strategic uncertainty has an impact on:
   - **a)** Established SBU's as indicated by their associated sales, profit, or cost.
   - **b)** Number of SBUs involved/ operated by a business enterprise,
   - **c)** Present, proposed and even potential SBUs.

5. STRATEGY IMPLEMENTATION AND CONTROL



QUESTION - WISE ANALYSIS OF PREVIOUS EXAMINATIONS

Q. No.	CATEGORY	M-07	N-07	M-08	N-08	M-09	N-09	M-10	N-10	M-11	N-11	M-12	N-12	M-13	N-13	M- 14	N- 14	M- 15	N- 15
1.	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3.	A	-	-	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.	A	-	-	-	2	-	-	-	-	4	-	-	-	-	-	-	-	4	
5.	A	-	-	-	-	-	-	-	-	-	-	3	-	-	-	-	-	-	-
6.	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7.	C	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8.	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9.	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10.	A	-	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13.	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3	-	-	-
14.	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15.	A	-	-	-	-	2	-	-	-	3	-	-	-	-	-	-	-	-	-
16.	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
17.	A	-	-	-	-	-	-	-	4	-	-	-	3	3	-	-	-	-	-
18.	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3	
19.	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3
20.	A	2	-	-	-	-	-	-	-	-	1	-	-	-	-	-	-	-	-

21.	A	-	-	-	2	-	-	-	-	1	-	-	-	-	3	-	-	-	-
22.	A	-	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
23.	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4	-	-	-
24.	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
25.	A	-	-	-	-	-	-	-	-	-	-	-	-	-	3	-	-	-	-
26.	A	-	-	5	-	-	-	2	-	-	-	-	-	4	-	-	-	-	4
27.	A	-	-	-	-	-	-	-	1	-	1	3	4	1	-	-	-	-	-
28.	A	-	-	-	-	-	-	-	-	3	-	-	-	3	-	-	3	-	-
29.	A	-	-	-	-	-	2	-	-	-	-	-	-	-	-	-	-	-	-
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34.	A	-	-	-	-	-	-	-	-	-	-	4	-	-	-	-	-	-	3

Q.No.1. What do you mean by Strategy Implementation?

1. Strategy Implementation / Execution deals with the managerial exercise of:
   - **a)** Supervising the <u>ongoing implementation of strategy</u>,
   - **b)** Showing good progress in achieving the targeted results.

2. It involves <u>translating a good idea into action.</u>

Q.No.2. Outline the activity of Implementing and Executing the Strategy.

Good Strategy Execution involves creating Strong "Fits"-

a) Between Strategy and Organisational Capabilities,

b) Between Strategy and the Reward Structure,

c) Between Strategy and Internal Operating Systems, and

d) Between Strategy and the Organisation's Work Climate and Culture.

The Strategy Implementation and Execution Process involves the following aspects:

1. Internal capabilities	• Staffing the organisation with requisite skills and expertise. • Building and strengthening strategy supportive competencies and capabilities.
2. Reward Structure	• Motivating people to pursue the objectives energetically. • Rewards & Incentives System to encourage achievement of performance
3. Internal Operating Systems	• Developing budges for efficient utilisation of resources. • Using the best-known practices to perform core business activities & for improvement.
4. Work Climate & Culture	• Creating a company culture and work climate, conducive to successful strategy implementation and execution. • Using the internal leadership needed to drive implementation forward and keep improving execution.

Q.No.3. Efficiency Vs. Effectiveness **(May 08 – 2M)**

	Efficiency	Effectiveness
1.	To be efficient means "to do the things right".	To be effective means, "to do the right things".
2.	Focus on relationship between inputs & outputs.	Focus on relationship between means & ends.
3.	Short-run in nature.	Long-run in nature.
4.	Introspective effect i.e. within the firm.	Highlights linkages between firm and its external environment.
5.	Operational in nature.	Strategic in nature.
6.	Strategy implementation viewpoint.	Strategy formulation viewpoint.

Relationship between efficiency and effectiveness:

Strategic Management

Operational Mgmt	Effective	Ineffective
Efficient	**Succeed & Thrive (1)**	**Die Slowly (2)**
Inefficient	**Survive (3)**	**Die Quickly (4)**

a) If an organisation is placed in cell 1 then it is well placed and will flourish because it is achieving what it aspires to achieve with an efficient input / output ratio.

b) An organisation in cell 2 & 4 will be ruined, unless it can establish some strategic direction.

c) Cell 2 is a worst place than cell 3 because, in later, the strategic direction is present to ensure effectiveness even if too much input is being used to generate output.

d) To be effective is to survive whereas to be efficient is neither necessary nor sufficient for survival.

Q.No.4. Distinguish between Strategy Formulation and Strategy Implementation. **(Nov 08 – 2M, May 11 – 4M, PM)**

Basis	Strategy Formulation	Strategy Implementation
1. **Nature**	Positioning forces before the action	Managing forces during the action
2. **Focus**	Focuses on Effectiveness	Focuses on Efficiency
3. **Process**	Primarily an Intellectual Process	Primarily an Operational Process
4. **Skills required**	Good Intuitive and Analytical skills	Special motivation & leadership skills
5. **Co-ordination**	Requires co-ordination among few individuals	Combination and synchronized work among many individuals
6. **Concept and Tools**	Similar for small and large, business and non-profit organisations	It is different for different types of organisations
7. **Orientation**	Planning Orientation	Action / Execution Orientation
8. **Scope**	Entrepreneurial Activity	Administrative Task
9. **Responsibility**	Top Level Management	Middle & Operational Level Management

Q.No.5. Outline the Inter-relationship between Strategy Formulation and Implementation.
(MTP 1 – 5M, May 12 – 3M, PM, RTP - M14)

Success of an organisation is a function of good strategy and proper implementation.

Combination of		Observation
Strategy formulation	**Strategy Implementation**	
Sound	**Weak**	This may arise due to – • lack of experience (e.g. in case of new firms), • lack of resources, • missing leadership etc.
Sound	**Excellent**	This is an ideal situation i.e. a good strategy, implemented successfully.
Flawed	**Weak**	To ensure survival and growth, such firms should seek business model re-design and implementation / execution re-adjustment.
Flawed	**Excellent**	Such firms should re-design their strategy before re-adjusting their implementation / execution skills.

Q.No.6. List the Steps in the Process of Strategy Implementation

1. Formulation of Plans, Programmes and Projects.
2. Design of appropriate organisational structure.
3. Installation of suitable systems.
4. Determination of functional policies.
5. Decision making on resource allocation.
6. Providing various behavioural inputs, so that the plans work.

Note:
1. This list does not denote any sequence as such, i.e. they need not be performed in the same order.
2. Some activities may be performed simultaneously or in parallel.
3. Some activities may be repeated over time while others may be performed only once.

Q.No.7. What are the Key Issues in Strategy Implementation?
(For student self-study) (PM)

Key issues in strategy implementation are:

1. Project Implementation,
2. Procedural Implementation,
3. Resource Allocation
4. Structural Implementation,
5. Functional Implementation,
6. Behavioural Implementation.

Q.No.8. Outline the Role of Top Management in Strategy Implementation.

The responsibility of top management does not end with formulation of a strategy. Top management's roles in strategy implementation include:

1. Establishing Objectives,	**7.** Minimising Resistance to Change,
2. Designing Policies,	**8.** Matching Managers with Strategy,
3. Allocating Resources,	**9.** Developing a Strategy Supportive Culture,
4. Modifying the Existing Organisational Structure,	**10.** Adapting (=adjust) Production/ Operations & Processes,
5. Re-structuring and Re-engineering,	**11.** Developing an Effective Human Resource Function,
6. Revising Reward & Incentive systems,	**12.** Creating a Conducive Organisational Climate

Q.No.9. Participative Process is a Pre-requisite for Effective Strategy Implementation. Comment.

Yes, participative process is a pre-requisite for effective strategy implementation. The participative process involves the following aspects:

1. **Responsibility Shift:** As much as possible divisional and functional managers should be involved in strategy formulation activities.
2. **Participation:** Managers and employees throughout the firm should participate early and directly in strategy-implementation decisions.
3. **Commitment:** Strategists' genuine personal commitment in the implementation of strategy is necessary and it is a powerful motivational force for managers and employees.
4. **Communication:** The rationale (=basis, underlying principle) for objectives and strategies should be understood and clearly communicated throughout the firm. Top-down flow of communication is essential for getting bottom-up support.
5. **Focus on Competitor:** Firms should focus on competitors by gathering and widely distributing competitive intelligence at all hierarchical levels.
6. **Training:** Firms should provide training for managers and employees to ensure that they have and maintain the skills necessary to become world class performers.

Q.No.10. Changes in Strategy often require Changes in Structure. Explain.

Changes in strategy often require changes in structure due to following reasons:

Changes: Structure should be designed to facilitate strategic pursuit of a firm. Therefore, <u>structure follows strategy</u>. So, changes in strategy lead to changes in organisational structure

ORGANISATIONAL STRUCTURES

Q.No.11. What are the Different Forms of Organizational Structure?

Centralized Structure	Decentralized Structure
Simple Organisational Structure (where decisions are taken by owner – manager.) Functional Structure	Divisional Structure Strategic Business Unit (SBU) Structure Matrix Structure Network Structure Hourglass Structure

Q.No.12. Write short notes on Simple Organisational Structure

Meaning: A simple structure is an organisational structure in which the owner-manager makes all major decisions directly and monitors all activities.

Adolf Hitler was best known for his centralized decision-making style.

Features:

a) Little Specialization of Tasks

b) Few Rules and Little Formalization

c) Direct involvement of owner-manager in all phases of day-to-day operations.

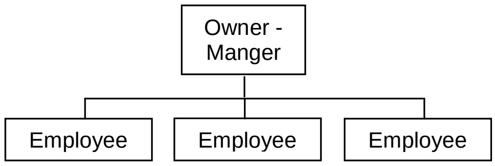
d) Frequent and Direct Communication.

Competitive Advantages:

a) Appropriate for Companies that follow a single-business strategy and offer a line of products in a single geographic market.

b) More scope for innovation.

c) More structural flexibility,



Demerits:

a) Not suitable when firms grow larger/ bigger.

b) Cannot manage complicated information processing requirements.

c) More pressure on owner-managers (due to lack of skill or experience or time).

Q.No.13. State the Characteristics of a Functional Structure?

1. Meaning:

a) Under Functional or centralized organisational structure the entire work to be done is divided into major functional departments.

b) The Functional Structure consists of:

i) **Corporate Level:** Chief Executive Officer (CEO) or a Managing Director and other Heads,

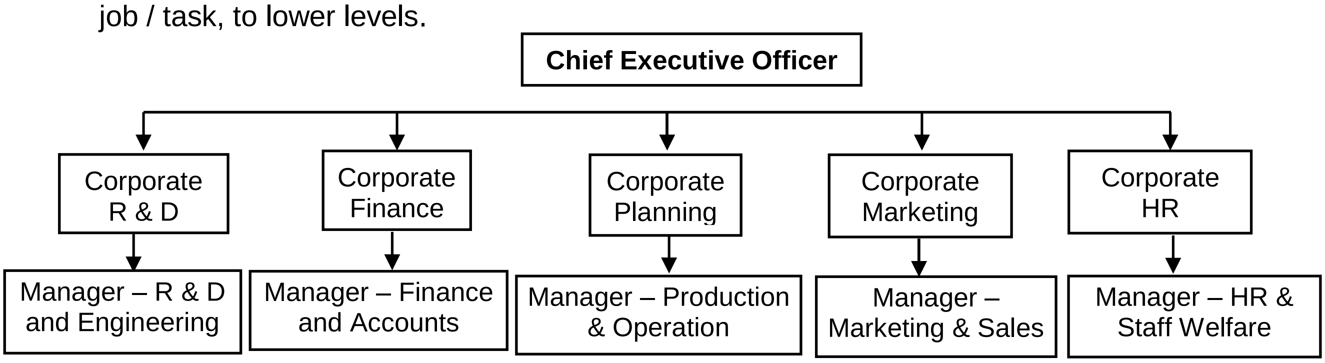
ii) **Functional Level:** Line Managers in major functions like Production, Accounting, Marketing, R&D, Engineering, and Human Resources.

2. Departmentation:

a) In a Functional Structure, each major function of business is organised as a separate department.

b) Within the department, the work can be divided into different sections and sub-sections.

c) Within each sub-section, work can be organised from top to bottom by entrusting each unit of job / task, to lower levels.



Q.No.14. Write short notes on Multi Divisional Structure or M - Form Structure.

Meaning: The multi-divisional (M-Form) structure consists of operating divisions where each division represents a separate business, to which the top management delegates responsibility for day-to-day operations and business unit strategy to division managers.

Divisions:

a) Each division will represent a separate business and has its own functional hierarchy.

b) Each division manager is responsible for managing day-to-day operations in that division.

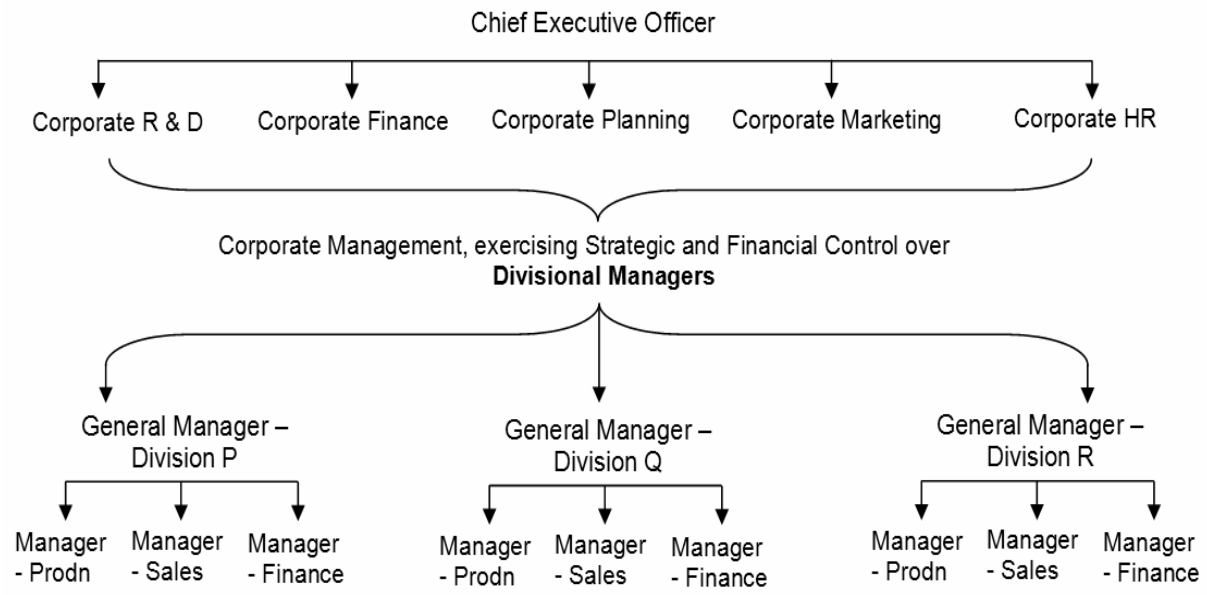
c) In this structure, functional activities are performed both centrally and in each separate division.

Top Management Role:

a) Top management (i.e. Corporate Office) is responsible for formulating and implementing overall corporate strategy, and manages the semi-autonomous divisions through strategic & financial controls.

b) Strategic Control means understanding by the top management of the strategies being implemented at various divisions.

c) Financial Control helps top management to manage the cash flows of divisions through Cash Budgets, Profitability Statements, etc.



Q.No.15. Write short notes on SBU Structure (PM)

Meaning:

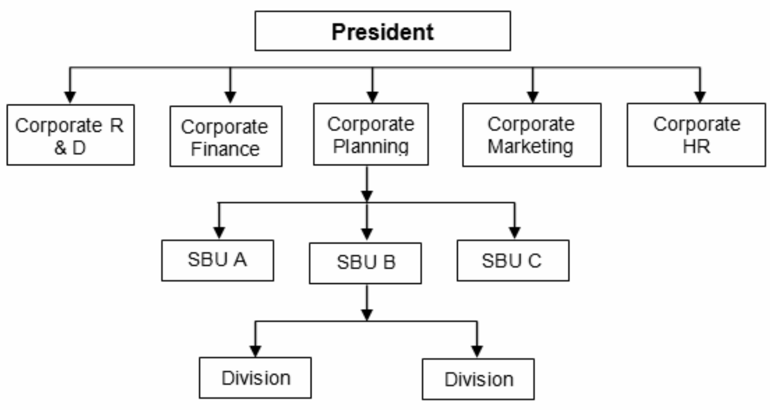
a) SBU Structure groups similar divisions into Strategic Business Units and delegates authority and responsibility for each unit to a Head Senior Executive. Head Senior Executive will report directly to the Top Management/ CEO.

b) A Strategic Business Unit (SBU) structure consists of the following levels of Management -

i) Top Level - Corporate Headquarters, CEO and various functional heads.

ii) Second Level - SBU Groups, under the control of the SBU Head.

iii) Third Level - Divisions grouped by relatedness within each SBU.



Advantages:

a) Within each SBU, divisions producing similar products and/or using similar technologies can be organised to achieve synergy benefits.

b) Individual SBUs are treated as profit centres and can react more quickly to environmental changes.

c) Corporate Headquarters can concentrate on strategic planning rather than operational control.

Disadvantages:

a) It requires an additional layer of management, which is very costly.

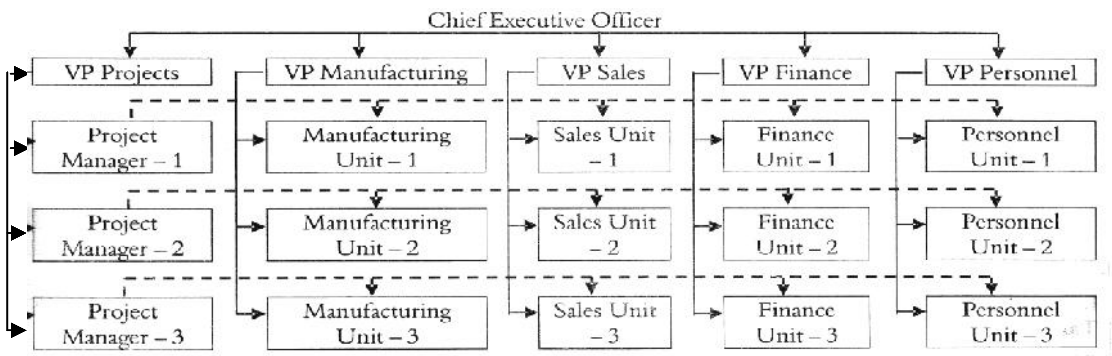
b) May result in inconsistency of goals.

c) Difficult to define the roles of different managers.

Q.No.16. Explain the Matrix Organisational Structure.

Meaning:

a) A Matrix Structure is a combination of vertical and horizontal flows of authority and communication (hence the term Matrix).



_____ represents Vertical functional authority

-------- represents Horizontal Product/Project authority

b) Employees are attached to the `Home' Department (i.e. a functional department, which has personnel on permanent basis) who report to their respective functional managers.

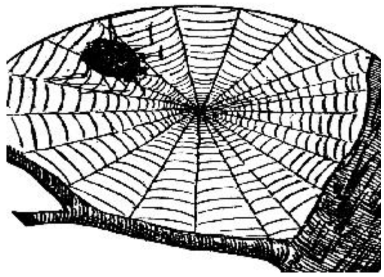
c) These employees are assigned to one or more projects or project units that are temporary. They report to the project manager, during the period of completion of the project.

d) Thus, employees have two superiors - (i) Functional Manager (Vertical Flow) and (ii) Project or Product Manager (horizontal flow).

Q.No.17. Write Short notes on Network Structure.
(N10 - 4M, N12, M13 - 3M, PM, RTP - M12, M14)

Network structure is an example of what could be treated as non structure by its virtual elimination of in house business functions. Many activities can be outsourced.

Meaning:



a) Network Organisation is a series of independent firms or business units linked together by computers in an information system that designs, produces, and markets a product or service.

b) It is also called as "virtual organisation", because it consists of a series of project groups or collaborations linked by constantly changing non-hierarchical, cobweb-like networks.

Advantages:

a) Most useful when the environment of a firm is unstable and is expected to remain so.

b) Innovation and quick response is possible.

Disadvantages:

a) Availability of numerous potential partners may lead to loss of control and coordination problems.

b) Several functions are contracted to separate suppliers/distributors. As a result the firm can't discover any synergy benefits by combining different activities.

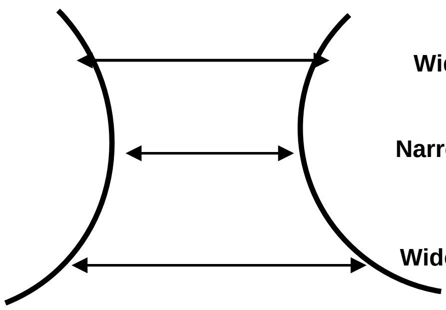
c) New structural arrangements may create stress for many employees.

Q.No.18. Write Short notes on Hourglass Structure **(RTP- Nov14)**

Meaning:

a) Hourglass Organisation Structure consists of 3 layers or levels with constricted (=narrow or restricted) middle level. This structure has short and narrow middle- management level.

b) Information Technology links the top and bottom levels taking away many tasks that are performed by the middle managers.



Advantages:

a) Reduced costs due to narrow middle- management level.

b) Increased responsiveness from lower level employees due to simplification of decision making.

c) Quick Decision Making is possible.

Disadvantages:

a) Low promotional opportunities for lower level employees due to the reduced size of middle management.

b) Continuity at same level (lower level) may bring monotony and lack of interest and becomes difficult keep the motivation levels high.

CONCEPTS OF CA, CC & VCA

Q.No.19. How can a firm obtain competitive advantage? (OR) Compare and contrast the sources of competitive advantage. (PM)

The competitive advantage can take 2 forms - (a) Differentiation advantage and (b) Low-Cost advantage.

A comparative analysis of these 2 forms is given below:

Differentiation advantage	Low-Cost advantage
It occurs when customers perceive that a firm's product is of: • higher quality, • involves less risk and / or • outperforms competing products offered by competitors. • Thus customers will be willing to pay a premium price for this product.	A firm enjoys slow-cost advantage if its total costs are lower than the market average.
This is gained by: **1.** Ability to deliver goods in a timely manner, **2.** Better quality, **3.** Provision of after-sales support services, **4.** Offer a wider range of goods and services etc.	**Gained by:** **1.** Access to low-cost raw materials **2.** Low-cost access to distribution channels **3.** Economies of scale, **4.** Superior operattions management, etc.

Q.No.20. Define the term VCA. How can VCA be used to assess Competitive advantage? (PM, RTP - M13, M14)

Value Chain Analysis is an approach for internal analysis of resources suggested by Michael porter.

Meaning: It consists of a series of activities which are undertaken by a business firm and are strategically relevant for meeting customer demand and in respect of which the firm may have an edge over its competitors.

VCA can be used to assess the competitive advantage in the following ways:

1. A Company can gain competitive advantage by:

a) Matching or surpassing its competitors, and

b) Discovering what the customers want and then profitably satisfying and even exceeding their expectations.

This is done by a concept called Value Chain Analysis (VCA).

Q.No.21. How are business activities classified for VCA purposes? (Nov 08 – 2M, Nov 13 – 3M, PM)

Porter classified business activities into - (1) Primary or Line Activities, and (2) Support Activities.

Primary Activities: The **Primary Activities** of an organisation are grouped into -

1. Inbound Logistics are the activities concerned with receiving, storing and distributing the inputs to the product/service. This include materials handling, stock control, transport, etc.

2. Operations convert these inputs into final product or service, e.g manufacturing, packaging, assembly, testing, etc.

3. **Outbound Logistics** collect, store and distribute the product to customers. For tangible products, this would include warehousing, materials handling, transport, etc. In case of services, this involves arrangements for bringing customers to the service if it is a fixed location (e.g. sports events).
4. **Marketing and Sales** provide the means whereby consumers/users are made aware of the product / service and are able to purchase it. These include sales administration, advertising, selling, etc.
5. **Services** are all those activities, which enhance or maintain the value of a product/service, such as installation, repair, training and spares.

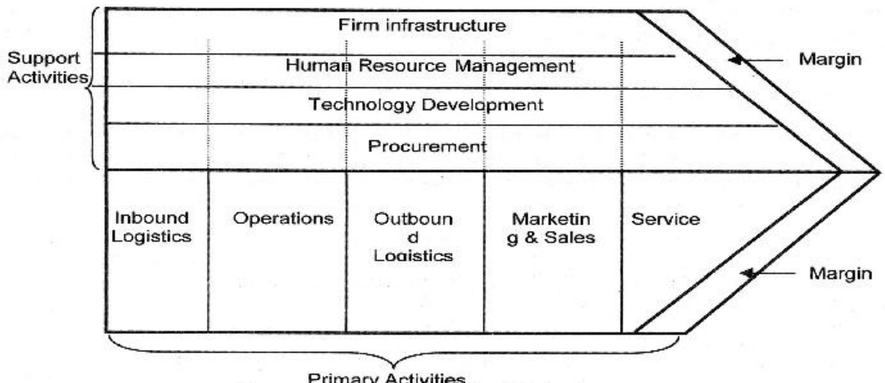


Figure: Value Chain (Michael Porter)

(VCA is like a Fish Bone Diagram)

<u>**Support Activities:**</u> These are activities that support primary activities. They are handled by the organisation's staff functions and include -

1. **Procurement** (It is a process of procuring various resource inputs to primary activities) **-** purchasing of raw materials, supplies and other consumable Items as well as assets.
2. **Technology Development -** Know-how, Procedures and Technological inputs needed in every Value Chain activity.
3. **Human Resource Management -** Selection, promotion and placement, appraisal, rewards, management development, and labour/employee relations.
4. **Infrastructure -** general management, planning, finance, accounting, legal, government affairs and quality management.

Q.No.22. Write short notes on Core Competencies. (PM, MTP Oct14 - 3M)

<u>**Meaning:**</u>

a) A core competence is the one which is <u>competitively unique, specific to a firm which can't be imitated.</u>
b) Core competencies are created by superior integration of technological, physical and human resources. They represent distinctive skills as well as intangible, invisible, intellectual assets and cultural capabilities.

<u>**Identification Tests:**</u> A core competence is identified by following tests

a) **Scarcity Test:** It is the primary test.
b) **Leverage or Extendibility Test:** Does it provide access to a wide variety of markets?
c) **Value Enhancement Test:** Does it make significant contribution to the perceived customer benefits of the end product?
d) **Imitability Test:** Can it be imitated? Does it reduce the threat of imitation by competitors?
e) **Durability Test.**

Q.No.23. What are the Leadership Roles to be played by a Strategic Manager? (RTP - N14, M14 - 4M)

Leadership is the capacity to frame plans which will succeed and faculty to persuade others to carry them out in the face of all difficulties.

Can the successors of these great leaders continue the legacy?

Leadership = Capability + Effectiveness

= Knowing what to do + Getting the things done.

Strategic Managers have the following leadership roles to play, to ensure effective strategy execution:

1. Staying on the top of what is happening, closely monitoring progress, solving issues and eliminating obstacles in the path of good execution.
2. Promoting a culture of 'esprit de corps' (i.e. team spirit) that mobilises and energizes organisational members to execute strategy in a competent manner and perform at high level.
3. Keeping the firm responsive to changing conditions.
4. Exercising ethical leadership, so that the firm conducts its affairs like a model corporate citizen
5. Taking corrective actions to improve strategy execution and overall strategic performance.

LEADERSHIP ROLES - VARIOUS ASPECTS

Visionary	Crisis Solver	Head Cheerleader
Chief Entrepreneur and Strategist	Spokesperson (= representative)	Perceptive (= insightful) listener
Chief Administrator	Negotiator	Coach and adviser
Decision-Maker	Motivator	Policy maker
Culture Builder	Arbitrator	Policy enforcer
Resource Acquirer and Allocator	Process Integrator	
Capabilities Builder		

Q.No.24. Bring out the Role of Leadership in Strategy Implementation. (M 08 - 3M)

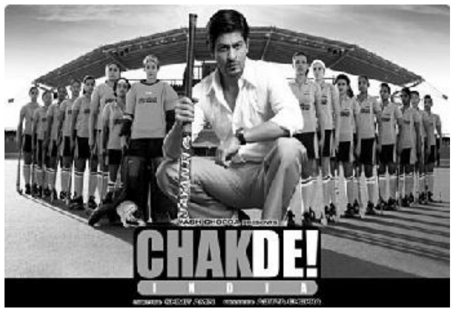
1. Strategic leaders must be able to use the strategic management process effectively by
   - **a)** guiding the company in the formation of strategic intent and strategic mission,
   - **b)** facilitating the development of appropriate strategic actions and
   - **c)** Providing guidance that results in strategic competitiveness and earning above-average returns.
2. Strategic leadership requires the ability to anticipate, envision, maintain flexibility and empower others to create strategic change as and when necessary.
3. Strategic leaders must adapt their assumptions, premises, and accepted wisdom so that they can deal with rapid, complex changes.

Strategic leaders are those at the top of the company (in particular, the CEO), but other commonly recognised strategic leaders include members of the board of directors, the top management team, and division general managers.

Q.No.25. What are the Responsibilities of a Strategic Leader? (Nov 13 – 3M)

The responsibilities of a strategic leader include:

1. Managing human capital, since human resource is the most valuable resource and will directly affect the firm's performance.
2. Managing firm's operations during strategy implementation and execution stages.
3. Sustaining high performance over a period of time.
4. Taking bold and courageous decisions. But at the same time, the decisions should be practical and feasible.
5. Seeking feedback through face-to-face communication, thereby motivating people.



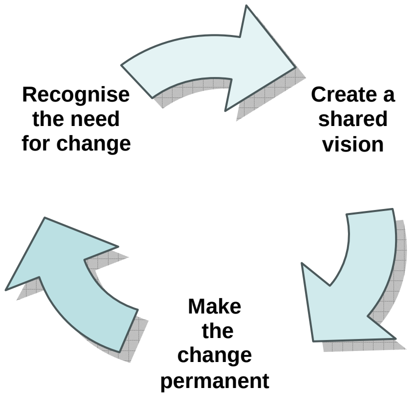
The Movie 'Chak De!' was discussed as a case study in many B – schools for learning the leadership lessons

Q.No.26. What is Strategic Leadership? What are the two approaches to Leadership Style? (May 08 – 7M, May 13 – 4M, PM, RTP - N14, MTP Oct14 - 4M)

MEANING OF STRATEGIC LEADERSHIP:

a) It is the ability of influencing others, to voluntary make decisions that enhance prospects for the organisation's long-term success, while maintaining short-term financial stability.

b) Strategic leadership sets the firm's direction by developing and communicating a vision of future and inspire the organisation members to move in that direction.



Approaches to leadership style: Two basic approaches to leadership can be Transformational leadership style and Transactional leadership style.

Transformational Leadership Style: (RTP - N11, N14)

a) This style of leadership uses Charisma and Enthusiasm to inspire people to exert them for the good of the organisation.

b) This may be appropriate in turbulent environments, in the beginning days of the industries or at the end of their life-cycles, in poorly performing organisations where there is a need to inspire a company to adopt to major changes, etc.

Transactional Leadership Style:

a) This style of leadership focuses more on designing systems and controlling the organisation's activities and is more likely to be associated with improving the current situation.

b) Transactional leaders try to build on the existing culture and enhance current practices.

c) Transactional leadership style uses the authority of its office to exchange rewards, such as pay and status.

d) They prefer a more formalized approach to motivation, setting clear goals with explicit rewards or penalties for achievement or non-achievement.

Q.No.27. What is Strategic Change and what are the steps to initiate it?
(M 08 – 5M, M 12 – 3M, PM, RTP - N14)

Strategic change:

1. The changes in the environmental forces often require businesses to make modifications in their existing strategies and bring out new strategies.
2. Strategic change is a complex process and it involves a corporate strategy focused on new markets, products, services and new ways of doing business.

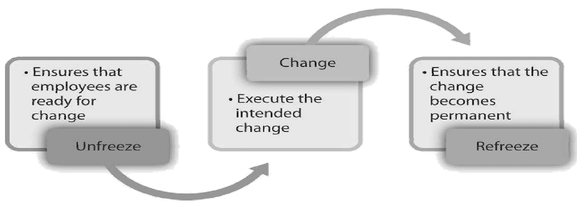
Steps to initiate strategic change:

1. **Recognize the Need for Change:** In needs environmental scanning involving appraisal of both internal and external capabilities may it be through SWOT analysis and then determine where the lacuna lies and scope for change exists.
2. **Create a Shared Vision to manage change:**
   a) Objectives and vision of both individuals and organization should coincide.
   b) Strategy implementers have to convince that the change in business culture is not superficial or cosmetic.
3. **Institutionalise the Change**:
   a) This is basically an action stage which requires implementation of changed strategy.
   b) Change process must be regularly monitored and reviewed to analyse the after-effects of change.

Q.No.28. Explain Kurt Lewin's Change Process (M11 – 3M, M13 – 4M, PM, RTP- N14, N14- 3M)

To make the 'change' lasting, Kurt Lewin proposed 3 phases of the change process, for moving the organisation from the present to the future.

1. **Unfreezing the Situation:**
   a) Lewin proposes that the change should not come as a surprise to the members of the organisation.
   b) The process of unfreezing simply makes the individuals or organisations aware of the necessity for change and prepares them for such a change.
   c) This can be achieved by making announcements, holding meetings and promoting the ideas throughout the organisation.
2. **Changing to New Situation:** Once the unfreezing process has been completed and the members of the organisation recognize the need for change and have been fully prepared to accept such change, their behaviour patterns need to be redefined.
3. **Refreezing:**
   a) Refreezing occurs when the new becomes a normal way of life.
   b) In order for the new behaviour to become permanent, it must be continuously reinforced so that this new acquired behaviour does not diminish or extinguish.



Conclusion: The process of unfreezing, changing and refreezing is a cyclical one and remains continuously in action.

Q.No.29. What do you mean by Corporate Culture? (N11 - 3M, PM, RTP- M11, M12, M14)

1. **Meaning:** Corporate culture refers to a company's values, beliefs, business philosophy (=viewpoint, thinking) and principles, traditions, work climate, ways of operating and approaching problems & internal work environment.
2. **Manifestation (=appearance):** Corporate culture is reflected in:
   - **a.** Values and business principles that management speaks and practices,
   - **b.** Ethical standards and official policies,
   - **c.** dealing with employees, unions, stockholders, vendors and the communities in which firm operates,
   - **d.** traditions that an organisation maintains,
   - **e.** supervisory practices,
   - **f.** employees attitudes and behaviour,
   - **g.** Peer pressures, organisation's politics, "chemistry" and the "vibrations" that exist in the work environment.

Q.No.30. Is culture an obstacle or ally in Strategy Execution? (N 08 – 2M, M 11 – 3M, PM, RTP- M 12)

1. Whether culture is an ally or obstacle to strategy execution depends on the compatibility between the company's strategy and its culture.
2. If there is compatibility then culture becomes a valuable ally in strategy implementation.
3. It there is a conflict between culture and the company's strategy then culture becomes a hurdle in the successful implementation and execution of the strategy.
4. A strategy-culture conflict requires –
   - **a)** redesign strategy so that it is culturally fit, and
   - **b)** redesign the mismatched cultural features to fit the strategy.

Q.No.31. What are the Advantages of 'Good Fit' or 'Alignment' between Strategy and Culture? (N11 - 3M, M12 – 4M, PM, RTP - N11)

1. **Motivation:** A culture grounded in values, practices and behavioral norms will **energize people** throughout the company, to do their jobs in a strategy supportive manner. It significantly increases the power and effectiveness of strategy execution.
2. **Creativity:** A culture with creativity, acceptable change and challenging the status quo is conducive (= favourable) for successful execution of a product innovation and technological leadership strategy.
3. **Customer service:** A culture with business principles like motivating employees for their work and participative decision-making promotes strategy of superior customer service.
4. **Influence:** Proper alignment of culture and strategy channelises employees' behaviour and influences them to work in a strategy-supportive manner.
5. **Operations:** Strategy supportive culture will shape the mood, temperament (= character, personality) and motivation of the workforce, positively influencing organisational energy, work habits and operating practices and the degree to which organisational units co-operate.

Q.No.32. Outline the Process of Changing a Problem Culture. **(N14 - 3M)**

INTENSIVE MANAGEMENT ACTION IS REQUIRED OVER A PERIOD OF TIME:

a) To replace an unhealthy culture with a healthy culture or

b) To root out certain unwanted cultural obstacles and introduce new ones that are more strategy-supportive.

STEPS IN THIS PROCESS:

1. Diagnose which areas of the present culture are strategy supportive and which are not.

2. Talk openly and forthrightly (= straight forwardly, directly) with the concerned persons about the aspects of the culture that need to be changed.

3. Follow-up with visible, aggressive actions to modify the culture. Everyone should understand that these actions are intended to establish a new culture which is in tune with the strategy.

4. Revising policies and procedures in such a way that it will help to drive cultural change.

5. Make changes in incentive system so as to reward the desired cultural behaviour,

6. Visibly praise and recognize people who display the new cultural traits (= qualities),

7. Recruit and hire new managers and employees who have the desired cultural values and can serve as role models to others. Replace the key executives who are strongly associated with the old culture.

8. Communicate the basis of cultural change to employees and its benefits to all concerned.

9. Get the support of first line supervisors and employee union leaders. Convince them of the merits of practicing cultural norms at the lowest levels in the organisation.

STRATEGIC CONTROL

Q.No.33. What is Control? Explain the different types of Organisational Control.

Meaning

a) It is intended to ensure that the organisation has achieved what it wants to achieve after implementing a strategy.

b) The control function includes 3 steps:

- **i)** Measuring actual performance,
- **ii)** Comparing actual performance to standards, and
- **iii)** Taking corrective action to ensure that planned events actually occur.

Types of Organisational Control: Primarily there are three types of organizational control, viz., operational control, management control and strategic control.

a) Operational Control:

- **i)** The thrust of operational control is on individual tasks or transactions as against total or more aggregative management functions.
- **ii)** Many of the control systems in organisations are operational and mechanistic in nature.

b) Management Control:

- **i)** When compared with operational control, management control is more inclusive and more aggregative.

ii) Its basic purpose is to achieve enterprise goals – short range and long range – in a most effective and efficient manner.

c) Strategic Control: Strategic control focuses on the dual questions i.e. whether:

i) the strategy is being implemented as planned; and

ii) the results produced by the strategy are those intended.

Q.No.34. Write about Strategic Controls? Explain the different types of Strategic Controls.

Meaning:

1. Strategic Control is the process of evaluating strategy as it is formulated and implemented.

2. It is directed towards identifying problems and changes in premises and making necessary adjustments.

Type of Strategic Control: There are four types of strategic control as follows:

1. Premise Control: **(RTP - N11, MTP Sept - 14)**

a) A strategy is formed on the basis of certain assumptions or premises about environment. Over a period of time these premises may change.

b) Premise control is a tool for systematic and continuous monitoring of the environment to verify the validity and accuracy of the premises on which the strategy has been built.

2. Strategic Surveillance:

a) Strategic surveillance is unfocussed.

b) It involves general monitoring of various sources of information to uncover unanticipated information.

c) It involves casual environmental browsing. Reading financial and other newspapers, business magazines, meetings, conferences, discussions at clubs or parties and so on can help in strategic surveillance.

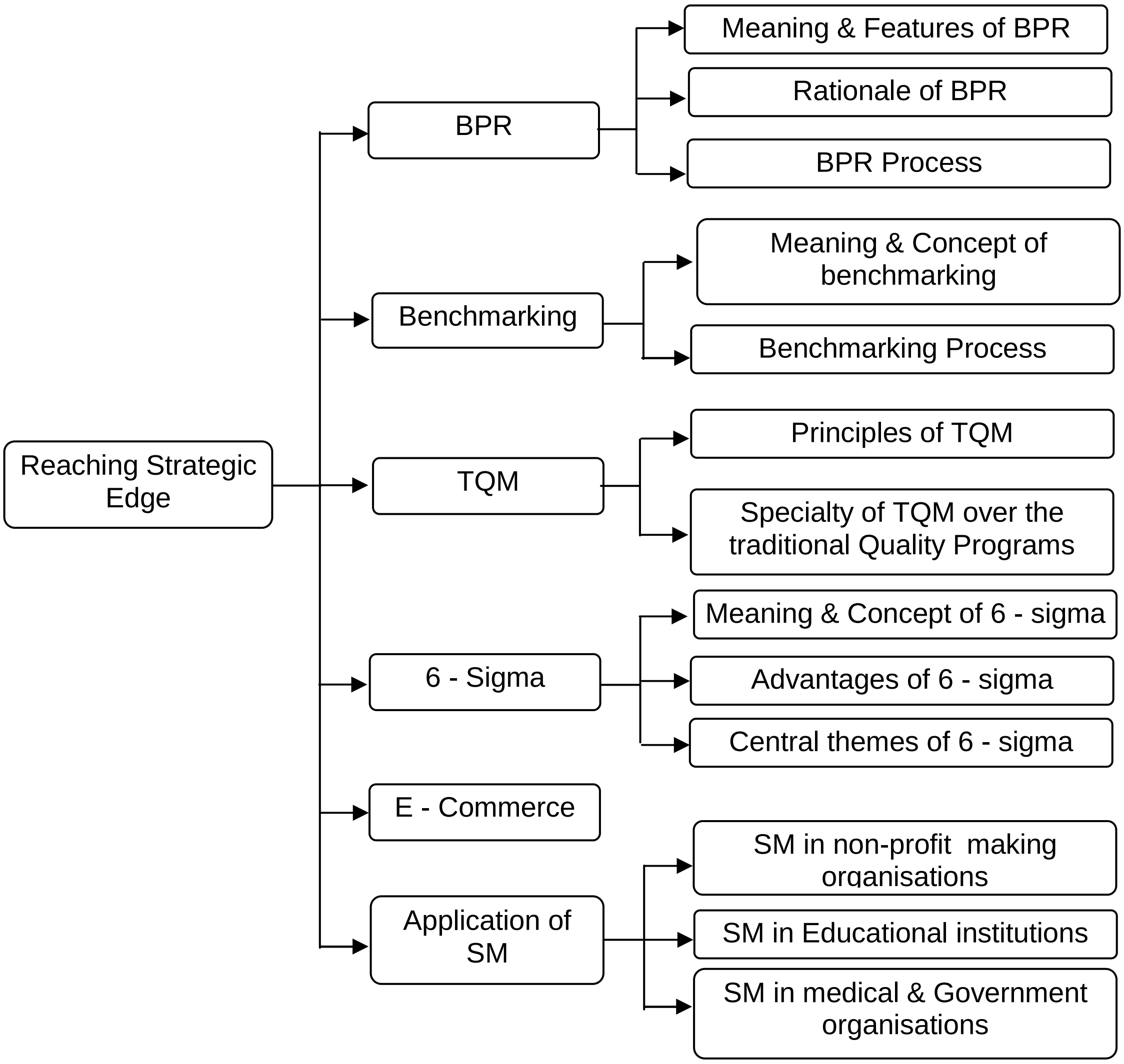
3. Special Alert Control:

a) Sometimes unexpected events may force organisations to reconsider their strategy.

b) Sudden changes in government, natural calamities, terrorist attacks, unexpected merger/acquisition by competitors, industrial disasters and other such events may trigger an immediate and intense review of strategy.

4. Implementation Control: 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.

6. REACHING STRATEGIC EDGE



QUESTION - WISE ANALYSIS OF PREVIOUS EXAMINATIONS

Q. No.	CATEGORY	M-07	N-07	M-08	N-08	M-09	N-09	M-10	N-10	M-11	N-11	M-12	N-12	M-13	N-13	M- 14	N- 14	M- 15	N- 15
1.	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.	C	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3.	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.	A	2	-	-	-	2	-	-	-	1	-	-	-	-	-	-	-	-	2
5.	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7.	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8.	A	-	-	-	-	8	-	-	-	-	-	3	-	-	-	4	-	-	-
9.	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3	-	-	-
10.	A	-	-	-	-	-	-	-	-	-	4	-	3	-	-	-	-	-	-
11.	A	-	-	-	2	-	-	-	-	-	-	-	2	-	-	-	-	-	-
12.	A	-	-	-	-	-	-	-	-	4	-	-	-	-	-	-	-	-	7
13.	A	-	2	-	-	-	-	-	-	-	-	4	-	2	-	-	-	-	-
14.	A	-	-	-	-	-	-	-	-	3	-	-	-	-	-	-	-	-	-

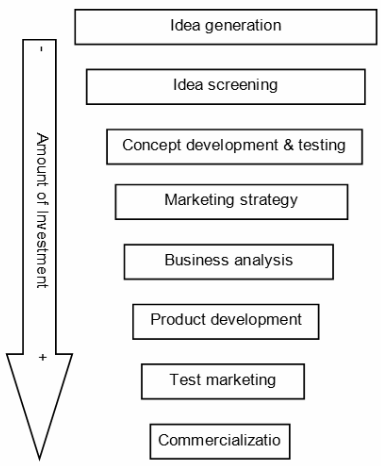
15.	A	2	-	-	-	-	-	-	-	-	-	-	1	3	-	2	-	-	-
16.	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
17.	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
19.	A	-	-	-	-	-	-	-	-	-	-	-	-	3	-	-	-	3	-
20.	A	-	-	-	-	-	-	-	7	-	-	2	-	3	-	-	-	-	-
21.	A	-	-	-	2	-	-	-	2	-	-	-	-	3	-	-	-	2	-
22.	A	-	-	-	-	-	-	-	-	-	3	-	-	-	-	-	-	-	-
23.	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2	2	-
24.	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

BUSINESS PROCESS RE-ENGINEERING (BPR)

Q.No.1. Define the term Business Process and outline the importance of Business Process

Meaning: A Business Process

1. Is a set of logically related tasks or activities oriented towards achieving a specified outcome
2. Is a set of activities that transform a set of inputs into set outputs for another person or process



Examples: Examples of Business Processes are:

1. Development of a new product or service,
2. Launching a new product in the market,
3. Procurement of goods from suppliers

Importance:

1. **Analysis:** The structural elements of a process are important for its analysis, appraisal and re-design for achieving higher levels of efficiency and effectiveness, economy, speed, quality and output.
2. **Linkages:** A set of inter-connected processes will form a business system. The performance of a business firm is the result of inter-related operations of its business processes.
3. **Competitive advantage:** Core business processes are critical for every company. Such processes are very important for the success of a business. Thus, they are very crucial for generating competitive advantage to the firm.

Q.No.2. Write short notes on Core or Generic Business Processes

Meaning: Core or Generic Business Processes are those which are highly critical for the success and survival of the firm. Some examples of Core Business Processes are –

Nature of Activity	Core Business Processes
1. News distribution by TV, newspaper, etc.	Collection & Broadcasting of news in a timely manner.
2. Fast Moving Consumer Goods	Marketing, Brand Management.
3. Electronics and Software	New Product development.

Q.No.3. State the problems in traditional business processes (or) Outline the need for Business Process Re - engineering (BPR).

BPR is like building a new structure brick by brick.

1. **Outdated Processes:** Most of the processes that firms follow might have been developed by their functional units over a period of time and are outdated.
2. **Sub-System view:** Individual departments or divisions of a firm try to optimize their own performance, without considering the effect on other areas of operation.
3. **Time and Cost:** Existing business processes may be lengthy, time-consuming, costly, inefficient, obsolete and irrational.
4. **Fragmentation:** Fragmentation of work processes makes it difficult to improve the quality of work performance and also develops a narrow vision among the employees.
5. **Inefficiency:** Emerging critical issues may remain unattended by traditional management systems, due to the narrow definition of tasks or roles of an individual department.
6. **Need for IT:** Using information technology, it is possible to –
   - **a)** Increase the speed of normal production,
   - **b)** Increase asset turnover, and
   - **c)** Reduce the customer response time and increase customer satisfaction.

Hence the above factors bring out the need for BPR.

Q.No.4. What do you mean by Business Process Re-engineering (BPR)?
(M09 - 4M, PM, RTP - M12)

MEANING:

- Business Process Re-engineering (BPR) refers to the analysis and re-design of workflows and processes both within and between business firms.
- It is a total deconstruction and re-thinking of a business process in its entirety, unconstrained (= at liberty) by its existing structure and pattern.

CONCEPT: The concept of BPR is outlined below

1. **Operational excellence:** The operational excellence of a company is very important for its competitiveness.
2. **Process orientation:** Processes need to be managed effectively but not functions. The firm should look at "what work is being done" and also "how work is being done".
3. **No old ideas:** For considering new ways of re-designing processes, each and every concept, assumption, purpose and principle should be abandoned (= discarded) temporarily. It is necessary to proceed afresh, without being influenced by old ideas.
4. **Dramatic improvement:** Dramatic improvement in performance is a pre-requisite for overcoming competition. Continuous improvement is not sufficient when the company is far below industry standards. In such a case, the company needs to make quantum leaps (= jump) in performance.
5. **Competitive advantage:** To survive, grow and tackle competition, "how to compete" is more important than deciding where to compete. Successful implementation of BPR will enable a company to achieve competitive advantage in business.

Q.No.5. State the objectives of Business Process Re-engineering?

The objectives of Business Process Re-engineering are:

1. To obtain considerable gain in the performance of the process in terms of time, cost, output, quality, and responsiveness to customers.
2. To obtain dramatic improvement in operational effectiveness by re-designing core business processes and supporting business systems.
3. To provide competitive advantage to the firm.

Q.No.6. Bring out the features of Business Process Re-engineering.

1. **Starting from scratch:** BPR means setting aside old practices and procedures. It involves forgetting how work has been done so far and deciding how it can best be done now.
2. **Re-thinking:** BPR begins with fundamental re-thinking. Firms which initiate BPR should try to find out answers to questions like "What is being done now? Why is it being done in this way?"
3. **No assumptions:** The thinking process in BPR begins with a totally free state of mind i.e. without any pre-conceived (= pre-determined) notions.
4. **Normative:** BPR ignores what the existing process is and concentrates on 'what it should be'.
5. **Radical (= drastic):** BPR involves radical re-designing of processes.
6. **Dramatic improvement:** BPR aims to achieve dramatic improvement in performance.
7. **Re-invention:** BPR is about business re-invention, not business improvement, business enhancement or business modification.
8. **Process Orientation:** BPR focuses on the process and tries to improve performance.
9. **Detailed:** BPR looks at the minute details of the process such as why the work is done, who does it, where it is done and when it is done.
10. **Thrust (= focus) area:** The thrust area in BPR is "reduction of total cycle time of a business process".
11. **Continuous:** Even after re-designing of a process, BPR maintains a continuous effort for more and more improvement.
12. **IT supported:** BPR aims to utilise information technology for developing new processes, instead of merely automating the existing processes.
13. **Wholistic:** BPR will affect all parts of the firm. BPR views the processes from a cross-functional and wholistic angle.
14. **Organisational change:** BPR involve massive organizational change.
15. **Top management support:** BPR is supported by the vision and commitment of the firm's top leadership, to ensure its effective completion and implementation.

Q.No.7. What are the basic principles that differentiate BPR from any other drive on improving operational efficiency? (For student self-study) (M 09 - 3M, PM)

1. Dramatic improvement
2. IT supported
3. Wholistic
4. Organisational change
5. Central thrust area

For detailed explanation refer to the above question.

Q.No.8. Write down the steps in BPR (M09 - 6M, M14 – 4M, RTP- M12)

The steps involved in Business Process Re-engineering are:

1. **Define Objectives and Framework:** Objectives are the desired end results of the BPR process which a firm tries to achieve.
2. **Identify Customer Needs:** The purpose is to re-design business process that clearly provides added value to the customer. For this purpose, the designers should understand customers.
3. Study the Existing Processes: For understanding "what", and "why" of targeted processes, the existing processes will act as important base. Hence, existing processes should be analysed carefully.
4. **Formulate a Re-design Process Plan:** Formulation of re-design plan is the real crux of BPR efforts. So, the information gained through analysis and study is translated into an ideal re-design process.
5. **Implementation of the Re-design:** Implementation of the re-designed process and application of other knowledge gained from the previous steps is very important to achieve dramatic improvements.

Q.No.9. BPR is a means of solving business problems through an imaginative leveraging of InfoTech. Capabilities. Explain. (Or) Rationale of BPR (M 14 - 3M)

Yes, BPR is a means of solving business problems through an imaginative leveraging of information technology capabilities. The following points support the above statement:

1. **Increased Competition:** Firms are now forced to improve their business processes to meet increased competition. Major changes are required to even to stay in the competitive market.
2. **Demanding Customers:** Customers are demanding better products and services. If they do not receive what they want from one firm, they will switch over to other firms. Customers are ready to try new brands.
3. **Availability of Latest Technology:** New concepts in Information Technology (internet, e-commerce, etc.) are rapidly bringing new capabilities to businesses. This increases the options available to the firm to achieve dramatic improvement in the performance.

Conclusion: Improving business processes is very important for businesses to stay competitive in the current economic conditions. So, BPR may be viewed as a means of solving business problems by using the capabilities of information technology.

Q.No.10. Explain the role of information Technology in BPR. (N11 – 4M, N12 - 3M, PM)

1. A re-engineered business process, characterized by IT-assisted speed, accuracy, adaptability and integration of data and service points is focused on meeting the customer needs and expectations quickly and adequately, thereby enhancing the level of customer satisfaction.
2. The impact of IT-systems on BPR can be identified with respect to:
   a) Operational Speed, drastic reduction in time,
   b) Global Village, i.e. overcoming restrictions of geography and / or distance,
   c) Restructuring of relationships or organisational restructuring.
   d) Information systems that provide timely, reliable and accurate information, and
   e) Business Values - IT initiatives provide business values in the areas of
   - Efficiency - by way of increased productivity,
   - Effectiveness - by way of better management,
   - Innovation - by way of improved products and services.

BENCHMARKING & TOTAL QUALITY MANAGEMENT (TQM)

Q.No.11. What is Benchmarking? (N08 - 3M, M11, N12 - 2M, PM, RTP - N14, MTP oct14 - 3M)

Meaning:

1. Benchmarking is the process of identifying and learning from the best industry practices and the processes by which they are achieved.
2. It is an approach of setting goals and measuring the productivity based on best industry practices. It is a process of continuous improvement in search of competitive advantage.

> Benchmark is a standard or a point of reference against which things may be compared and by which something can be measured and judged.

Areas in which the benchmarking process can be helpful: Benchmarking can lead to improvements and create competitive advantage in the areas of:

1. Product Development.
2. Plant Utilization Levels.
3. Maintenance Operations.
4. Human Resource Management.
5. Product Distribution.
6. Customer services.
7. Assessment of total manufacturing cost.

Q.No.12. What are the Elements/Steps in the Process of Benchmarking? (N08 - 7M, M11 - 2M, PM, N15 - 7M)

Define Objectives → Identify Customer Needs → Study the Existing Processes → Formulate a Re-design Process plan → Implementation

Benchmarking Process involves the following steps:

Stage	Steps
1. **Need for benchmarking and planning**	• Define the objectives of the benchmarking exercise and the type of benchmarking. • Identify the realistic opportunities for improvement.
2. **Understand existing processes**	• Obtain information and data on the firm's actual performance. • Collect information and data using different methods like interviews, site-visits, filling questionnaires, etc. • Create an outline or map of existing business processes.
3. **Analysis**	• Identify the best processes within the same firm (intra-group benchmarking) or external to the firm (inter-group benchmarking).
4. **Comparison**	• Compare own processes and performance with that of others. • Identify gaps in performance between the firm and better performers.
5. **Reporting & Implementing**	• Prepare a report on the benchmarking initiatives and provide recommendations and action plans. • Communicate the action plans to the concerned managers & field-workers. • Implement the steps necessary to fill the performance gap.

6. Review & evaluation	• Evaluate the results of benchmarking in terms of improvements vis-à-vis objectives and other criteria set for the purpose. • Review, evaluate and re-set the benchmarks periodically, in the light of changing conditions.

Q.No.13. What is Total Quality Management (TQM)? What are the principles / features of TQM? (PM, RTP - M12, M14)

Meaning: TQM is a people focused management system that aims at continual increase in customer satisfaction continually lower real cost. It is a customer oriented approach to provide quality. It is a total system approach and it a part of high level strategy.

Principles/ Features of TQM: The features / guiding principles of TQM are:

1. **Management commitment to quality:** If the TQM is to be implemented the total commitment must come from top management.
2. **Focus on customer:** Satisfying the customer is the main objective of TQM.
3. **Prevention of defects:** TQM tries to prevent poor quality in products and services rather than simply to detect and sort out defects.
4. **Universal quality responsibility:** The responsibility for quality is not restricted to organisation's quality control department alone. It is a guiding philosophy shared by everyone in the organisation.
5. **Quality measurement:** The basic TQM concept is that quality is a measurable commodity and in order to improve we need to know where we are and we should have some idea about where we are going.
6. **Continuous improvement and learning:** TQM should be recognized as a continuous process. It is not a onetime program.
7. **Root cause corrective action:** TQM tries to prevent this by identifying the root cause of problems and by taking corrective actions that solve the problems at root level.
8. **Employee involvement or empowerment:** They are fundamental TQM concepts.
9. **Synergy in teams:** Taking the advantage of synergy in teams is an effective way to address the problems and challenges of continuous improvement.
10. **Thinking statistically:** Statistical thinking is another basic TQM philosophy.
11. **Inventory reduction:** The Japanese JIT inventory management philosophy was mainly intended for cost reduction but the interesting effect out of this method is quality improvement.
12. **Value improvement:** The essence of value improvement is something more than quality improvement and it is the ability to meet or exceed customer expectations while removing unnecessary costs.
13. **Suppliers teaming:** Developing long term relationships with high quality supplier rather than simply selecting those with lower initial cost is termed as suppliers teaming.
14. **Training:** Training is basic to the TQM process. The concept is based on of empowering employees by providing the tools necessary for continuous improvement. One of the most basic tools is training.

Q.No.14. What are the features that distinguish TQM from Traditional Management practices? (M 11 – 3M, PM, RTP – M13)

The features that differentiate TQM from Traditional Management Practices and Techniques are:

1. **Strategic planning and management:** Quality Planning and Strategic Business Planning go hand-in-hand. Quality goals are the corner stones of a business plan.
2. **New linkages with customers and suppliers:** In TQM, quality is related to production of products and services beyond present needs and expectations of customers, using innovative techniques.
3. **Organisational structure:** TQM views the enterprise as a system of inter-dependent processes, linked over time through a network of collaborating (internal and external) suppliers and customers.
4. **Organisational Change:** In TQM, the environment in which the enterprise interacts is considered to be changing constantly.
5. **Teamwork:** In TQM, individuals co-operate in team structures such as Quality Circles, Steering Committees and self-directed work teams.
6. **Motivation & Job Design:** TQM managers provide leadership in the processes of their sub-ordinates, who are viewed as Process Managers rather than Functional Specialists.

SIX SIGMA

Q.No.15. What is Six Sigma? (N10, 12 - 2M, N13 – 3M, PM, RTP - N11)

Meaning: It is a philosophical benchmark or standard of excellence which aims at maintenance of desired quality in end products and processes by taking systematic and stimulating efforts to encourage each employee in that direction. It is also called zero defects program.

Six Sigma is business Management Strategy originally developed by Motorola, USA in 1986. It set a goal of "Six Sigma" for all its manufacturing operations, and this goal became a byword for the management and engineering practices used to achieve it.

Features:

1. Highly Disciplined process that helps in developing and delivering near-perfect products and services.
2. Tries to meet & improve the firm's goals on quality, cost, scheduling, manpower, new products, etc.
3. Tries to ensure that 99.99966% of products manufactured are defect-free.
4. Puts the customer first and uses facts and data to drive better solutions.

Q.No.16. What are the Advantages of Six Sigma?

1. Improved customer satisfaction and opportunities to retain customers.
2. Reduction in cycle time and defectives.
3. Significant cost savings.

These are the 3 target areas of SIX SIGMA

4. Gives a new approach to thinking, planning and executing.
5. It leads to working smarter, not harder.

Q.No.17. What are the Procedures / Methodologies for implementing Six Sigma? (RTP- N14, PM) (For student self study)

Six Sigma Implementation Methodologies for –

Improvements in **existing** products, processes or services → **D M A I C** Define, Measure, Analyse, Improve, Control

Designing **new** products, processes or services → **D M A D V** Define, Measure, Analyse, Design, Verify

1. **DMAIC** (for Existing Products, Processes and Services)

Define	• Define the process improvement goals that are consistent with the firm's overall strategy and customer demands. • Discuss all issues with senior management officials so as to define what needs to be done.
Measure	• Measure the existing processes to facilitate future comparison. • Collect process data by mapping and measuring relevant processes.
Analyse	• Verify cause-and-effect relationship between the factors in the processes.
Improve	• Make a detailed plan to improve on the basis of the above analysis.
Control	• Measure the process continuously to ensure that variances are identified and corrected before they result in defects.

2. **DMADV** (for New products, Processes and Services) **(RTP - N11)**

Define	• Define the goals of the design activity, such that they are consistent with the firm's overall strategy and the demands of the customer.
Measure	• Identify the factors that are critical to quality (CTQs). Also assess the risks involved. • Measure factors such as product capabilities and production process capability.
Analyse	• Develop and design alternatives. • Create high-level design and evaluate to select the best design.
Design	• Develop details of design and optimise it. • Evaluate designs using techniques such as simulations.
Verify	• Verify designs through simulations or pilot runs. • Hand over the verified and implemented processes to the Process-Owners.

Q.No.18. Explain the central themes of Six Sigma Philosophy. (PM) (RTP – M 13)

1. **Theme 1 – Genuine Customer Focus:** Six Sigma improvements are defined by their impact on customer satisfaction and value.
2. **Theme 2 - Data and fact-driven management:** Six Sigma discipline begins by clarifying the measures that are important for measuring business performance and then gathers data and analyses key variables.

3. **Theme 3 - Process orientation:** Mastering processes is a way to build competitive advantage in delivering value to customers.
4. **Theme 4 - Pro-active management:** Being pro-active means acting in advance of events rather than reacting to them.
5. **Theme 5 - Boundary less Collaborations:** The opportunities available through improved collaboration between and within companies and with vendors and customers are substantial.
6. **Theme 6 - Drive for perfection and tolerance for failure:** A company can get closer to Six Sigma only by launching new ideas and approaches, which always involve some risk.

Q.No.19. What are the Key Characteristics that differentiate Six Sigma from other Quality Programs? (N 09 - 2M, M 13 – 3M, PM)

1. It is customer focused. It puts major concentration on external customer.
2. Six Sigma projects produce major returns on investments.
3. Six Sigma changes how management operates. It is much more than improvement projects.

RECENT STRATEGIC ISSUES

Q.No.20. What are the strategy-shaping characteristics of E - Commerce environment? (N10 - 7M, PM, RTP - M14, N14)

1. **Global Markets:** E-commerce is very useful to companies whose products are of good quality and can be transported economically to all parts of the world. Internet opens up bigger geographic markets.
2. **On line / Internet competition:** The use of Internet leads to cost cut-down and greater business efficiency. It gives another way to get market position and to gain competitive advantage.
3. **Limited entry barriers:** The software for establishing a website is readily available and the costs of using and maintaining servers are relatively modest.
4. **Buyer bargaining power:** Consumers can readily get reviews of products, compare the features and prices of rival brands, and quote their willing price for purchasing the items.
5. **Supplier management:** Companies can collaborate electronically with chosen suppliers to streamline ordering and transportation of parts and components, improve JIT deliveries, work in parallel on the designs for new products, and communicate speedily and efficiently.
6. **New business practices:** Companies in different countries can use the internet to monitor the latest technological developments and be in touch with what is happening in the markets of other countries. New business practices like e-auction, e-display of products, etc. can be adopted by such companies.
7. **Re-configuring value chains:** Using the internet it is possible to link the orders of customers with the suppliers of components. This enables JIT delivery to manufacturers, reducing inventory costs and allowing production to match demand.
8. **Customer service:** The Internet provides innovative opportunities for handling customer service activities. Companies are discovering ways to deliver services online.
9. **Capital for funding:** E-commerce can help companies to raise equity and debt to fund a new venture, from any part of the world.
10. **Human talent:** Companies can get competitive advantage based on the expertise and intellectual capital of their personnel and on their organizational competencies and capabilities.

Q.No.21. Explain the Significance of Strategic Management in Non-Profit making organisations (M 13 – 3M)

1. Strategic Management Process can be used effectively by Non-Profit and Governmental Organisations.
2. Many Non-Profit and Governmental Organisations outperform Private Firms and Corporations on innovativeness, motivation, productivity and strategic management.
3. Non-Profit and governmental organisations may function as a monopoly, produce a product or service that offers little or no measurability of performance, and are totally dependent on outside financing.
4. Strategic management provides an excellent vehicle to such social and charitable institutions for developing needed financial support.

Q.No.22. Educational Institutions require Strategic Management. Explain? (N11 - 3M, PM)

1. Academic Institutions have joined hands with industries in order to deliver education and to make graduates more employable.
2. The Educational Delivery System has undergone considerable changes with the introduction of computers, Internet technologies and more modernized teaching methods.
3. Online College Degrees are becoming common and represent a competitive threat to traditional Colleges and Universities.
4. On account of the above significant changes in the competitive environment of educational institutions, they have to adopt different strategies for attracting best students.

Q.No.23. What are the areas of Strategic Management in relation to Medical organisations?

1. A successful hospital strategy for the future requires renewed and deepened collaboration with physicians, who are central to the hospitals' well-being.
2. Backward Integration Strategies for hospitals include acquiring ambulance services, waste disposal services and diagnostic services.
3. Many people research medical ailments online, leading to a dramatic shift in the balance of power between doctor, patient, and hospitals.
4. A secure medical service whereby doctors and patients can conduct sensitive business on the Internet, such as sharing results of medical tests and prescribing medicine, is also available.

Q.No.24. Write short notes on Strategic Management in Governmental Agencies and Departments (PM) (For student self study)

1. Central, State and Municipal Agencies, Public Sector Units and Departments are responsible for formulating, implementing and evaluating strategies that use taxpayers' money in the most cost-effective way to provide services and programs.
2. Government organisations, agencies and departments are now motivating their employees to participate in the strategic management process thereby have an effect on the organisation's mission, objectives, strategies and policies.
3. Government agencies are also using strategic management to develop and substantiate formal requests for additional funding.

THE END