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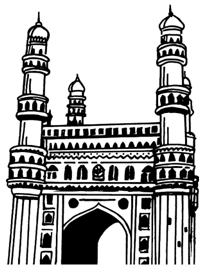

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CONTENTS

STRATEGIC MANAGEMENT

STUDY MANUAL

SOLVED MODEL PAPERS

SOLVED PREVIOUS QUESTION PAPERS

SYLLABUS

UNIT - I

Introduction: Concepts in Strategic Management, Strategic Management Process, developing a Strategic Vision, Mission, Objectives, Policies, Factors that Shape a Company's Strategy, Environmental Scanning: Industry and Competitive Analysis. Evaluating Company's Resources and Competitive Capabilities by using SWOT Analysis, Value Chain Analysis and Competitive Advantage.

UNIT - II

Tools and Techniques for Strategic Analysis: Porter's Five Force Model, BCG Matrix, GE Model, TOWS Matrix, IE Matrix, The Grand Strategy Matrix. Market Life Cycle Model and Organizational Learning, Impact Matrix and the Experience Curve, Generic Strategies, Strategy Formulation, Types of Strategies: Offensive Strategy, Defensive strategy. Exit and Entry Barriers, Tailoring Strategy to Fit Specific Industry and Company Situations.

UNIT - III

Strategy Implementation: Strategy and Structure, Strategy and Leadership, Strategy and Culture Connection, Operationalizing and Institutionalizing Strategy, Strategies for Competing in Global Markets and Internet Economy, Organizational Values and their Impact on Strategy, Resource Allocation as a Vital Part of Strategy, Planning Systems for Implementation.

UNIT - IV

Turnaround and Diversification Strategies: Turnaround Strategy, Management of Strategic Change, Strategies for Mergers, Acquisitions, Takeovers and Joint Ventures. Alliances and Cooperatives, Diversification Strategy: Why Firms Diversify, Different Types of Diversification Strategies, the Concept of Core Competence, Strategies and Competitive Advantage in Diversified Companies and its Evaluation. International Strategies.

UNIT - V

Strategy Evaluation and Control: Establishing Strategic Controls for Measuring Performance, Appropriate Measures, Role of the Strategist, Using Qualitative and Quantitative Benchmarking to Evaluate Performance, Strategic Information Systems, Problems in Measuring Performance, Guidelines for Proper Control, Strategic Surveillance, Strategic Audit, Strategy and Corporate Evaluation and Feedback in the Indian and International Context.

Contents

Frequently Asked & Important Questions

UNIT - I

1. What are the major elements of Strategic management process.

Ans : **(Sep.-23, Dec.-19, Imp.)**

Refer Unit-I, Page No. 5, Q.No. 8

---

2. Explain the Characteristics of an Effectively Worded Vision Statement.

Ans : **(Feb.-24, Imp.)**

Refer Unit-I, Page No. 6, Q.No. 10

---

3. Write about factors that shape a company strategy.

Ans : **(Sep.-23, Sep.-20, Imp.)**

Refer Unit-I, Page No. 13, Q.No. 21

---

4. What is Environmental scanning? State the features of Environmental scanning.

Ans : **(April-22, May-19, Imp.)**

Refer Unit-I, Page No. 16, Q.No. 24

---

5. What are the various facets of economy one needs to consider in the process of environmental scanning.

Ans : **(Sep.-22, Imp.)**

Refer Unit-I, Page No. 18, Q.No. 27

---

6. Discuss the importance of SWOT analysis in strategic management.

Ans : **(Sep.-23, April-23, April-22, Imp.)**

Refer Unit-I, Page No. 27, Q.No. 37

---

7. Brief on competitive advantage of value chain analysis.

Ans : **(Feb.-24, April-23, Sep.22, April-22, Sep.-20, Imp.)**

Refer Unit-I, Page No. 29, Q.No. 39

UNIT - II

1. Explain the cases for bargaining power of buyers and suppliers of Porter's Five force model.

Ans : **(Feb.-24, Aug.-21, May-19,Dec.-19, Imp.)**

Refer Unit-II, Page No. 43, Q.No. 3

2. How do you evaluate the strategic alternatives using the BCG Matrix.

Ans : **(April-23, April-22, Sep.-20, May-19, Imp.)**

Refer Unit-II, Page No. 44, Q.No. 4

3. Explain GE Model.

Ans : **(April-22, Sep.-20)**

Refer Unit-II, Page No. 46, Q.No. 5

4. Define the role of TOWS Matrix in an organization.

Ans : **(Feb.-24, Dec.-19)**

Refer Unit-II, Page No. 47, Q.No. 6

5. Explain in detail Market Life cycle Model.

Ans : **(Feb.-24, Sep.-23, April-23, May-19, Imp.)**

Refer Unit-II, Page No. 51, Q.No. 9

6. What are generic strategies and discuss the types of strategies?

Ans : **(April-23, Oct.-22, Imp.)**

Refer Unit-II, Page No. 55, Q.No. 14

7. Explain the process involved in Strategy Formulation.

Ans : **(Sep.-23, Dec.-19)**

Refer Unit-II, Page No. 56, Q.No. 15

8. Compare and contrast offensive and defensive strategies.

Ans : **(Feb.-24, April-23, Imp.)**

Refer Unit-II, Page No. 60, Q.No. 19

UNIT - III

1. Define Strategy Implementation. Explain the key considerations of strategy formulation.

Ans : **(Sep.23, Imp.)**

Refer Unit-III, Page No. 77, Q.No. 1

2. What are the basic activities in the strategy implementation process? Explain their relative importance.

Ans : **(Sep.-23, April-22)**

Refer Unit-III, Page No. 78, Q.No. 3

3. Explain the Issues involved in Strategy Implementation.

Ans : **(Sep.-20, Imp.)**

Refer Unit-III, Page No. 78, Q.No. 4

4. What is the relationship between strategy and leadership?

Ans : **(April-23, April-22)**

Refer Unit-III, Page No. 85, Q.No. 10

5. Discuss with examples what strategies of a company can make it compete with its rivals in the globalization era.

Ans : **(Aug.-21, Sep.-23, Imp.)**

Refer Unit-III, Page No. 90, Q.No. 18

6. "Is resource allocation a vital part of Strategy". Why?

Ans : **(April-23, Aug.-21, Dec.-19)**

Refer Unit-III, Page No. 95, Q.No. 23

7. What are the tools for allocating resources?

Ans : **(Aug.-21, Dec.-19, Imp.)**

Refer Unit-III, Page No. 96, Q.No. 25

UNIT - IV

1. Define Turnaround Strategy. State the approaches for Turnaround Strategy.

Ans : **(April-23, Sep.-20, Imp.)**

Refer Unit-IV, Page No. 105, Q.No. 1

2. Explain mergers as a strategy. Explain the types of mergers.

Ans : **(May-19, Imp.)**

Refer Unit-IV, Page No. 108, Q.No. 7

3. Explain the need to diversify by the organization with suitable cases.

Ans : **(Feb.-24, April-23)**

Refer Unit-IV, Page No. 117, Q.No. 24

4. Discuss the different types of diversification strategies.

Ans : **(Sep.23, April-23, Aug.-21, Sep.-20, Dec.-19, Imp.)**

Refer Unit-IV, Page No. 117, Q.No. 25

5. What are the steps involved in evaluating a diversified company's strategy?

Ans : **(Sep.-20, Imp.)**

Refer Unit-IV, Page No. 121, Q.No. 32

6. How do establishment of core competence enable; organizations to compete better?

Ans : **(Oct.-22, Imp.)**

Refer Unit-IV, Page No. 126, Q.No. 37

UNIT - V

1. Explain the process of strategic evaluation and control in details.

Ans : **(Dec.19, May-19, Imp.)**

Refer Unit-V, Page No. 135, Q.No. 4

2. What are the measures for establishing strategic controls.

Ans : **(May-19, Imp.)**

Refer Unit-V, Page No. 140, Q.No. 8

3. Explain the role of a Strategist in strategy execution.

Ans : **(Feb.-24, Sep.-20, Dec.-19, Imp.)**

Refer Unit-V, Page No. 145, Q.No. 14

4. Define bench marking. Explain the features of bench marking.

Ans : **(Aug.-21, May-19)**

Refer Unit-V, Page No. 146, Q.No. 15

5. Summarize the various qualitative and quantitative criteria for strategy evaluation and control.

Ans : **(April-22, Aug.-21, Dec.19, May-19, Imp.)**

Refer Unit-V, Page No. 148, Q.No. 18

6. What is strategic information system? How does it helps the management to make decisions?

Ans : **(Feb.-24, April-23, Aug.-21, Dec.-19, Imp.)**

Refer Unit-V, Page No. 149, Q.No. 19

7. Explain the guidelines for Proper Control.

Ans : **(Imp.)**

Refer Unit-V, Page No. 151, Q.No. 22

8. What are the various approaches used by the Indian firms in evaluating corporate strategies?

Ans : **(Imp.)**

Refer Unit-V, Page No. 154, Q.No. 27

UNIT I	**Introduction** - Concepts in Strategic Management, Strategic Management Process, developing a strategic vision, Mission, Objectives, Policies – Factors that shape a company's strategy, Environmental Scanning: Industry and Competitive Analysis – Methods. Evaluating company resources and competitive capabilities – SWOT Analysis – Value Chain Analysis and Competitive advantage.

1.1 Concepts in Strategic Management

Q1. Define the term Strategy and strategic management.

(OR)

Provide a brief and clear explanation of the concept of strategy.

Ans : **(April-22, Dec.-19, Imp.)**

I) Concept

The concept of strategy is central to understanding the process of strategic management. The term'strategy' is derived from the Greek word strategos, which means general ship the actual direction of military force, as distinct from the policy governing its deployment.

Therefore, the word 'strategy' literally means the art of the general. In business parlance, there is no definite meaning assigned to strategy. It is often used loosely to mean a number of things.

Definitions

(i) According to Alfred D Chandler The determination of the basic long-term goals and objectives of an enterprise and the adoption of the courses of action and the allocation of resources necessary for carrying out these goals.

(ii) According to Kenneth Andrews

The pattern of objectives, purpose, goals, and the major policies and plans for achieving these goals stated in such a way so as to define what business the company is in or is to be and the kind of company it is or is to be.

II) Meaning of Strategic Management

Strategic management involves the analysis of internal capabilities and external environment of a firm in order to efficiently and effectively uses resources to meet organizational objectives.

Strategic management is the process of systematically analyzing various opportunities and threats vis-a-vis organizational strengths and weaknesses, formulating, and arriving at strategic choices through critical evaluation of alternatives and implementing them to meet the set objectives of the organization.

Definitions

(i) According to Alfred Chandler, "Strategic management is concerned with the determination of the basic long-term goals and the objectives of an enterprise, and the adoption of courses of action and allocation of resources necessary for carrying out these goals".

(ii) According to Glueck and Jaunch "Strategic management is a stream of decisions and actions which lead to the development of an effective strategy or strategies to help achieve corporate objectives"

Q2. What are the various modes of strategic management?

Ans :

Modes of strategic management refers to approaches which managers follow in planning and implementing strategies, the three approaches to strategic management (or Modes of Strategic Management) are,

1. Adaptive approach/mode
2. Entrepreneurial approach/mode and
3. Planning approach/mode.

1. **Adaptive Approach/Mode**

Adaptive approach/mode is an approach/mode to strategy planning. It focuses on taking up small, marginal steps, responding to problems instead of searching for opportunities and trying to meet the requirements of various organisational power groups.

Adaptive mode/approach is opted by managers in established organisations who work in frequently changing environment and possesses many alliances or power blocks which makes the task of getting a consent on strategic goals and concerned long-range plans a difficult task.

2. **Entrepreneurial Approach Mode**

In case of entrepreneurial mode/approach, chief executive with strong vision develop the strategy. Chief executive with strong vision is a person who seek for new opportunities, focus on growth and aims at taking decisions confidently or aims at changing the strategies as per the requirements.

This mode is usually opted by organisations which are young and dynamic, small in size, possesses bold leader or used by organisations which are in situations where in they don't have any other alternative except taking up activities in a bold manner. The dynamism and vision of the top level executives having huge power in their hands set the future of the organisation.

3. **Planning Approach Mode**

Planning mode/approach aims at analysing the environment properly to influence it. In planning mode/ approach, systematic and comprehensive analysis is carried out and in addition to this, planning mode also involves taking up various decisions and strategies.

Planning mode/approach is usually opted by big organisations having sufficient resources to carry out clear analysis, having situation where agreement can be obtained on important strategic goals and work in an environment which is sufficiently constant to ensure smooth planning and execution of developed strategies.

Q3. Explain the Characteristics of Strategic Management

Ans :

The following are the fundamental characteristics of strategic management.

1. **Long-term Direction**

Strategic management is concerned with the long-term direction of an organization.

2. **Recognizes Change**

Strategic management recognizes that environment will change and that organi- zations should continually monitor internal and external events and trends, so that timely action can be taken as needed.

3. **Oriented Towards the Future**

Strategic management is oriented towards the future. It is a long-range orientation, one that tries to anticipate events rather than simply react as they occur.

4. **Concerned with Scope of the Organi- zation**

Strategic management is concerned with the scope of an organization's activities. It includes important decisions about product range or geographical coverage and is concerned with the organization's boundaries.

5. **Major Impact on the Organization**

Strategic management often requires investment of substantial financial and other resources.

6. **"Matching" Resources with the Environment**

Strategic management is concerned with matching the resources and activities of an organization to the environment in which it operates. This is often referred to as "strategic fit".

7. **Affected Operational Decisions**

Strategic management affect operational decisions because it is at the operational level that real strategic advantage can be achieved. If the operational aspects of the organization are not in line with the strategy, then, no matter how well conceived the strategy is, it will not succeed.

Q4. Explain the elements of strategic management.

Ans :

Organizations are supposed to select the directions in which it will move towards. Strategic management has three major elements, which include strategic analysis, strategic choice, and strategy implementation.

1. Strategy Analysis

Strategy analysis is usually concerned with understanding the organizations strategic position. This is an element that is concerned with the changes that are going on in the environment and how the changes are going to affect the activities of the organization.

Other factors that are considered in this element are the strength of the resources in the organization, in the context of the changes.

2. Strategic Choice

Strategic analysis usually creates a foundation for strategic choice. After strategic analysis has been done, it is now ready to make a strategic choice.

Strategic choice is normally defined as the practice of selecting the best possible course of action, and it is usually based on the evaluation of the available strategic options.

3. Strategy Implementation

This is the third major element of strategic management that is concerned with strategy translation into action. This is the stage where the strategy is translated to action.

Q5. Discuss the Need for Strategic Management.

(OR)

Explain the need for Strategic Management.

Ans :

1. Due to Change

Everything, except change is not permanent. It does mean that only change is permanent. Change makes planning difficult. But, firms may pro-act to the change rather than just react to it. Strategic management encourages the top executives to forecast change and provides direction and control.

2. To Provide Guidelines

Strategic management provides guidelines to the employer about the organization's expectations from them. This would minimize conflict between job performance and job demands. Thus, it provides incentive for employer and helps the organization in achieving its objectives.

3. Developed Field of Study by Research:

Strategic management was just based on case studies or anecdotal evidence 30 years ago. But recently, there are methodological problem researches in this field of study.

More systematic knowledge in this area is available at present. Therefore, today it is worthwhile to study strategic management.

4. Probability for Better Performance:

There is no clear research evidence that strategic management leads to higher performance. But the majority of studies suggest that there is a relationship between better performance and formal planning.

It is also stated that businesses which plan strategically have a higher probability of success than those which do not have.

5. Systematize Business Decisions:

Strategic management provides data and information about different business transactions to managers and helps them to make decisions systematically.

6. Improves Communication:

Strategic management provides effective communication of information from lower level managers to middle level managers and to top level managers.

7. Improves Coordination:

Strategic management improves coordi- nation not only among the functional areas of management, but also among individual projects.

8. Improves Allocation of Resources:

Strategic planning helps in deciding upon most feasible and viable projects and thereby improves the allocation of resources to the viable projects.

9. Helps the Managers to have a Holistic Approach:

Strategic management helps the managers to have complete understanding of the company and to have a holistic approach towards business problems and proportions.

Q6. Explain the Benefits of Strategic Management.

Ans :

A structured approach to strategy' planning brings several benefits

1. **It reduces uncertainty**

   Planning forces managers to look ahead, anticipate change and develop appropriate responses. It also encourages managers to consider the risks associated with alternative responses or options.

2. **It provides a link between long and short terms**

   Planning establishes a means of coordination between strategic objectives and the operational activities that support the objectives.

3. **It facilitates control**

   By setting out the organization's overall strategic objectives and ensuring that these are replicated at operational level, planning helps departments to move in the same direction towards the same set of goals.

4. **It facilitates measurement**

   By setting out objectives and standards, planning provides a basis for measuring actual performance.

5. **Financial Benefits**

   Research indicates that organizations that engage in strategic management are more profitable and successful than those that do not. Businesses that followed strategic management concepts have shown significant improvements in sales, profitability and productivity compared to firms without systematic planning activities.

Q7. Explain the Drawbacks of Strategic Management?

(OR)

Discuss the pitfalls of Strategic Management?

Ans :

Strategic Management suffers from certain pitfalls such as those given below :

1. **Lack of Accuracy**

   The strategic management system is based on forecasting of future events which are uncertain and hazy. Plans are founded on various assumptions and parameters.

2. **Danger to Rigidity**

   In many instances managers particularly lower-level managers regard budget estimates as the rigid dictates of policy and business operations are performed according to the original estimates.

3. **Internal Resistance**

   Mere preparation of plans does not serve the purpose unless the management at all levels feels the responsibility for effectuating the targets set out in the plans.

4. **Difficult Exercise**

   Strategic management process is a complex, cumbersome and complicated exercise which requires a high level of imagination, foresight, analytical ability, creativity and courage to identify alternatives and choose the most suitable strategy for direction and collection of resources.

5. **Costly Exercise**

   A comprehensive strategic planning exercise calls for considerable time, money and effort for special research studies and information pertaining to the economic, social, political, technological and competitive aspects of the business environment and their likely effects on the future of the enterprise.

6. **Ineffective to Overcome Current Crises**

   Strategic management system is not the answer to all individual or organizational problems. For instance, it is very helpful to a company in solving immediate crises.

7. **Complex and Dynamic Environment**

   The strategic management is essential to overcome the problems posed by complex and dynamic environment. However, this becomes a serious limitation on effective strategic management.

   For strategic management, we require knowledge of the trend in the environment. However, with increasing complexity and an accelerating rate of change, it becomes more and more difficult to predict the future outcome.

8. Inadequate Appreciation of Strategic Management

Problems in strategic management arise because, the managers are inadequately aware about its contribution to the success of the organization and the way in which strategic management can be undertaken.

9. Limitations in Implementation

There are various problems in implementing a strategy. Though this aspect will be a great length, here it is sufficient to say that many organizational problems cannot be solved by strategic management alone but require the user of other aspects of management.

1.2 Strategic Management Process

Q8. Outline the process Strategic Management.

(OR)

Explain the concept of Strategic Management Process.

(OR)

What are the major elements of strategic management process.

(OR)

Illustrate the process of strategic management.

Ans : **(Sep.-23, Dec.-19, Imp.)**

The process of strategy making is depicted through a model which consists of different phases; each phase having a number of elements. Most authors agree on dividing the strategic management process into four phases consisting of about twenty elements. The model of strategic management is provided in figure :

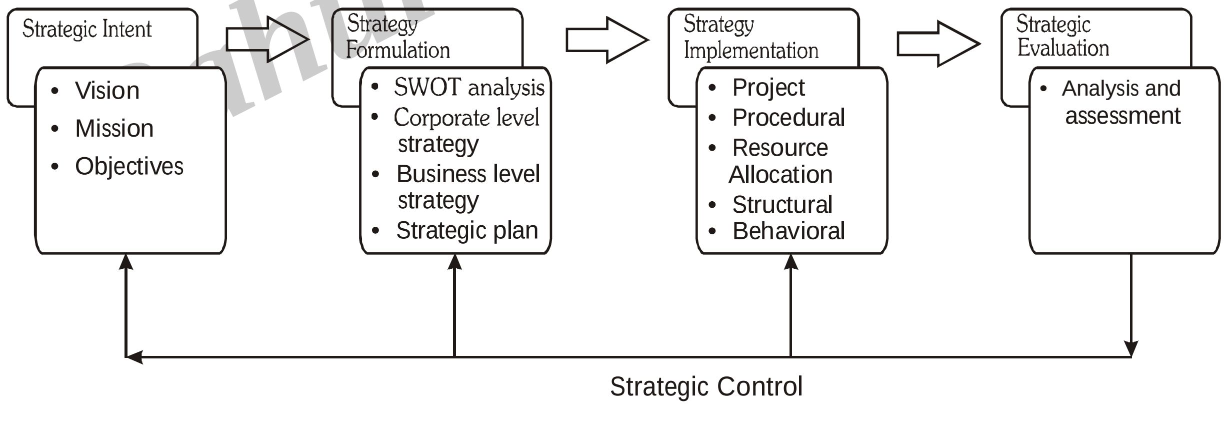


Fig. : Comprehensive Model of Strategic Management

1. Strategic Intent

The hierarchy of strategic intent lays the foundation for the strategic management of any organization. In this hierarchy, the vision, mission, business definition, business model, and objectives are established. The strategic intent makes clear what the organization stands for. The element of vision in the hierarchy of strategic intent serves the purpose of stating what the organization wishes to achieve in the long-run. The mission relates the organization to the society.

2. Strategy Formulation

Environmental and organizational appraisal deal with identifying the opportunities and threats operating in the environment and the strengths and weaknesses of the organization in order to create a match between them in such a manner that opportunities could be availed of and the impact of threats neutralized and to capitalise on the organizational strengths and minimize the weaknesses.

3. Strategy Implementation

Strategy implementation is the translation of chosen strategy into organizational action so as to achieve strategic goals and objectives. Strategy implementation is also defined as the manner in which an organization should develop, utilize, and amalgamate organizational structure, control systems, and culture to follow strategies that lead to competitive advantage and a better performance.

4. Strategic Evaluation and Control

The last phase of strategic evaluation appraises the implementation of strategies and measures organizational performance. The feedback from strategic evaluation is meant to exercise strategic control over the strategic management process. Strategies may be reformulated, if necessary.

1.3 Developing a Strategic Vision

Q9. Define Vision Explain the benefits of vision.

(OR)

Explain Strategic Vision with an examples.

Ans : **(Dec.-19, Imp.)**

Meaning

A vision statement is sometimes called a picture of your company in the future. Vision statement is your inspiration; it is the dream of what you want your company to accomplish.

Definitions

Vision has been defined in several different ways.

(i) According to Kotter "Description of something (an organization, corporate culture, a business, a technology, an activity) in the future."

(ii) According to Namaki "Mental perception the kind of environment and individual, or an organization, aspires to create within a broad time horizon and the underlying conditions for the actualization of this perception.

Example

Benefits

(i) Good visions are inspiring and exhilarating.

(ii) Visions represent a discontinuity, a step function and a jump ahead so that the company knows what it is to be.

(iii) Good visions help in the creation of a common identity and a shared sense of purpose.

(iv) Good visions are competitive, original and unique. They make sense in the marketplace as they are practical.

Q10. Explain the Characteristics of an Effectively Worded Vision Statement.

Ans : **(Feb.-24, Imp.)**

The following are the Characteristics of an Effectively Worded Vision Statement are :

(i) Directional : A well-stated vision says something about the company's journey or destination and signals the kinds of business and strategic changes that will be forthcoming.

(ii) Focused : A well-stated vision is specific enough to provide managers with guidance in making decisions and allocating resources.

(iii) Flexible : A well-stated vision is not a once-and-for-all-time pronouncement-visions about a company's future path may need to change as events unfold and circumstances change.

(iv) Feasible : A well-stated vision is within the realm of what the company can reasonably expect to achieve in the time.

(v) Desirable : A well-stated vision appeals to the long-term interests of stakeholders particularly share owners, employees and customers.

(vi) Easy : A well-stated vision is explainable is less than 10 minutes and ideally can be reduced to a communicate simple, memorable slogan (like Henry Ford's famous vision of "a car in every garage").

Q11. Outline the Process of Developing a Vision.

Ans :

Seven-step process for developing a vision :

1. Understand the Organization

To formulate a vision for an organization, strategic leader first must understand it. Essential questions to be answered include what its mission and purpose are, what value it provides to society, what the character of the industry is, what institutional framework the organization operates in, what the organization's position is within the framework, what it takes for the organization to succeed, who the critical stakeholders are, both inside and outside the organization, and what their interests and expectations are.

2. Conduct a Vision Audit

This step involves assessing the current direction and momentum of the organization. Key questions to be answered include: Does the organization have a clearly stated vision? What is the organization's current direction? Do they key leaders of the organization know where the organization is headed and agree on the direction? Do the organization's structures, processes, personnel, incentives, and information systems support the current direction?

3. Target the Vision

This step involves starting to narrow in on vision. Key questions: What are the boundaries or constraints to the vision? What must the vision accomplish? What critical issues must be addressed in the vision?

Fig.: Developing Vision

4. Set the Vision Context

This is where strategic leader should look to the future, and where the process of formulating a vision gets difficult. Vision is a describe future for the organization. To craft that vision he must think about what the organization's future environment might look like. This doesn't mean he need to predict the future, only to make some informed estimates about what future environments might look like.

5. Develop Future Scenarios

This step follows directly from the fourth step. Having determined as best can, those expectations most likely to occur, and those with the most impact on your vision, combine those expectations into a few brief scenarios to include the range of possible futures you anticipate.

6. Generate Alternative Visions

Just as there are several alternative futures for the environment, there are several directions the organization might take in the future. The purpose of this step is to generate visions reflecting those different directions.

7. Choose the Final Vision

The decision point where strategic leader selects the best possible vision for your organization. To do this, first look at the properties of a good vision, and what it takes for a vision to succeed, including consistency with the organization's culture and values.

1.4 Developing a Strategic Mission

Q12. Define Mission. Explain the characteristics of a effective mission statement.

Ans :

Meaning

Mission is what an organization is and why it exists. Organizations relate their existence to satisfying a particular need of the society. They do this in terms of their mission.

Mission is "a statement which defines the role that an organization plays in a society".

Definition

According to Thompson "Mission is the essential purpose of the organization, concerning particularly why it is in existence, the nature of the business(es) it is in, and the customers it seeks to serve and satisfy".

Characteristics

1. It should be feasible

A mission should always aim high but it should not be an impossible statement. It should be realistic and achievable its followers must find it to be credible.

2. It should be precise

A mission statement should not be so narrow as to restrict the organization's activities nor should it be too broad to make itself meaningless.

'Manufacturing bicycles' is a narrow mission since it severely limits the organization's activities while 'mobility business' is too broad a term, as it does not define the reasonable contour within which an organization could operate.

3. It should be clear

A mission should be clear enough to lead to action. It should not be a high-sounding set of platitudes meant for publicity purposes. Many organizations do adopt such statements but probably they do so for emphasizing their identity and character.

4. It should be motivating

A mission statement should be motivating for members of the organization and of the society, and they should feel it worthwhile working for such an organization or being customers.

5. It should be distinctive

A mission statement, which is indiscriminate, is likely to have little impact. If all Scooter manufacturers defined their mission in a similar fashion, there it would not be much of a difference among them.

But if one defines it as providing scooters that would provide value for money, for 1 year it creates an important distinction in the public mind.

6. It should indicate major components of strategy

A mission statement, along with the organizational purpose, should indicate the major components of the strategy to be adopted.

7. It should indicate how objectives are to be accomplished

Besides indicating the broad strategies to be adopted, a mission statement should also provide clue regarding the manner in which the objectives are to be accomplished.

Q13. Explain the Components and Need of Mission Statement.

Ans : **(Feb.-24, Imp.)**

Components

Mission statements may vary in length, content, format and specificity. But most agree that an effective mission statement must be comprehensive enough to include all the key components.

Because a mission statement is often the most visible and public part of the strategic management process, it is important that it includes all the following essential components :

(i) Basic product or service

What are the firm's major products or services?

(ii) Primary markets

Where does the firm compete?

(iii) Principal technology

Is the firm technologically current?

(iv) Customers

Who are the firm's customers?

(v) Concern for survival, growth and profitability

Is the firm committed to growth and financial soundness?

(vi) Company philosophy

What are the basic beliefs, values, aspirations and ethical priorities of the firm?

(vii) Company self-concept

What is the firm's distinctive competence or major competitive advantage?

(viii) Concern for public image

Is the firm responsive to social, community and environmental concerns?

(ix) Concern for employees

Are employers considered a valuable asset of the firm?

(x) Concern for quality

Is the firm committed to highest quality ?

Need

1. The mission statement gives a unified direction to the company's growth.
2. The utilization of the company's resources is also unified, and people get motivated to exploit these resources in a specific direction for the company's growth.
3. Allocation of resources is based on the mission statement.
4. The mission statement while giving a direction for growth also tends to build up a professional climate for maintenance and improvement of the company's status in any desired area.
5. The mission statement outlines a framework for organizational planning, assigning definite tasks and responsibilities to each business unit.
6. The mission statement helps to setup and develops a control mechanism for achieve- ment of objectives.

Q14. Explain the Formulation / Developing in a Strategic Mission.

Ans :

Organizational mission encompasses the broad aims of the organization; it defines what for the organization strives. Therefore, the process of defining mission for any organization can be best understood by thinking about it as its inception. Truly speaking, an organization's mission lies in the basic philosophy of those who create and manage the organization as shown in figure below :

1. Philosophy

Philosophy, in the context of management of an organization, consists of an integrated set of assumptions and beliefs about the. Way the things are, the purpose of the activities, and the way these should (managers, specially the decision makers) become base for defining vision of the organization. These assumptions and beliefs are sometimes explicit, and occasionally implicit, in the minds of the decision makers.

2. Vision

Vision of an organization has a long-term orientation and is derived from organizational philosophy. Vision represents a challenging portrait of what the organization and its members can be in the future.

Fig.: Mission Development

3. Organization's Mission

Key decision makers' philosophy and visionary long-term concept of the organization taken together define organization's mission in the form of desires, beliefs and assumptions in the following form:

i) The product and service offered by the organization can provide benefits at least equal to its price.

ii) The product or service can satisfy the needs of the customers not adequately served by others presently.

iii) Technology used in producing product or service will be cost and quality competitive.

Q15. Compare and contrast vision and mission.

(OR)

What are the differences between vision and mission?

Ans :

S.No.	Nature	Vision	Mission
(i)	**Meaning**	The ultimate goal to be achieved	A statement indicating the activities to be pursued for accomplishing a goal
(ii)	**Main Purpose**	To inspire and hope to the people to contribute towards attaining the goal	To provide guidance or roadmap for achieving the goal
(iii)	**Benefit to employees**	Helps understand why they are doing a particular task	Help recognize what exactly are they doing
(iv)	**Benefit to organization**	The company understands what it wants to achieve in future	The company recognizes what it should do in the present

1.5 Developing Strategic Objectives

Q16. Identify the roles that objectives play in strategic management.

(OR)

What are the objectives. Explain the role of objectives in strategic management.

Ans :

Meaning

Objective refers to an outcome which an organization aims at achieving in the long-run. Objective is a final outcome, end point or is something which a person aim at and make efforts to achieve. In other words, objective is an expected outcome/result, organizational efforts made towards the achievement of this outcome/ result. The probability of success in achieving objectives is more in situations where objectives are set and understood properly.

Objectives make individuals and organizations dedicated towards measurable attainments. Objectives states the scope of future outcomes. Objectives show direction depending upon which activities to be performed are decided. They state the activities to be undertaken today to achieve the future outcomes.

Role

Objectives play an important role in strategic management. We could identify the various facets of such a role as shown below.

(i) Objectives define the organization's relationship with its environment.

By stating its objectives, an organization commits itself to what it has to achieve for its employees, customers and society at large.

(ii) Objectives help an organization to pursue its vision and mission.

By defining the long-term position that an organization wishes to attain and the short-term targets to be achieved, objectives help an organization in pursuing its vision and mission.

(iii) Objectives provide the basis for strategic decision-making.

By directing the attention of strategists to those areas where strategic decisions need to be taken, objectives lead to desirable standards of behaviour and, in this manner, help to coordinate strategic decision-making.

(iv) Objectives provide the standards for performance appraisal.

By stating the targets to be achieved in a given time period, and the measures to be adopted to achieve them, objectives lay down the standards against which organizational as well as individual performance could be judged. In the absence of objectives, an organization would have no clear and definite basis for evaluating its performance.

Q17. Explain the characteristics of objectives.

Ans : **(Feb.-24, Imp.)**

1. Objectives should be understandable

Objectives play an important role in strategic management and are put to use in a variety of ways, they should be understandable to those who have to achieve them.

A chief executive who says that 'something ought to be done to set things right' is not likely to be understood by his managers. Subsequently, no action will be taken, or even a wrong action might be taken.

2. Objectives should be concrete and specific

To say that 'our company plans to achieve a 12 per cent increase its sales' is certainly better than stating that 'our company seeks to increase its sales'. The first statement implies a concrete and specific objective and is more likely to lead and motivate the managers.

3. Objectives should be related to a time frame

If the first statement given above is restated as 'our company plans to increase its sales by 12 per cent by the end of two years', it enhances the specificity of the objective. If objectives are related to a time frame, then managers know the duration within which they have to be achieved.

4. Objectives should be measurable and controllable

Many organizations perceive themselves as companies which are attractive to work for. If measures like the number and quality of job applications received, average emoluments offered, or staff turnover per year could be devised, it would be possible to measure and control the achievement of this objective with respect to comparable companies in a particular industry, and in general.

5. Objectives should be challenging

Objectives that are too high or too low are both demotivating and, therefore, should be set at challenging but not unrealistic levels. To set a high sales targets in a declining market does not lead to success. Conversely a low sales target in a burgeoning market is easily achievable and, therefore, leads to a suboptimal performance.

6. Different objectives should correlate with each other

Organizations set many objectives in different areas. If objectives are set in one area disregarding the other areas such an action is likely to lead to problems.

A classic dilemma in organizations, and a source of inter-departmental conflicts, is setting sales and production objectives.

7. Objectives should be set within constraints

There are many constraints internal as well as external which have to be considered in objective setting.

For example, resource availability is an internal constraint which affects objective setting. Different objectives compete for scarce resources and trade-offs are necessary for optimum resource utilization.

Q18. How to develop an organizational objectives?

(OR)

How are objectives formulated?

Ans :

1. The forces, in the environment

These take into account all the interests some-times coinciding but often conflicting of the different stakeholders in an organization.

Each group of stakeholders, whether they are company employees, customers, or the government, put forward a set of claims or have expectations that have to be considered in setting objectives.

2. Realities of enterprise's resources and internal power relationships

This means that objectives are dependent on the resource capability of a company as well as the relative decisional power that different groups of strategists wield with respect to each other in sharing those resources.

Resources, both material and human, place restrictions on the objective-achieving capability of the organization and these have to be considered in order to set realistic objectives. Internal power relationships have an impact on objectives in different ways.

3. The value system of the top executive

This has an impact on the corporate philosophy that organizations adopt with regard to strategic management in general and objectives in particular. Values, as an enduring set of beliefs, shape perceptions about what is good or bad, desirable or undesirable. This applies to the choice of objectives too.

4. Awareness by management

Awareness of the past objectives and development of a firm leads to a choice of objectives that had been emphasized in the past due to different reasons. For instance, a dominant chief executive lays down a set of objectives and the organization continues to follow it, or deviates marginally from it in the future.

1.6 Developing Strategic Policies

Q19. Define Business policy. State the features and purpose of business policy.

Ans :

Meaning

Business Policy defines the scope or spheres within which decisions can be taken by the subordinates in an organization. It permits the lower level management to deal with the problems and issues without consulting top level management every time for decisions.

Features

An effective business policy must have following features-

1. Specific

Policy should be specific/definite. If it is uncertain, then the implementation will become difficult.

2. Clear

Policy must be unambiguous. It should avoid use of jargons and connotations. There should be no misunderstandings in following the policy.

3. Reliable/Uniform

Policy must be uniform enough so that it can be efficiently followed by the subordinates.

4. Appropriate

Policy should be appropriate to the present organizational goal.

5. Simple

A policy should be simple and easily understood by all in the organization.

Purpose

1. To integrate the knowledge gained in various functional areas of management.
2. To adopt a generalist approach to problem-solving, and
3. To understand the complex interlinkages operating within an organization through the use of a systems approach to decision-making and relating these to the changes taking place in the external environment.

Q20. What are the differences between objectives, goals and policies .

Ans :

The differences between objectives, goals and policies are as follows,

S.No.	Criteria of Differentiation	Objectives	Goals	Policies
1.	**Definition**	Objectives many be defined as the means for the achievement of specific result for which an organization is striving for.	Goals are specific, time based points of measurement that the organization wants to achieve in the pursuit of its objectives.	Policies act as means for the achievement of objectives.
2.	**Nature**	Both quantitative in nature	Highly specific and quantitative	Less specific may or may not be quantitative.
3.	**Scope**	Objectives are end results which are time - limited, measurable and quantifiable.	They are broad general guideline stated in time less statements.	Policies include guidelines, rules, procedures that have been formulated for the of stated objectives.
4.	**Purpose**	Objectives are used for governing the behaviour of employees and also for governing decision making. In the absence of objectives, it is very much difficult for a firm to evaluate its effectiveness and efficiency. It is also used as a basis for planning and control.	They are mainly used for evaluating the progress of firm towards the achievement of stated objectives.	Policies are used for the implementation of strategies. Through policies, consistency and coordination can be maintained between different organizational department
5.	**Areas of Establishment**	Objectives are established in terms of growth, profitability, image and continuity market share, growth and profitability.	Goals are established in terms of efficiency, wealth of share holders.	Policies are stated in terms of management marketing, finance, accounting, research and development and computer information systems.

1.7 Factors that Shape a Company's Strategy

Q21. Explain various factors that shape a company's strategy.

(OR)

What are the various factors that shape (or) craft a company's strategy?

(OR)

Write about factors that shae a company strategy.

Ans : **(Sep.-23, Sep.-20, Imp.)**

The strategies plays a pivotal role in the success of an organization. So, they should be formulated by considering the prevailing competitions and the various factors which are harmful to the organization.

The most important factors which should be taken into account while crafting the business strategies (apart from the vision-mission statement) are the six important groups which constitutes Porter's business competitions model. These six groups are as follows,

(i) Direct competition among competing sellers

(ii) Buyers

(iii) Suppliers

(iv) Potential and new entrants

(v) Different stakeholders group

(vi) Substitutes.

The careful consideration of these factors while crafting a strategy helps the firm to attain competitive advantage over its competitors for a long time.

Crafting strategy mainly deals with ascertaining whether to pursue follow or not to pursue follow any of the following,

(i) Focus on a single business or many businesses

(ii) Satisfy the needs or demands of large number of customers or to concentrate on a specific market segment

(iii) Create a broad or narrow product line

(iv) Attain a competitive advantage depending on,

  (a) Low cost

  (b) Superior quality product

  (c) Distinctive organizational abilities

  (d) Unique or distinct products

  (e) Terms or conditions of payment

  (f) Service advantage.

In a broader sense, Thompson and Strickland recognized many factors which must be considered while crafting strategies.

These factors are categorized into internal and external factors which are as follows,

(i) External Factors

- Social, political, regulatory and community factors
- Competitive situations and industry appealing
- Company opportunities and threats to its welfare.

(ii) Internal Factors

- Resource strengths, capacities and weaknesses
- Impact of the important executives
- Shared values and company culture.

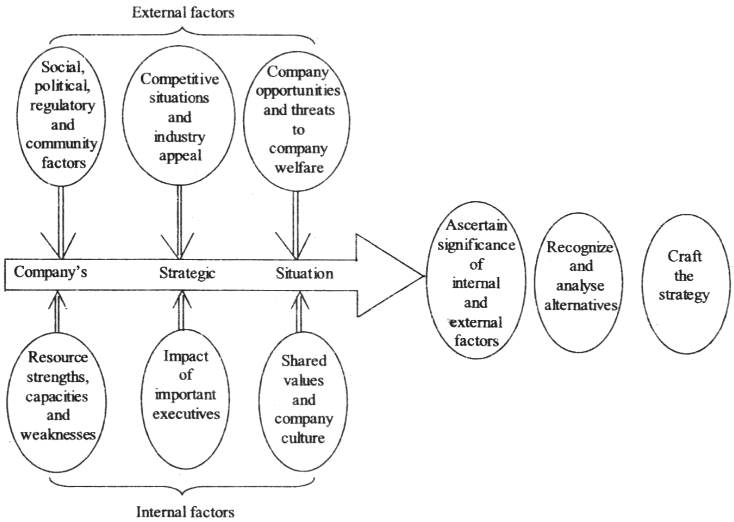


Fig.: Factors Crafting the Choice of Company Strategy

1.8 Introduction to Environment

Q22. What is the concept of environment in strategic management?

(OR)

Describe some of the characteristics of environment.

(OR)

Mention some of the important characteristics of the environment.

Ans :

Meaning

Environment literally means the surroun- dings, external objects, influences or circumstances under which someone or something exists. The environment of any organisation is "the aggregate of all conditions, events and influences that surround and affect it".

Characteristics

Business environment (or simply environ- ment) exhibits many characteristics. Some of the important, and obvious, characteristics are briefly described here.

1. **Environment is complex**

   The environment consists of a number of factors, events, conditions, and influences arising from different sources. All these do not exist in isolation but interact with each other to create entirely new sets of influences. It is difficult to comprehend at once what factors constitute a given environment.

2. **Environment is dynamic**

   The environment is constantly changing in nature. Due to the many and varied influences operating, there is dynamism in the environment, causing it to change its shape and character continuously.

3. **Environment is multi-faceted**

   What shape and character an environment will assume depends on the perception of the observer. A particular change in the environment, or a new development, may be viewed differently by different observers.

   This is seen frequently when the same development is welcomed as an opportunity by one company while another company perceives it as a threat.

4. **Environment has a far-reaching impact.**

   The environment has a far-reaching impact on organizations. The growth and profitability of an organization depends critically on the environment in which it exists. Any environmental change has an impact on the organization in several different ways.

Q23. Explain the environmentals factors that can affect an organization's strategy.

(OR)

List the environmentals factors that can affect an organization's strategy.

Ans : **(May-19, Imp.)**

The different environmental factors that affect the business can be broadly categorized as internal ands has its own external factors.

I) Internal Factors

Internal factors are those factors which exist within the premises of an organization and directly affects the different operations carried out in a business. These internal factors are :

(a) Value System

It implies the culture and norms of the business. In other words, it means the regulatory framework of a business and every member of the organization has to act within the limits of this framework.

(b) Missions and Objectives

Different priorities, policies and philosophies of a business is guided by the mission and objectives of a business.

(c) Financial Factors

Financial factors like financial policies, financial position and capital structure also affects a business performance and its strategies.

(d) Internal Relationship

Factors like the amount of support the top management enjoys from its shareholders, employees and the board of directors also affects the smooth functioning of a business.

II) External Factors

The External Factors include all those factors which exists outside the firm and are often regarded as uncontrollable. These external forces can further be categorized as

I) Micro Environment

II) Macro Environment.

I) Micro Environment

1. Suppliers

Suppliers are those people who are responsible for supplying necessary inputs to the organization and ensure the smooth flow of production.

2. Competitors

Competitors can be called the close rivals and in order to survive the competition one has to keep a close look in the market and formulate its policies and strategies as such to face the competition.

3. Marketing Intermediaries

Marketing intermediaries aid the company in promoting, selling and distribution of the goods and services to its final users. Therefore, marketing intermediaries are vital link between the business and the consumers.

II) Macro Environment

1. Economic Factors

Economic factors includes economic conditions and economic policies that together constitutes the economic environment. These includes growth rate, inflation, restrictive trade practices etc. Which have a considerable impact on the business.

2. Social Factors

Social factors includes the society as a whole alongside its preferences and priorities like the buying and consumption pattern, beliefs of people their purchasing power, educational background etc.

3. Political Factors

The political factors are related to the management of public affairs And their impact on the business. It is important to have a political stability to maintain stability in the trade.

4. Technological Factors

Latest technologies helps in improving the marketability of the product plus makes it more consumer friendly. Therefore, it is important for a business to keep a pace with the changing technologies in order to survive in the long run.

1.8.1 Environmental Scanning

Q24. Define Environmental Scanning. Explain the features of environmental scanning.

(OR)

What is Environmental scanning? State the features of Environmental scanning.

Ans : **(April-22, May-19, Imp.)**

Meaning

Environmental scanning is the process by which corporate planners monitor the economic, governmental, supplier, technological and market settings to determine the opportunities for and threats to their enterprise.

Features

Following are the features of environmental analysis which are identified:

1. Holistic Exercise

Environmental analysis is a holistic exercise in which total view of environment is taken rather than viewing trends piecemeal.

Though for environmental analysis, the environment is divided into different components to find out their nature, function, and relationship for searching opportunities and threats and determining where they come from, ultimately the analysis of these components is aggregated to have a total view of the environment.

2. Heuristic or Exploratory Process

Environmental analysis is a heuristic or exploratory process. While the monitoring aspect of the environment is concerned with present developments, a large, part of the process seeks to explore the unknown terrain, the dimensions of possible futures.

3. Continuous Process

Environmental analysis must be a continuous process rather than being an intermittent scanning system. In this process, there is continuous scanning of the environment to pick up the new signals or triggers in the overall pattern of developing trends.

Q25. Explain the Role of Environmental Scanning in Organizations.

Ans :

Properly used environmental scanning can help to ensure organizational success. The specific organizational roles or functions to ensure this success, however, can vary drastically from organization to organization. Three such roles are:

1. Function-Oriented Role

The main purpose of function-oriented environmental analysis is to improve organizational performance by providing environmental information concerning effective performance of specific organi- zational functions.

2. Integrated Strategic Planning Role

The main purpose of this kind of environ- mental analysis is to improve organizational performance by making top managers and divisional managers aware of issues that arise in the firm's environment, by having a direct impact on planning and by linking corporate and divisional planning.

3. Policy-Oriented Role

The main purpose of a policy-oriented environmental analysis is to improve organizational performance by simply keeping top management informed about major trends emerging in the environment.

Q26. What are the Factors Affecting Environmental Scanning.

Ans :

1. Strategist-Related Factors

There are many factors related to strategist, which affect the process of environment appraisal. Since strategist plays central role in the formulation of strategies, their characte- ristics such as age, education, experience, motivation level, cognitive styles, ability to withstand the time pressure and strain, etc. have an impact on the extent to which they are able to appraise their organizations environment and how well they are able to do it.

2. Age of the Organization

The age of the organization may also determine the type of information that can be sought by it. The organizational growth over the period of time requires different type of interaction with its environment.

3. Size and Power of Organization

Large organizations have to interact regularly with various environmental forces and its environmental search will have to be more intensive.

Because of greater risk exposure and frequency of taking on new ventures, or diversifying its activities, these organizations have to provide high weightage to trends in economic and competitive environments.

4. Geographic Dimension of the Organization

The geographic dimension of the organization affects the type of interaction, which the organization has with its environment. Generally greater is the area of organization's operation, more will be its informational requirement because the environmental factors may differ from place to place.

5. Type of Business

The type of business the organization is in or intends to be in determines the nature of information sought. Moreover, how an organization defines its business also becomes an important factor determining the information requirements.

6. Influence of Business Organization

The more power an organization has in relation to environmental forces, the lower will be its need for appraisal of such forces. For example, a monopolistic organization such as BHEL or ONGC, need not analyses the competitive environment.

7. Volatility of Environment

Emphasis on environmental study and type of information needed by an organization are also dependent upon the nature of the environment.

If the business environment is highly volatile and turbulent, the management must be greatly concerned with the external environment and they would attempt to gather as much information as possible. This will be further reinforced the environmental forces are not homogenous.

8. Managerial Calibre

Organizations employing highly qualified executives show greater concern for environmental scanning than those devoid of such expertise. One of the factors contributing to the comprehensive and systematic environmental study by large and multinational organizations is that they are rich in managerial skills and technical knowledge.

Q27. Explain the steps involved in Environ-mental Scanning.

(OR)

What are the various facets of economy one needs to consider in the process of environmental scanning.

Ans : **(Sep.-22, Imp.)**

The steps involved in the procedure of environmental scanning are shown in figure :

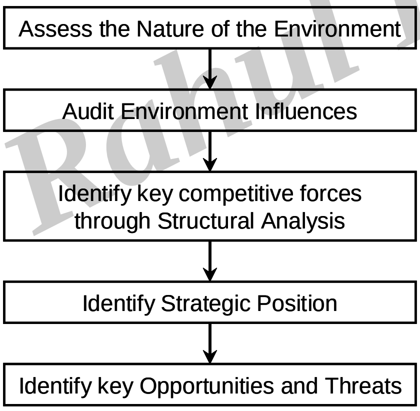


Fig.: Process of Environment Scanning

1. Assess the Nature of the Environment

It is useful to take a view of the nature of the organization's environment in terms of how uncertain it is. Is it relatively static or does it show signs of change, and in what ways; and is it simple or complex to comprehend?

This helps in deciding what focus of the rest of the analysis is to take.

2. Audit Environmental Influences

The aim is to identify which of the many different environmental influences have affected the organization's development or performance in the past. It may also be helpful to construct pictures - or scenario - of possible futures to consider the extent to which strategies might need to change.

3. Identify key Competitive Forces through Structural Analysis

It aims to identify the key forces at work in the immediate or competitive environment and why they are significant.

4. Identify Strategic Position

It means to analyses the organization's strategic position, i.e., how it stands in relation to those other organizations competing for the same resources, or customers, as itself. This may be done in number of ways:

(i) Competitor analysis;

(ii) Strategic group analysis, in terms of similarities and dissimilarities of the strategies they follow;

(iii) The analysis of market segments and market power;

(iv) Building on growth/share analysis, and

(v) Attractiveness analysis.

5. Identify key Opportunities and Threats

Develop and understanding of opportunities which can be built upon the threats which have to be overcome or circumvented.

Q28. Explain the techniques of Environ-mental Scanning.

Ans :

1. Expert opinion

Knowledgeable people are selected and asked to assign importance an probability ratings to various possible future developments.

The most refined version, their Delphi method, puts experts through several rounds of event assessment, where they key refining their assumptions and judgements.

2. Trend extrapolation

Researchers fit curves (linear, quadratic, or S-shaped growth curves) through past time series to serve as a basis for extrapolation. This method can be very unreliable if new developments alter the expected direction of movement.

3. Trend correlation

Researchers correlate various time series in the hope of identifying leading and lagging relationships that can support forecasts.

4. Dynamic modelling

Researchers build sets of equations to try to describe the underlying system. The coefficients in the equations are fitted through statistical means. Econometric models of more than 300 equations, for example, are used to forecast changes in the U.S. economy.

5. Cross-impact analysis

Researchers identify a set of key trends (those high in importance and/or probability) and ask, "If event A occurs, what will be the impact on all other trends?" The results are then used to build sets of "domino chains," with one event triggering others.

6. Multiple scenarios

Researchers build pictures of alternative futures, each internally consistent and with a certain probability of happening. The major purpose of the scenarios is to stimulate contingency planning.

7. Demand/hazard forecasting

Researchers identify major events that would greatly affect the firm. Each event is rated for its convergence with several major trends taking place in society and for its appeal to each major public group in the society.

A higher convergence and appeal increases the probability that the event will occur. The highest-scoring events are then researched further.

1.9 Industry Analysis

Q29. Define Industry Analysis. Explain the components of Industry Analysis.

Ans : **(April-22, Aug.-21, Dec.-19, Imp.)**

Meaning

The industry (or competitive) environment is typically characterized by a group to firms producing the same or related products or services. Forces from the industry environment directly affect the firm, and the amount of influence the firm has over its industry is dependent on the dominance of its competitive position.

Most strategic management books utilize Michael Porter's Five Forces Model as a framework for analyzing the competitive forces within the industry.

Components

1. Scanning

Identifying early signals of environmental changes and trends. It entails the study of all segments in the general environment. Through scanning, firms identify early signals of potential changes in the general environment and detect changes that are already underway.

2. Monitoring

Detecting meaning through ongoing observations of environmental changes and trends. Critical to successful monitoring is the firm's ability to detect meaning in different environmental events and trends.

3. Forecasting

Developing projections of anticipated outcomes based on monitored changes and trends. Scanning and monitoring are concerned with events and trends in the general environment at a point in time.

4. Assessing

Determining the timing and importance of environmental changes and trends for firms' strategies and their management. The objective of assessing is to determine the timing and significance of the effects of environmental changes and trends on the strategic management of the firm.

Q30. Explain the factors determining industry analysis.

Ans :

Following are the factors determining industry analysis :

1. **Features and Conditions of the Industry**

   General features / basic conditions of the industry include factors such as current size of the industry, product categories/sub categories, their relative volumes, performance of the industry in recent years, etc.

2. **Industry Environment**

   Industries can be classified based on their settings/ environment. Porter classified industries as fragmented, emerging, matured, declining and global industries.

3. **Industry Structure**

   Industry structure essentially means the underlying fundamental economic and technical forces of an industry. Each company will have its own key structural features such as number of players, market size, relative shares of the player, nature of the competition, differentiation practiced by the various players in the industry, cost structure of the players, etc.

4. **Industry Attractiveness**

   The various determinants of industry attractiveness are industry potential, industry growth, industry profitability, future pattern of the industry barriers and forces shaping the competition in the industry.

5. **Industry Performance**

   Industry performance entails looking at production, sales, profitability and technological development.

6. **Industry Practices**

   Industry practices refer to what a majority of the players do in the industry with respect to essential aspects of the business such as distribution, pricing, promotion, methods of selling, service field support, R & D and legal tactics.

7. **Emerging Trends**

   The emerging trends/likely future pattern of the industry can be discerned by analyzing issues such as the product life cycle, stage of the industry, rate of growth, changes of buyer needs, innovation in product/process, entry and exit of firms and emerging changes in the regulatory environment governing the industry.

Q31. Explain the Advantages of Industry Analysis.

Ans :

The basic purpose of industry analysis is to assess the relative strengths and weaknesses of an organization relative to the players in the industry. It tries to highlight the structural realities of a particular industry and the extent of competition within that industry.

1. **Industry Attractiveness**

   Industry analysis helps to find out :

   (i) The growth potential of the industry

   (ii) The profitability of the industry

   (iii) The relative abilities of players in that industry.

2. **Competitive Position**

   Where does the firm stand in comparison to others in a particular industry. Finding answers to such a question is important for various reasons:

   (i) It helps the firm to find its own advantageous/disadvantageous place.

   (ii) It enables the firm to know whether it is able to deliver value for money when compared to others in the industry.

   (iii) It can think of effecting improvements in its product and service offerings in an attempt to defend and improve its standing in the market place.

3. **Only with Industry Analysis, Environmental Survey becomes Complete**

   With industry analysis, the firm actually gets into the study of its proximate environment Industry structure and the relative abilities of the players of the industry concerned, are of special significance to the firm in developing strategy.

4. Industry Analysis serves as a Prelude to Strategy Formulation

Industry analysis is a prelude to strategy formulation. It helps the firm assess industry attractiveness. It also helps to assess its own strengths relative to the other players in the industry; in other words, it brings to the fore the firm's competitive position within the industry.

5. Industry Analysis Reveals Industry Attractiveness and Firm's Competitive Position within the Industry

Industry attractiveness and the firm's competitive position within the industry, are two central concepts in forging strategy. For knowing the position regarding both these factors, we need to analyze the industry in depth.

6. Analyzing Industry and Competition Helps the Firm Identify and Build its Competitive Advantage :

A firm can size-up its competitive advantage, only by analyzing the industry structure and competition. It is essential for the firm to know its position relative to competition. It has to compare and contrast its own strength and weaknesses with those of its competitors.

1.10 Competitive Analysis Methods

Q32. What is Competitor Analysis? State the components of Competitor Analysis.

(OR)

Explain about Competitive Analysis in an industry.

Ans : **(April-23, Aug.-21, Dec.-19, Imp.)**

Meaning

Competition means rivalry between two or more parties to achieve similar goal. In business, competition generally refers to the fight for market share which serves the same basic customer needs.

Competitive Analysis Framework

Michael Porter presented a framework for analyzing competitors. The framework is based on the following four key aspects of a competitor :

1. Competitor's objectives
2. Competitor's assumptions
3. Competitor's strategy
4. Competitor's resource and capabilities

Objectives and assumptions are what drive the competitor, and strategy and capabilities are what the competitor is doing or is capable of doing. These components can be depicted as shown in the following figure.

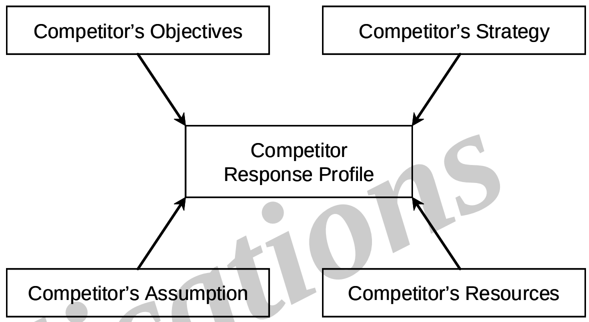


Fig. : Competitor's Analysis Components

A competitor's analysis should include the more important existing competitors as well as potential competitors such as those firms that might enter the industry, e.g., by extending their present strategy or by vertically integrating.

1. Competitor's Objectives

Knowledge of a competitor's objectives facilitates a better prediction of the competitor's reaction to different competitive moves. For example, a competitor that is focused on reaching short-term financial goals might not be willing to spend much money responding to a competitive attack.

2. Competitor's Assumptions

The assumptions that a competitor's managers hold about their firm and their industry help to define the moves that they will consider.

For example, if in the past the industry introduced a new type of product that failed, the industry executives may assume that there is no market for the product. Such assumptions are not always accurate and if incorrect may present opportunities.

3. Competitor's Current Strategy

The two main sources of information about a competitor's strategy are 'what the competitor says' and 'what it does'.

What a competitor is saying about its strategy is revealed in annual shareholder reports, interviews with analysts, statements by managers, press releases.

4. Competitor's Resources and Capa- bilities

Knowledge of the competitor's assumptions, objectives and current strategy is useful in understanding how the competitor might want to respond to a competitive attack. However, its resources and capabilities determine its ability to respond effectively.

Q33. Explain the methods of competitor analysis.

(OR)

Describe the various techniques of competitor analysis.

Ans : **(Imp.)**

The analytical techniques that managers generally use to assess their competitive environment are :

1. Porter's Five-forces Model

Porters fives forces model is an excellent model to use to analyze a particular environment of an industry. So for example, if we were entering the PC industry, we would use porters model to help us find out about :

(a) Competitive Rivalry

(b) Power of suppliers

(c) Power of buyers

(d) Threats of substitutes

(e) Threat of new entrants.

The above five main factors are key factors that influence industry performance, hence it is common sense and practical to find out about these factors before you enter the industry. Lets look at them below.

(a) Competitive rivalry

A starting point to analyzing the industry is to look at competitive rivalry. If entry to an industry is easy then competitive rivalry will likely to be high.

If it is easy for customers to move to substitute products for example from coke to water then again rivalry will be high. Generally competitive rivalry will be high if:

(i) There is little differentiation between the products sold between customers.

(ii) Competitors are approximately the same size of each other.

(iii) If the competitors all have similar strategies.

(iv) It is costly to leave the industry hence they fight to just stay in.

(b) Power of suppliers

Suppliers are also essential for the success of an organization. Raw materials are needed to complete the finish product of the organization. Suppliers do have power. This power comes from:

(i) If they are the only supplier or one of few suppliers who supply that particular raw material.

(ii) If it costly for the organization to move from one supplier to another (known also as switching cost)

(iii) If there is no other substitute for their product.

(c) Power of buyers

Buyers or customers can exert influence and control over an industry in certain circumstances. This happens when:

(i) There is little differentiation over the product and substitutes can be found easily.

(ii) Customers are sensitive to price.

(iii) Switching to another product is not costly.

(d) Threat of substitutes

Are there alternative products that customers can purchase over your product that offer the same benefit for the same or less price? The threat of substitute is high when:

(i) Price of that substitute product falls.

(ii) It is easy for consumers to switch from one substitute product to another.

(iii) Buyers are willing to substitute.

(e) Threat of new entrant

The threat of a new organization entering the industry is high when it is easy for an organization to enter the industry i.e. entry barriers are low.

An organization will look at how loyal customers are to existing products, how quickly they can achieve economy of scales, would they have access to suppliers, would government legislation prevent them or encourage them to enter the industry.

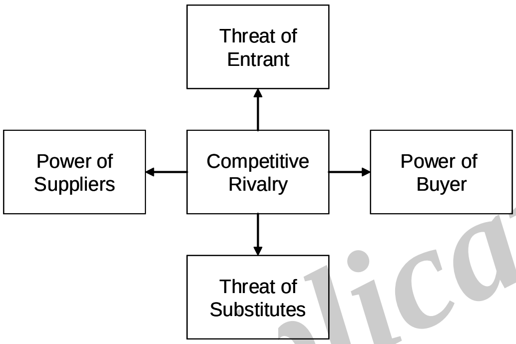


Fig. Porters five forces

So to summaries porters five forces model is essential to carry to help you understand your industry in depth before you enter it.

2. Strategic Group Concept

A strategic group is one where competitors are following similar strategies of have similar characteristics or where competitors are targeting the same market segments.

Mapping Strategic Groups

Strategic groups in a particular industry can be mapped by plotting the market positions of industry competitors in a two dimensional graph using : (a) British of product line and (b) price.

The steps involved in mapping strategic groups are :

1. Select two broad characteristics, such as price and breadth of one product line, those that differentiate the firms in an industry from one another.
2. Plot the firms using these two characteristics as the dimensions.
3. Draw a circle around those companies that are close to one another as one strategic group, varying the size of the proportion to the group's share of total industry sales.

3. The Value Net

Brander bugger and Nalebuff (1996) recently introduced the concept of value net as illustrated in exhibit which is an extension to the five – forces analysis.

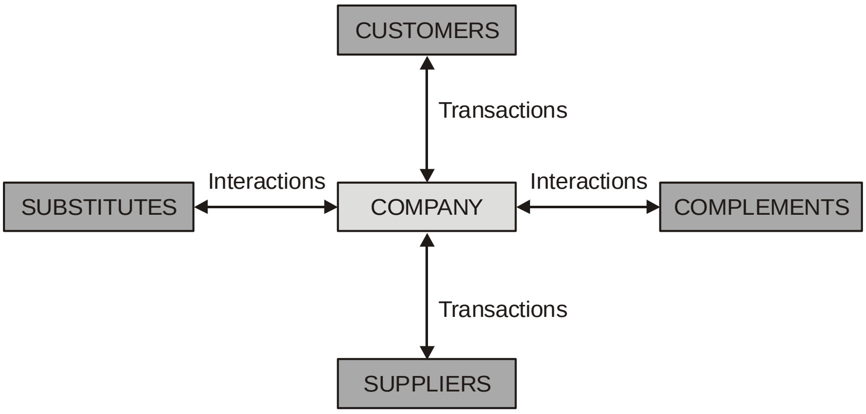


Fig.: The Value Net

The value net represents all the players in the game and analyses how their interactions affect the firm's ability to generate and appropriate value. The vertical dimension of the net includes suppliers and customers. The firm has direct transactions with them. The horizontal dimension of the net includes substitutes and complements. The firm interacts with them, but may not necessarily transact.

4. Industry Life Cycle Analysis

A useful tool for analyzing competitive forces is the industry life cycle model.

Like firms, industries develop and evolve over time. Not only the group of competitors within a firm's industry might change constantly, but also the nature and structure of the industry can also change as it matures and its markets become better defined. An industry's developmental stage influences the nature of competition and profitability among competitors.

In theory, each industry passes through four distinct phases of an industry life cycle.

(a) Embryonic State

(b) Growth Stage

(c) Maturity Stage

(d) Decline Stage

The 'shakeout' stage is generally considered a part of growth stage.

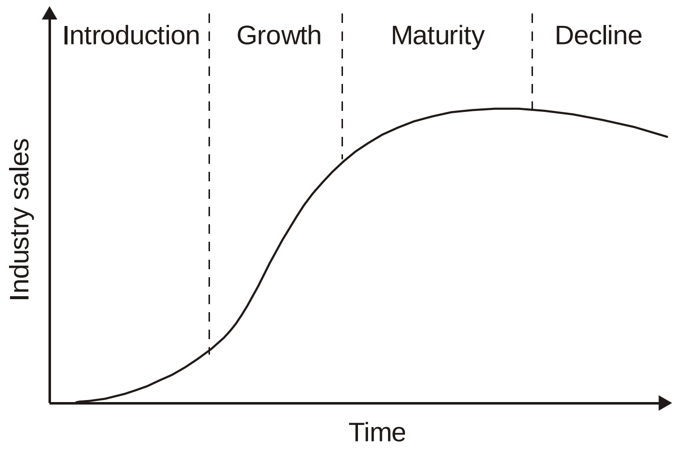


Fig.: The Industry Life Cycle

Managers have to anticipate how the strength of competitive forces will change at each stage of the cycle and formulate strategies that take advantage of opportunities and counter emerging threats.

(a) Embryonic Stage

A young industry is beginning to form is considered to be in embryonic or introduction stage.

The industry is just beginning to develop. Demand and growth at this stage is low because the buyers are still unfamiliar with the product. Virtually all purchases are first-time buyers.

(b) Growth Stage

Slowly customers become familiar with the product. Demand increases. The industry enters the growth stage. Many new firms now enter the market.

Thus, rivalry tends to be relatively low in the growth stage. Rapid growth in demand enables firms to expand revenues and profits without talking market share away from competitors. Available funds are invested in new facilities and technologies.

(c) Maturity Stage

The shakeout stage ends when the industry enters its mature stage i.e., the market is totally saturated, demand is limited, and growth is low or zero.

As an industry enters maturity, barriers to entry increase and the threat of entry from new entrants decreases. Competition for market share deepens driving down prices.

(d) Decline Stage

Eventually, most industries enter a decline stage when growth becomes negative due to a number of reasons. The reasons could be technological substitution, social changes, demographic changes etc.

1.11 Evaluating Company Resources and Competitive Capabilities

Q34. What are organization Resources ? Why resources are valuable ?

Ans :

Meaning

Organization resources are tangible and intangible resources. Tangible resources can be seen and quantified like buildings, machinery, equipment and vehicles. Intangible resources are those rooted deeply in the organization's history and that have accumulated over time.

1. Competitive superiority

Organizations with different resources have different degrees of competitive abilities. For example, the company with latest technology possesses competitive superiority over other companies.

2. Resource scarcity

When a particular resource contributing significantly to the value the product/service is in short supply, such a resource determines the distinctive capability of a firm. Thus, the firms possessing such a scare resource possess distinctive capability over other firms.

3. Inimitability

If a particular resource possessed by a firm can't be imitated/copied easily by the competitors, such a resource provides distinctive capability to the firms in the long-run. In contrast the firms possess distinctive advantage only in the short-run, when the resource can be copied/imitated easily.

4. Appropriate the Profits

Different parties like owners/shareholders, human resources, input suppliers, output dealers contribute their resources to the success of the business and thereby to profits. Thus, the contributors of these resources are expected to share the profits created by the resource providers.

5. Durability

Durability deals with the extent of the time span that the value of resources remain. Value of some resources increase over time while the value of some other resources depreciates over the period.

6. Substitutability

Easy developmental of substitute products depreciates the value of the resource of the product and vice versa.

Q35. Discuss Resource-Based View and Organizational Analysis

Ans :

Companies must evaluate their resources in order to estimate their future competitive advantage. Organizations should analyze various resources to gauge the value of each resource to the firm as well as to its competitive advantage. The following guidelines are helpful to analyze an organization's resources.

(i) Disaggregate Resources

Organizations should disaggregate their resources into minute aspects and scan each aspect of resources in order to assess organization's capabilities.

(ii) Utilize a Functional Perspective

After breaking the resources into minute areas, attribute each minute area to a concerned functional perspective.

(iii) Look at Organizational Processes

After minute resource analysis, combine the analysis in order to present an unified' view of the total organization.

Resources and Competitive Advantage

Competitive advantage of a firm as well as its sustainability depends upon the firm's resources. Grant proposes a five-step resource-based approach to internal analysis.

(i) Analyze the firm's resources in terms of strengths and weaknesses.

(ii) Combine the firm's strengths into specific capabilities. Identify the capabilities that can help the firm significantly in achieving its mission. These corporate capabilities are viewed as distinctive capabilities, when the firm alone possesses these capabilities.

(iii) Appraise the corporate capabilities in terms of their potential contribution to profit earning capacity of the firm as well as their sustainable contribution.

(iv) Select the strategy that best exploits the firm's resources and capabilities relative to external environment.

(v) Identify resource gaps and bridge them for upgrading weaknesses.

Q36. Explain the Advantages of Resources Company.

Ans :

1. In imitability

In imitability, as discussed earlier, is the rate at which a firm's resources are copied/duplicated by the competitors.

Competitor's abilities to imitate include copying the product design by reverse engineering, copying the marketing strategies, scout the talent employees, suppliers of inputs and market intermediaries of the competitor and copying the production processes.

2. Transparency

Transparency is the degree of openness of a company's abilities, competencies and talent's that indicates the vulnerability for copying. For example, the formula of Coca Cola's cola is not at all transparent and as such the competitors could not copy.

3. Transferability

Transferability is the degree and speed at which the competitors can acquire the capabilities of a firm. Product design, technology as well as production process of biscuits can be easily imitated. As such, most of the biscuit companies are more vulnerable for copying.

4. Replicability

Replicability is the competitor's ability to use copied resources for the success of the firm. Many movie making companies copy the theme of already released movies of the competitors.

Now, we shall discuss another factor of resource, capabilities and core competencies, i.e., capabilities.

5. Capabilities

Capabilities are the firm's capacity to deploy resources that have been purposely integrated to achieve a desired state.

1.12 SWOT Analysis

Q37. Explain briefly about SWOT Analysis.

(OR)

Describe the concept of SWOT Analysis.

(OR)

Explain about SWOT analysis of a company.

(OR)

Discuss the importance of SWOT analysis in strategic management.

Ans : **(Sep.-23, April-23, April-22, Imp.)**

Meaning

A scan of the internal and external environment is an important part of the strategic planning process. Environmental factors internal to the firm usually can be classified as strengths (S) or weaknesses (W), and those external to the firm can be classified as opportunities (O) or threats (T). Such an analysis of the strategic environment is referred to as a SWOT analysis.

The SWOT analysis provides information that is helpful in matching the firm's resources and capabilities to the competitive environment in which it operates. As such, it is instrumental in strategy formulation and selection. The following diagram shows how a SWOT analysis fits into an environmental scan:

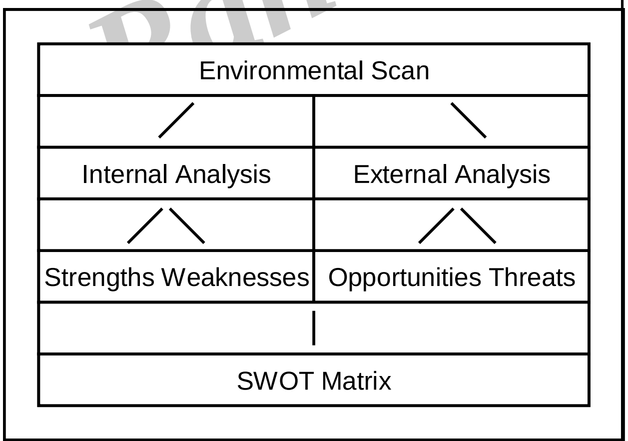


Fig.: SWOT Analysis Framework

1. Strengths

A firm's strengths are its resources and capabilities that can be used as a basis for developing a competitive advantage.

Examples of such strengths include:

- Patents
- Strong brand names
- Good reputation among customers
- Cost advantages from proprietary know-how
- Exclusive access to high grade natural resources
- Favorable access to distribution networks

2. Weaknesses

The absence of certain strengths may be viewed as a weakness.

For example, each of the following may be considered weaknesses:

- Lack of patent protection
- A weak brand name
- Poor reputation among customers
- High cost structure
- Lack of access to the best natural resources
- Lack of access to key distribution channels

3. Opportunities

The external environmental analysis may reveal certain new opportunities for profit and growth. Some examples of such opportunities include:

- An unfulfilled customer need
- Arrival of new technologies
- loosening of regulations
- removal of international trade barriers

4. Threats

Changes in the external environmental also may present threats to the firm. Some examples of such threats include:

- shifts in consumer tastes away from the firm's products
- emergence of substitute products
- new regulations
- increased trade barriers

Q38. Explain the Advantages of SWOT Analysis.

Ans :

Advantages of SWOT Analysis

SWOT Analysis is instrumental in strategy formulation and selection. It is a strong tool, but it involves a great subjective element. It is best when used as a guide, and not as a prescription. Successful businesses build on their strengths, correct their weakness and protect against internal weaknesses and external threats. They also keep a watch on their overall business environment and recognize and exploit new opportunities faster than its competitors.

SWOT Analysis helps in strategic planning in following manner-

(a) It is a source of information for strategic planning.

(b) Builds organization's strengths.

(c) Reverse its weaknesses.

(d) Maximize its response to opportunities.

(e) Overcome organization's threats.

(f) It helps in identifying core competencies of the firm.

(g) It helps in setting of objectives for strategic planning.

(h) It helps in knowing past, present and future so that by using past and current data, future plans can be chalked out.

SWOT Analysis provide information that helps in synchronizing the firm's resources and capabilities with the competitive environment in which the firm operates.

SWOT Analysis - What to Look for in Sizing up a Company's Strenghts, Weaknesses, Opportunities, and Threats

Potential Internal Strenghts

- Core competencies is key areas
- Adequate financial resources
- Well though of by buyers
- Am acknowledged market leader
- Well-conceived functional area strategies
- Access to economies of scale
- Insulated (at least somewhat) from strong competitive pressures
- Cost advantages
- Better advertising campaigns
- Product innovation skills
- Proven management
- Ahead on experience curve
- Better manufacturing capability
- Superior technological skills
- Others

Potential Internal Weaknesses

- No clear strategic direction
- Obsolete facilities
- Super profitability because?
- Lack of managerial depth and talent
- Missing some key skills or competencies
- Poor track record in implementing strategy
- Plagued with internal operating problems
- Falling behind in R & D
- Weak market image
- Weak distribution network
- Below-average marketing skills
- Unable to finance needed changes in strategy
- Higher overall unit costs relative to key competitors
- Others

Potential External Opportunities	Potential External Threats
• Serve additional customer groups	• Entry of lower-cost foreign competitors
• Enter new markets or segments	• Rising sales of substitute products
• Expand product line to meet broader range of customer needs	• Slower market growth
• Diversify into related products	• Adverse shifts in foreign exchange rates and trade policies of foreign governments
• Vertical integration (forward or backward)	• Costly regulatory requirements
• Falling trade barriers in attractive foreign markets	• Vulnerability to recession and business cycle
• Complacency among rival firms	• Growing bargaining powder of customers or suppliers
• Complacency among rival firms	• Adverse demographic changes
• Others	• Others

1.13 Value Chain Analysis

Q39. What is value chain analysis ? State the various elements of Value Chain Analysis.

(OR)

Explain about Value Chain Analysis.

(OR)

Write about value chain analysis.

(OR)

Brief on competitive advantage of value chain analysis.

Ans : **(Feb.-24, April-23, Sep.22, April-22, Sep.-20, Imp.)**

Meaning

Value is the amount buyers desire to pay for what a firm provides to them in the form of a product/service/ product-cum-service. Creating value for buyers that exceeds the cost of manufacturing, marketing and other operations is one of the basic goals of any business unit's generic strategy. Business activities that transform inputs into desired output that customers value reflect the value chain.

Michael E. Porter contributed to identifying building blocks, assessing the value addition from each of the activities and linking their organization's competitive advantage. The value chain display consists of total value of activities and margin. Value activities are of two types, viz., primary activities and support activities.

I) Primary Activities

Primary activities are those business activities that relate and contribute directly to the manufacture, marketing of the product and creating and adding value in the chain of operations.

(a) Inbound Logistics

Inbound logistics include quality verification of raw material at the source, transportation in good condition and efficiently, storage and warehousing economically and efficiently controlled. These activities ensure the quality of raw material that can contribute to the quality the final product. In addition to performing these activities on time, ensure the timely distribution the product to market intermediaries and the customer.

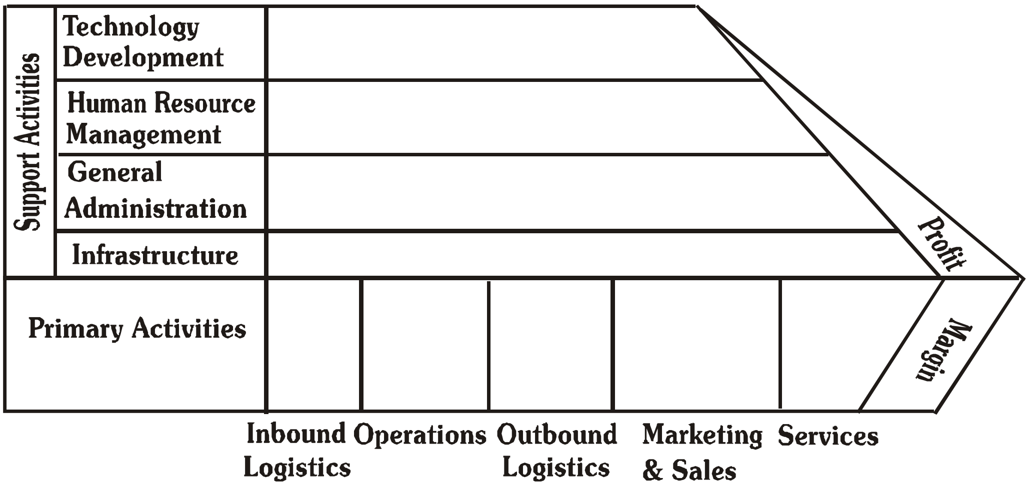


Fig. The Value Chain analysis

(b) Operations

Operations/production deal with the conversion process that transforms the inputs into output. Value is added or created when the input is converted into output. Operations aim at creation and innovation which in turn enhances the value of the product. Further the objectives of zero defect products ensure quality and dependability of the product.

(c) Outbound Logistics

Outbound logistics begin after the completion of the production process and end with the distribution of the product either to the market intermediaries in case of indirect marketing and to the customer in case of direct marketing. Thus, the activities of outbound logistics include storage/warehousing, transportation, handling of products, negotiation with market intermediaries inventory management.

(d) Marketing and Sales

Marketing and sales activities include product development and mix, pricing, place of markets including channels of distribution like wholesalers, retailers, sales force and network marketing and promotional mix including advertising, personal selling and sales promotion.

(e) Service

Pre-sales and post-sales services are quite essential for consumer durable, convenience luxury goods. Customers would be willing to pay more when the service and thereby the continuous and perfect functioning of the product is guaranteed and/or ensured. For example, automobiles, refrigerators,

II) Support Activities

Other activities of the business are support activities which provide support to the primary activities of the business, and hence, they are referred to as support activities. Support activities help the company enhance the customer value and reduce the cost bringing coordination among primary activities and providing necessary inputs for the primary activities. Support activities include:

(a) Technology development

(b) Human resource management

(c) General administration

(d) Infrastructure

(a) Technology Development

Technology is improved continuously both in production and in other operations. It is developed through innovation and continuous up-gradation.

Technology revolution including the revolution in the information technology brought paradigm shifts in the production process, product functions and utilities, speed of manufacturing, quality of products in terms of zero-defect production, fast delivery of the products and information processing.

(b) Human Resource Management

Human resource plays a dominant role in the successful and profitable performance of a firm. In fact, human resource makes or mars the performance of company.

(c) General Administration

General Administration includes organi- zational structure, management style, leadership style, policies and procedures. General administrative policies and practice can be enabling or disabling.

Enabling policies and practices include: flat and horizontal structure, employees empowerment, decentralization, empowerment of employees in decision-making, strategy formulation and implementation, employee motivation, leading the employees progressively and development of commitment.

These enabling policies of general administration support the primary activities, which in turn contribute to the reduction of cost and enhancement of value and profit margin.

(d) Infrastructure

Infrastructural activities include accounting, finance, information system, pay roll, legal affairs, public relations and corporate governance.

Expenditure on these activities is called overhead expenses as this expenditure can not be isolated. Infrastructure activities contribute to the value addition by supporting and enabling the primary activities.

In addition, the efficient functioning of infrastructure activities contributes to the cost reduction, and thereby increase profit margin.

Q40. What are steps involved in conducting a value chain analysis ?

Ans :

Step 1: Identify the Product for Value Analysis

The value analysis process begins with identifying the product for which value analysis has to be conducted. The product identified for value analysis must increase the sales revenue after it is redesigned and must not become outdated in future. Value analysis can be conducted either for the entire product or few elements of the product.

Step 2: Gather the Information Related to the Product

The next step is to gather significant information about the product. This information is related with the,

(a) Manufacturing processes, layout of machine and instruction sheets.

(b) Total cost information and marketing information

(c) Technical specifications with the help of diagram

(d) Plant capacity and time consumption details

(e) Recent developments in the product substitutes.

Step 3: Determine the Various Functions of the Product

In this step, the various functions to be performed by the product such as, primary functions, secondary functions and tertiary functions are determined and the significance. The each function is defined. The functions involving high cost are also identified in this step.

Step 4: Develop Various Alternatives to Increase Product Utility

After gathering significant product information and determining the functions of each element of the product. The next step is to develop various alternatives for increasing the product utility.

The team performing value analysis can conduct brainstorming sessions for gathering ideas from different people and motivating them to share their valuable opinions and suggestions.

Step 5: Evaluation of Alternatives

The various ideas or alternatives recorded in the step 4 are evaluated and assessed for determining the extent to which each alternative can meet the financial and technical requirements of the firm. After evaluating all the alternatives the alternatives or ideas which are technically effective and involves less cost are selected for further examination.

Step6: Develop a Plan for the Best Alternative

In this step, a comprehensive plan is developed for the selected ideas while examining them. Development plans involves. Preparing diagrammatic representations, developing models and conducting meetings with concerned departments.

Step 7: Execute the Best Alternative

Finally, the best alternative or idea is transformed into a prototype and used in manufacturing activities. The performance and outcomes of this prototype is recorded. Functional analysis and product cost analysis are conducted for determining the net savings derived from value analysis.

1.14 Competitive Advantage

Q41. What is Competitive Advantage? Explain the significance of Competitive advantage.

Ans : **(Feb.-24, Sep.-23, Imp.)**

Meaning

A competitive advantage is essentially a position of superiority on the part of the firm in some function/ factor/activity in relation to its competition. It is through this superiority that the firm attempts to carve out a comfortable position for itself in the relevant industry. The superiority can be in any one of the multitude of functions/activities performed by the firm. It means a firm can gain competitive advantage in several ways.

A firm's competitive advantage is a function of :

1. The company resources and capabilities,
2. Its ability to mobilize these resources and capabilities in creating strategic assets, and
3. Sustained market performance.

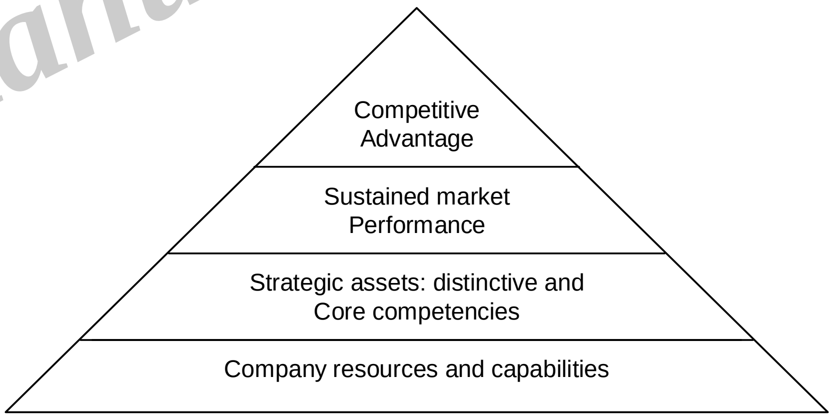


Fig.: Development of a Firm's Competitive Advantages

Nature and Significance of Competitive Advantage

1. Back-up for Strategy

Competitive advantage is closely linked to strategy. In fact, the two go handling hands and a firm cannot have one without the other. Competitive advantage actually serves as the back-up for strategy. It is the fit between the firm and the strategy it employs.

(i) Competitive advantage serves as the back-up for strategy; it is the fit between the firm and the strategy it employs.

(ii) Without the relevant competitive advantage, a firm cannot put into place the chosen strategy.

(iii) Even the most nicely formulated strategy would fail when, the firm lacks the competitive advantage required to make the strategy work.

(iv) In the absence of competitive advantage, corporate objectives would remain elusive and strategies would remain hollow.

2. Relevant Competitive Advantage

Without the relevant competitive advantage, a firm cannot effectively put in place the chosen strategy. And if a firm has no competitive advantage whatsoever, it cannot put in place any worthwhile strategy.

Even the most imaginative and well-formulated strategies fail when the companies concerned lack the competitive advantage required to make the strategy work.

3) Distinct from Strength

All factors identified as strength may not amount to a competitive advantage. This is obvious enough. One guiding principle is that a factor can be counted as a competitive advantage if it could influence in the company's favour, one or more of the forces shaping competition.

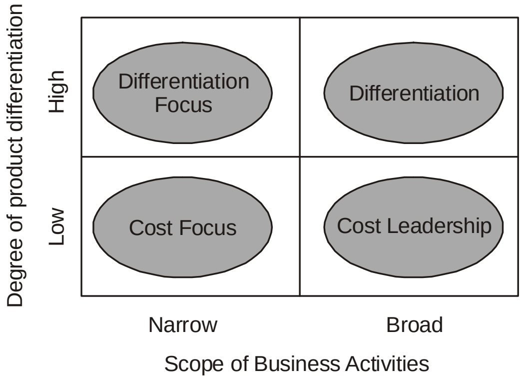
Q42. Explain the various Competitive Strate- gies

Ans : **(Imp.)**

Meaning

The competitive forces in an industry, Michael Porter suggested four "generic" business strategies that could be adopted in order to gain competitive advantage. The four strategies relate to the extent to which the scope of a businesses' activities are narrow versus broad and the extent to which a business seeks to differentiate its products.

The four strategies are summarized in the figure below :



The differentiation and cost leadership strategies seek competitive advantage in a broad range of market or industry segments. By contrast, the differentiation focus and cost focus strategies are adopted in a narrow market or industry.

1. Differentiation

This strategy involves selecting one or more criteria used by buyers in a market - and then positioning the business uniquely to meet those criteria. This strategy is usually associated with charging a premium price for the product often to reflect the higher production costs and extra value-added features provided for the consumer.

2. Cost Leadership

With this strategy, the objective is to become the lowest-cost producer in the industry. Many (perhaps all) market segments in the industry are supplied with the emphasis placed minimizing costs. If the achieved selling price can at least equal (or near) the average for the market, then the lowest-cost producer will (in theory) enjoy the best profits.

3. Differentiation Focus

In the differentiation focus strategy, a business aims to differentiate within just one or a small number of target market segments. The special customer needs of the segment mean that there are opportunities to provide products that are clearly different from competitors who may be targeting a broader group of customers.

4. Cost Focus

Here a business seeks a lower-cost advantage in just on or a small number of market segments. The product will be basic - perhaps a similar product to the higher-priced and featured market leader, but acceptable to sufficient consumers.

Q43. Critically examine the growth strategy of OLA Cabs.

Ans : **(May-19, Imp.)**

(i) OLA cabs is the largest rider haring company in India, which offers services such as peer-to-peer ride sharing, taxi and food delivery and ride service hailing.

(ii) The company has its presence across the country. In India, there were only taxi drivers in taxi sector, who used to own taxis and maintain their cars.

(iii) However, In 2010, OLA cabs emerged as a unique business model. The company started to tie-up with Independent taxi drivers and it took commission from the drivers upon every ride booked through OLA app.

(iv) The company has successfully managed to dominate the market as the customer find it convincing to use OLA App. OLA not only provides fix rates for a ride, but also calculates the fares remotely and communicates electronically to the driver.

(v) This made the Customers happy as they don't need to argue with drivers over the fare. With the passage of time, the company witnessed a huge growth in the business.

(vi) Thus, it decided to expand it services in different other areas as well.

Q44. How managers can create value through diversification initiatives?

Ans : **(April-23, Imp.)**

1. Conduct a thorough analysis

Before embarking on a diversification initiative, managers should conduct a thorough analysis of their organization's strengths, weaknesses, opportunities, and threats (SWOT analysis). This will help them to identify areas where diversification could create value and avoid areas where it might not be feasible or beneficial.

2. Identify strategic fit

Managers should ensure that any potential diversification opportunities are strategically fit with their organization's existing operations and goals. They should consider factors such as synergies, complementarities, and potential risks or challenges that might arise from diversifying into a new area.

3. Develop a clear strategy

Once a diversification opportunity has been identified, managers should develop a clear strategy that outlines the objectives, timeline, resources, and key performance indicators (KPIs) for the initiative. This will help to ensure that the diversification effort is well-planned and aligned with the organization's overall goals.

4. Allocate resources

Managers should ensure that they allocate the necessary resources, including capital, talent, and technology, to support the diversification initiative. They should also consider the potential impact of the diversification on existing operations and ensure that they have the necessary capabilities and expertise to succeed in the new market or product area.

Q45. What are the signs of strength and weakness to look for while assessing the competitive strength of a company?

Ans : **(Oct.-22, Imp.)**

Important core competencies, strong market share (or a leading market share), a pace-setting or distinctive strategy, growing customer base and customer loyalty, above-average market visibility in a favourably situated strategic group, concentrating on fastest-growing market segments, strongly differentiated products, cost advantages, above-average profit margins, above-average technological and innovation capability, and a creative, entrepreneurial and alert management in a position to capitalize on opportunities.

The source of this information will obviously vary from industry to industry, but will include most frequently the sales force, trade shows, opinion of industry experts, the trade press, distributors, suppliers and, perhaps most importantly, customers.

Customer information can be gained in several ways. Now technically called by CRM experts as touch points, this includes analyzing customers, suppliers and distributors contacts and compliances to arrive at a profile of competitors within the market.

Short Question and Answers

1. Define Environmental Scanning.

Ans :

Environmental scanning is the process by which corporate planners monitor the economic, governmental, supplier, technological and market settings to determine the opportunities for and threats to their enterprise. In other words, environmental scanning consists of identifying and analyzing environmental influences individually and collectively to determine their potential effects on an organization and the consequent problems and opportunities.

2. Define vision

Ans :

A vision statement is sometimes called a picture of your company in the future. Vision statement is your inspiration; it is the dream of what you want your company to accomplish.

A strategic vision is defined as an imaginary view of future which all the organizational members believe in and is not easily achieved. Strategic vision provides an overview of an organization in the coming future.

3. Define strategic management.

Ans :

Strategic management involves the analysis of internal capabilities and external environment of a firm in order to efficiently and effectively uses resources to meet organizational objectives. Strategic management is the process of systematically analyzing various opportunities and threats vis-a-vis organizational strengths and weaknesses, formulating, and arriving at strategic choices through critical evaluation of alternatives and implementing them to meet the set objectives of the organization.

4. Define mission ? Explain the characteristics of a effective mission statement.

Ans :

Mission is what an organization is and why it exists. Organizations relate their existence to satisfying a particular need of the society. They do this in terms of their mission.

Mission is "a statement which defines the role that an organization plays in a society".

5. Compare and contrast vision and mission.

Ans :

S.No.	Parameter of Comparison	Vision	Mission
(i)	**Meaning**	The ultimate goal to be achieved	A statement indicating the activities to be pursued for accomplishing a goal
(ii)	**Main Purpose**	To inspire and hope to the people to contribute towards attaining the goal	To provide guidance or roadmap for achieving the goal
(iii)	**Benefit to employees**	Helps understand why they are doing a particular task	Help recognize what exactly are they doing
(iv)	**Benefit to organization**	The company understands what it wants to achieve in future	The company recognizes what it should do in the present

6. Define Industry Analysis.

Ans :

The industry (or competitive) environment is typically characterized by a group to firms producing the same or related products or services. Forces from the industry environment directly affect the firm, and the amount of influence the firm has over its industry is dependent on the dominance of its competitive position. Most strategic management books utilize Michael Porter's Five Forces Model as a framework for analyzing the competitive forces within the industry. Like so many other models used to make strategic decisions today, the implicit assumption of this model is that the industry is operating within an economy closed to the greater society and ecosystem.

7. What is Competitator Analysis?

Ans :

Competition means rivalry between two or more parties to achieve similar goal. In business, competition generally refers to the fight for market share which serves the same basic customer needs.

a) To provide the groundwork for a strategic agenda.

b) To highlight the competitive strengths and weakness of the company.

c) To animate the positioning of the company in its industry.

d) To clarify the areas where strategic changes may yield the greatest payoff and

e) To highlight the sources of greatest significance, either as opportunity or threat. Understanding these sources will also help in considering areas for diversification.

The strongest competitive forces determine the profitability of an industry; so, competitive analysis is of crucial importance in strategy formulation.

8. What are organization Resources ?

Ans :

Organizational resources are tangible and intangible resources. Tangible resources can be seen and quantified like buildings, machinery, equipment and vehicles. Intangible resources are those rooted deeply in the organization's history and that have accumulated over time. Examples of intangible resources are employee's knowledge, trust, ideas, scientific capabilities, capacity to innovate and managerial competence, reputation with customers like brand name and perception of product quality, durability and reliability and reputation with suppliers for efficient, effective, supportive and mutually beneficial interactions and relationships.

9. SWOT Analysis.

Ans :

A scan of the internal and external environment is an important part of the strategic planning process. Environmental factors internal to the firm usually can be classified as strengths (S) or weaknesses (W), and those external to the firm can be classified as opportunities (O) or threats (T). Such an analysis of the strategic environment is referred to as a SWOT analysis.

(i) Strengths

A firm's strengths are its resources and capabilities that can be used as a basis for developing a competitive advantage.

(ii) Weaknesses

The absence of certain strengths may be viewed as a weakness.

(iii) Opportunities

The external environmental analysis may reveal certain new opportunities for profit and growth.

(iv) Threats

Changes in the external environmental also may present threats to the firm.

10. What is value chain analysis ?

Ans :

Value is the amount buyers desire to pay for what a firm provides to them in the form of a product/service/ product-cum-service. Creating value for buyers that exceeds the cost of manufacturing, marketing and other operations is one of the basic goals of any business unit's generic strategy. Business activities that transform inputs into desired output that customers value reflect the value chain. Value chain analysis examines and enhances the efforts of the business operations that contribute to the value to the customers. Value chain analysis views the business as a process of activities from the stage of raw material/inputs to the final stage of delivering the product including sales service to the customer.

11. What is Competitive Advantage?

Ans :

A competitive advantage is essentially a position of superiority on the part of the firm in some function/ factor/activity in relation to its competition. It is through this superiority that the firm attempts to carve out a comfortable position for itself in the relevant industry. The superiority can be in any one of the multitude of functions/activities performed by the firm. It means a firm can gain competitive advantage in several ways.

Choose the Correct Answers

1. Who is called the Father of Strategic Management? [b]
   (a) Chandler (b) Igor Ansoff
   (c) Michael Porter (d) John Nash
2. What is the starting point of Strategic Intent? [c]
   (a) Goal (b) Objective
   (c) Vision (d) Mission
3. Hierarchy of Strategic Intent: [c]
   i. Vision > Mission > Goals > Objectives > Plans
   ii. Mission > Vision > Goals > Objectives > Plans
   iii. Plans > Vision > Mission > Goals > Objectives
   iv. Goals > Vision > Mission > Objectives > Plans
   (a) i. (b) iii.
   (c) iv. (d) ii.
4. SWOT stands for [c]
   (a) Services worldwide optimization and transport
   (b) Special weapons for operations for timeless
   (c) Strength weakness opportunities and threats
   (d) Strength worldwide overcome threats
5. Which of the following is not a major element of the strategic management process? [d]
   (a) Formulation strategy (b) Implementing strategy
   (c) Evaluating strategy (d) Assigning administrative tasks
6. Competitive advantage can be best described as [a]
   (a) Increased efficiency (b) What sets an organisation apart
   (c) A strength and the organisations (d) Intangible resources
7. An organisation strategy [b]
   (a) Remains set in place longer than the mission and objectives
   (b) Generally forms over a period of time as events unfold
   (c) Trends to be formed at the same time the mission is developed
   (d) None
8. The primary focus of strategic management is [b]
   (a) Strategic analysis (b) The total organisation
   (c) Strategy formulation (d) None
9. The corporate level is where top management directs [c]
   (a) All employees for orientation
   (b) Its efforts to stabilise recruitment needs
   (c) Overall strategy for the entire organisation
   (d) Overall sales projections
10. Selling all of a company's assets for their tangible worth is called [c]
    (a) Divestiture (b) Concentric Diversification
    (c) Liquidation (d) Unrelated integration

Fill in the Blanks

1. _________ scanning is the process by which corporate planners monitor the economic, governmental, supplier, technological and market settings to determine the opportunities for and threats to their enterprise.
2. _________ management involves the analysis of internal capabilities and external environment of a firm in order to efficiently and effectively uses resources to meet organizational objectives.
3. A _________ statement is sometimes called a picture of your company in the future.
4. _________ is what an organization is and why it exists.
5. _________ statements may vary in length, content, format and specificity.
6. _________ refers to an outcome which an organization aims at achieving in the long-run.
7. _________ Policy defines the scope or spheres within which decisions can be taken by the subordinates in an organization.
8. The _________ plays a pivotal role in the success of an organization.
9. _________ literally means the surroundings, external objects, influences or circumstances under which someone or something exists.
10. _________ means rivalry between two or more parties to achieve similar goal.

ANSWERS

1. Environmental
2. Strategic
3. Vision
4. Mission
5. Mission
6. Objective
7. Business
8. Strategies
9. Environment
10. Competition

UNIT II	**Tools and Techniques for Strategic Analysis** - Porter's Five Force Model, BCG Matrix, GE Model, TOWS Matrix, IE Matrix, The Grand Strategy Matrix. Market Life Cycle Model - and Organizational Learning, Impact Matrix and the Experience Curve, Generic Strategies- Strategy Formulation - Types of Strategies – offensive strategy, defensive strategy, Exit and entry barriers - Tailoring strategy to fit specific industry and company situations.

2.1 Strategic Analysis

Q1. Define strategic analysis. Explain the process of strategic analysis?

Ans :

Meaning

Strategic analysis involves exploring the objective factors which are taken into account during the process of strategic choice.

Strategic analysis is an active and powerful area of strategic management which continuously develops new tools and techniques and replaces the old techniques.

Strategic analysis is performed at two levels,

(i) Corporate level

(ii) Business level.

(i) Corporate level

At corporate level, strategic analysis emphasizes on the techniques which evaluate the business belonging to the same corporation.

(ii) Business level

The business level strategic analysis emphasizes on individual businesses which are under the organization having several parts from industry perspective to which these businesses belong and the distinct competitive situations faced by them in their concerned industries.

Process

1. Focusing on Alternatives

The aim of focusing on a few alternatives is to narrow down the choice to a manageable number of feasible strategies. Focusing on alternatives could be done by visualizing a future state and working backwards from it. This is done through gap analysis.

Focusing on alternatives could be done by visualizing a future state and working backwards from it. This is done through gap analysis.

2. Evaluation of Strategic Alternatives

Selection factors are the criteria on which a final choice of strategy has to be based. Narrowing the choice leads to a few alternatives, each one of which has to be evaluated for its capability to help the organization achieve its objectives.

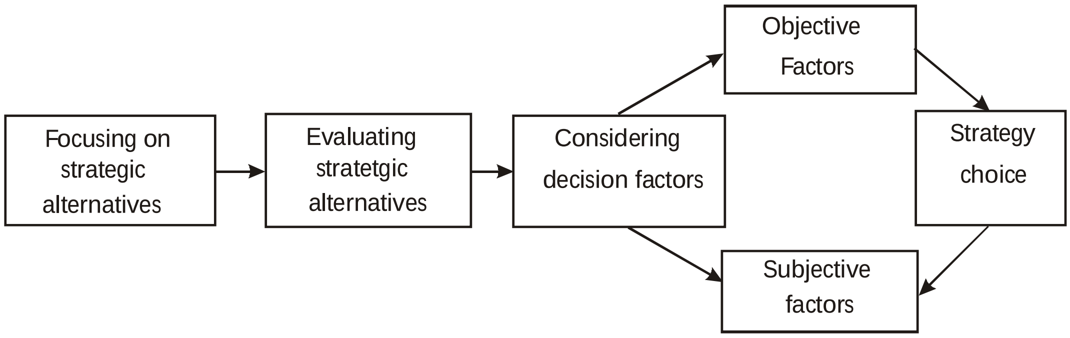


Fig.: Process of Strategic Analysis

3. Considering Selection Factors

Narrowing down the strategic choice to a few feasible alternatives is facilitated by considering the business definition and a thorough gap analysis. These alternatives have to be subjected to further analysis. Such an analysis has to rely on certain factors. These factors are termed as selection factors. They determine the criteria on which the evaluation of strategic alternatives can be based. The selection factors can be broadly divided into two groups:

(i) Objective Factors

Objective factors are based on analytical techniques and are hard facts or data used to facilitate a strategic choice. They could also be termed as rational, normative, or prescriptive factors.

(ii) Subjective Factors

Subjective factors are based on one's personal judgment and collective or descriptive factors. For the present, it is important to note that the alternatives that are generated in the first step have to be subjected to analysis on the basis of these selection factors.

4. Making the Strategic Choice

Strategic choice making was developed to facilitate the creation of a focused, organized process to develop and execute strategic decisions. An evaluation of strategic choice should lead to a clear assessment of which alternative is the most suitable under the existing conditions. The final step, therefore, is to make the strategic choice. One or more strategies have to be chosen for implementation. A blueprint that will describe the strategies and the conditions under which they would operate has to be made.

Q2. Explain the various techniques of strategic analysis.

Ans :

The following are the tools and techniques of strategic analysis are :

1. Corporate Portfolio Analysis

Corporate portfolio analysis which is also called as portfolio analysis can be elucidated as a set of techniques which assists the strategists to take the decisions related to individual products or businesses in a firm's portfolio.

This technique is mainly used for carrying out competitive analysis and strategic planning in multi-product, and multi-business firms. It can also be used in less diversified firms, if they include main business and other small complementary interests.

2. SWOT Analysis

A scan of the internal and external environment is an important part of the strategic planning process. Environmental factors internal to the firm usually can be classified as strengths (S) or weaknesses (W), and those external to the firm can be classified as opportunities (O) or threats (T).

3. Experience Curve Analysis

Cost dynamic phenomenon largely affects the formulation of marketing strategy. PIMS is one of the cost dynamic programs. This program states that market share is the core determinant of business profitability and not the marketing strategy.

4. Life Cycle Analysis

The concept of product life cycle is very common among me management students and life cycles are mostly seen in products, markets, businesses and industries.

5. Strategic Group Analysis

Strategic groups are considered as conceptual groups as these groups are hot recognized formally or a part of an industry association. These groups are recognized based on the strategic dimensions like technological leadership, the extent of product quality pricing policies, the level and type of customer service, and the selection of distribution channels.

6. Competitor Analysis

Competition means rivalry between two or more parties to achieve similar goal. In business, competition generally refers to the fight for market share which serves the same basic customer needs.

(a) To provide the groundwork for a strategic agenda.

(b) To highlight the competitive strengths and weakness of the company.

(c) To animate the positioning of the company in its industry.

(d) To clarify the areas where strategic changes may yield the greatest payoff and

2.2 Porter's Five Force Model

Q3. Explain the concept of Michael Porter five force model.

(OR)

Michael Porter provided a frame work that models an industry as being influenced by Five Forces. Explain.

(OR

Elucidate Porter's Five Force Model.

(OR)

Define Porter's Five Force Framework. Explain how it can be used for defining the strategy of an organization.

(OR)

Explain the cases for bargaining power of buyers and suppliers of Porter's Five force model.

Ans : **(Feb.-24, Aug.-21, May-19, Dec.-19, Imp.)**

Introduction

An industry is a group of firms producing products that are close substitutes. In the course of competition, these firms influence one another. Typically, industries include a rich mix of competitive strategies that companies use in pursuing strategic competitiveness and above-average returns. In part, these strategies are chosen because of the influence of an industry's characteristics.

I. Threat of New Entrants

(i) Identifying new entrants is important because they can threaten the market share of existing competitors.

(ii) One reason new entrants pose such a threat is that they bring additional production capacity.

(iii) Unless the demand for a good or service is increasing, additional capacity holds consumers' costs down, resulting in less revenue and lower returns for competing firms.

(iv) Often, new entrants have a keen interest in gaining a large market share.

(v) As a result, new competitors may force existing firms to be more effective and efficient and to learn how to compete on new dimensions.

2. Bargaining Power of Suppliers

Increasing prices and reducing the quality of their products are potential means used by suppliers to exert power over firms competing within an industry. If a firm is unable to recover cost increases by its suppliers though its own pricing structure, its profitability is reduced by its suppliers' actions. A supplier group is powerful when

(i) It is dominated by a few large companies and is more concentrated than the industry to which it sells.

(ii) Satisfactory substitute products are not available to industry firms.

(iii) Industry firms are not a significant customer for the supplier group.

(iv) Supplier's goods are critical to buyers' marketplace success.

3. Bargaining Power of Buyers

Firms seek to maximize the return on their invested capital Alternatively, buyers (customers of an industry or a firm) want to buy products at the lowest possible price the point at which the industry earns the lowest acceptable rate of return on its invested capital. To reduce their costs, buyers bargain for higher quality, greater levels of service, and lower prices.

4. Threat of substitute Products

Substitute products are goods or services from outside a given industry that perform similar or the same functions as a product that the industry produces.

5. Intensity of Rivalry among Competitors

Because an industry's firms are mutually dependent, actions taken by one company usually invite competitive responses. In many industries, firms actively compete against one another. Competitive rivalry intensifies when a firm is challenged by a competitor's actions or when a company recognizes an opportunity to improve its market position.

2.3 BCG MATRIX

Q4. How do you evaluate the strategic alternatives using the BCG Matrix.

(OR)

Explain strategic implications of BCG Matrix Model.

(OR)

Write note on BCG matrix.

Ans : **(April-23, April-22, Sep.-20, May-19, Imp.)**

Meaning

The Boston Consulting Group a leading management consulting firm devised a four-square grid. This grid was first portfolio matrix to be widely used. The BCG - type matrix is presented in Fig. The matrix is formed using industry growth rate on the vertical axis and relative market share on the horizontal axis. Each business unit appears as a circle on the four cell matrix with the size of each circle scaled to the per cent of revenues it represents in the overall corporate portfolio.

In other words, relative market share is calculated by dividing a business's percentage share of total industry's sales volume by the percentage share held by its largest rival.

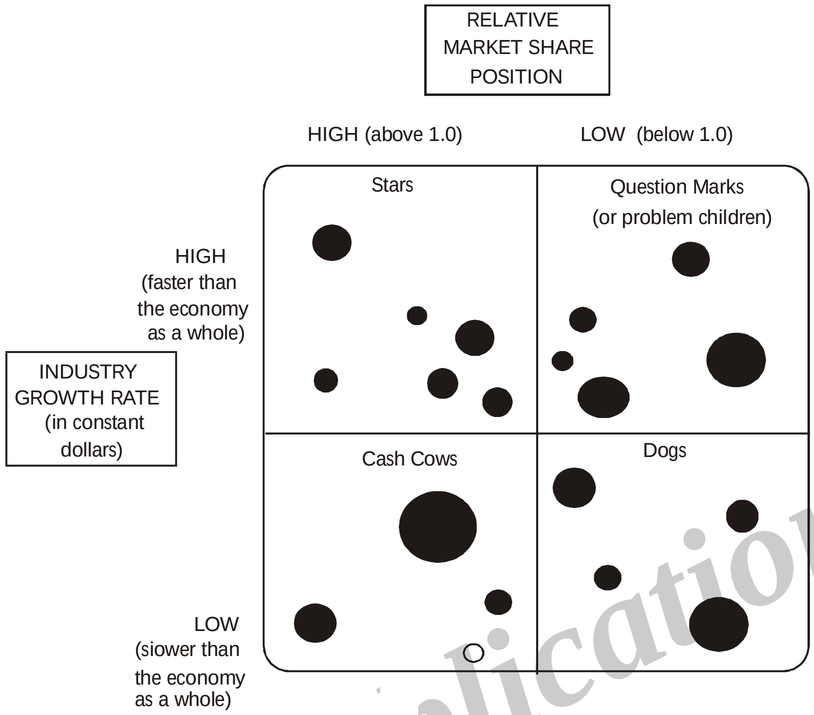


Fig.: BCG matrix

1. Question Marks

(i) BCG labeled the business units falling in the upper right quadrant of the growth-share matrix as "question marks" or "problem children."

(ii0 Rapid market growth makes such businesses attractive from an industry stand point. But their low relative market share raises a question about whether, they can compete successfully against larger and most cost-efficient rivals.

(iii) Hence, the BCG designated such business units as question marks or problem children.

(iv) Question mark businesses are also 'cash dogs' as the cash needs of such businesses are high.

(v) This is because of investment requirements of rapid growth and product development.

2. Stars

(i) Business units falling in the upper left quadrant (high relative market position and high industry growth rate) of the growth share matrix were labeled by BCG as, "Stars."

(ii) They offer excellent profit and growth opportunities.

(iii) The company can depend on these business units to increase overall performance of the total portfolio.

(iv) Stars, generally require large cash investments to expand production facilities and meet working capital requirements.

Stars generate their own large internal cash flows in view of:

(i) low cost advantage,

(ii) large scale economies, and

(iii) cumulative production experience.

3. Cash cows

(i) Cash cow business units generate substantial cash surpluses than what it needs for reinvestment and expansion.

(ii) This is due to the low industry growth rate and as much the fresh investment opportunities are less.

(iii) The cash cow business unit generates more cash flows and profits due to high relative market share and industry leadership. But the reinvestment opportunities are less.

- Dividend payments
- Investing in emerging stars
- Finance acquisitions
- Investing in problem children that be groomed as future stars.

4. Dogs

(i) Business units falling under the lower right quadrant of the growth share matrix were labeled by BCG as "Dogs."

(ii) Dogs are the businesses with a low relative market share in a slow growth industry. These business units are called dogs because of:

- their dim growth prospects,
- their trailing market position,
- squeeze that being behind the leaders.

2.4 GE Model

Q5. How to you evaluate the strategic alternatives using the GE Nine Cell Matrix.

(OR)

Explain GE Model.

Ans : **(April-22, Sep.-20)**

The general electric approach also called a Strategic Business Planning Grid. It uses two dimensions - Industry Attractiveness and the Company Strength.

The best businesses are those located in highly attractive industries where the company has high business strength.

Industry attractiveness index is made up of market size, market growth rate, industry profit margin, amount of competition, seasonality, cyclically of demand and industry cost structure. All these factors are rated and combined in an index of industry attractiveness. Here, industry attractiveness is described as high, medium and low.

Business strength index is made of company's relative market share, price competitiveness, product quality customer and market knowledge, sales effective-ness and geographic advantages. These factors are rated and combined in an index of business strengths, which is described as high, medium and low.

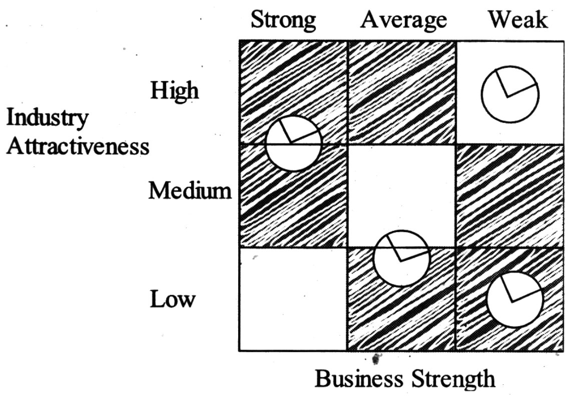


Fig.: GE Matrix

The upper left cells is the area where the company should invest and grow. The middle area is the zone where the management should go for harvesting and the lower right area, the management should go for divesting.

The areas of the circles are proportionate to the relative size of the industry in which the SBUs compete. The pie slice represents the SBUs market share.

Strengths

(i) It allows for intermediate ranking between high and low and between strong and weak.

(ii) It incorporates a much wider variety of strategically relevant variables, whereas the BCG Matrix is based totally on two considerations industry growth rate and relative market share.

Weaknesses

Though the GE Matrix is better than the BCG Matrix, it also suffers from some weaknesses. They are:

(i) The nine-cell GE Matrix provides no real guidance on the specific business strategy. This matrix also suggests general strategy like aggressive expansion, fortify-and-defend or harvest divest. These strategies do not address the issue of strategic coordination between businesses, specific competitive approaches and strategies to be adopted at the business unit level.

(ii) The GE method tends to obscure business that are about to become winners because their industries are entering the take off stage.

2.5 TOWS Matrix

Q6. "TOWS Matrix helps in matching the internal and external factors". Discuss.

(OR)

Define the role of TOWS Matrix in an organization.

Ans : **(Feb.-24, Dec.-19)**

All firms must formulate appropriate strategies to win. A good offence strategy without a good defense strategy and vice versa, most often leads to defeat. Firms should use their strength to exploit the opportunities and/or to overcome the threats. Alternatively, companies may pursue defensive strategies to overcome weaknesses and avoid threats.

It is disastrous for the firm to face the threats posed by the environment, if it is already suffering from its weaknesses. However, a company can overcome its weaknesses, if the environment provides opportunities to it. It is rather difficult, but quite important to match key internal and external factors.

The TOWS Matrix helps to match the internal and external factors.

The TOWS Matrix tool results in the development of four types of strategies. They are:

(i) Strengths-Opportunities Strategies (SO),

(ii) Weaknesses-Opportunities Strategies (WO),

(iii) Strength-Threats Strategies (ST), and

(iv) Weaknesses-Threats Strategies (WT).

Companies would like to be in strengths-opportunity situation to exploit the opportunities provided by the external environment. Companies generally pursue WO, ST and WT strategies with a view to move to SO strategy. The TOWS Matrix is shown in Figure.

		Strengths-S	Weaknesses-W
	Always leave blank	1. 2. 3. 4. 5. 6. 7. 8. 9. 10. List strengths	1. 2. 3. 4. 5. 6. 7. 8. 9. 10. List strengths
1. 2. 3. 4. 5. 6. 7. 8. 9. 10.	Opportunities - O List opportunities	SO Strategies 1. 2. 3. 4. 5. 6. 7. 8. 9. 10. Use strengths to take advantage of opportunities	WO Strategies 1. 2. 3. 4. 5. 6. 7. 8. 9. 10. Overcome weaknesses by taking advantage of opportunities
1. 2. 3. 4. 5. 6. 7. 8. 9. 10.	Threats - T List threats	WO Strategies 1. 2. 3. 4. 5. 6. 7. 8. 9. 10. Use strengths to avoid threats	WT Strategies 1. 2. 3. 4. 5. 6. 7. 8. 9. 10. Minimise weaknesses and avoid threats

Fig.: The Tows Matrix

Steps Involved in Constructing a TOWS Matrix

1. List the company's key strengths.
2. List the company's key weaknesses.
3. List the company's key opportunities.
4. List the company's key threats.
5. Match the strengths with opportunities and record the resultant SO strategies in the appropriate cell.
6. Match weaknesses with opportunities and record the resultant WO strategies.
7. Match strengths with threats and record resultant ST strategies.
8. Match weaknesses with threats and record the resultant WT strategies.

2.6 IE Matrix

Q7. What is the internal and external matrix? Explain its strengths over other criteria.

Ans :

1. The Internal Factor Evaluation (IFE) Matrix

The Internal Factor Evaluation (IFE) Matrix summarizes as organization's key general management, marketing, finance, human resource, production/operations and research and development strengths and weaknesses. This technique is useful in answering four major questions about a firm's internal strategic position. They are:

(a) What are the company's key strengths and weaknesses ?

(b) What is the relative significance of each strength and weakness to this company's overall performance?

(c) Does each factor represent a major weakness, a minor weakness, a minor strength and a major strength ?

The weightages to the factors may be assigned as follows :

Factors	Weightage
A major weakness	–2
A minor weakness	–1
A minor strength	+1
A major strength	+2

(d) What is the company's total weighted score resulting from the internal factor evaluation matrix? Is the score above or below 0.10?.

The internal factors should be stated in objective terms to the possible extent. The factors selected, would present the internal issues from which an organization's strategies will be formulated. The strategists should assign appropriate weights and ratings to each factor.

2. The External Factor Evaluation (EFE) Matrix

The second technique of input stage of strategy formulation analytical framework is the External Factor Evaluation Matrix.

(a) What are the company's environmental opportunities and threats ?

(b) What is the relative significance of each opportunity and threat to the company's overall performance?

(c) Does each factor represent a major threat, a minor threat, a minor opportunity or a simple opportunity? The weightages to the factors may be assigned as follows :

Factors	Weightage
Major Threat	+2
Minor Threat	–1
Minor opportunity	+1
Major opportunity	+2

(d) What is the company's total weighted score resulting from the External Factor Evaluation Matrix? Is the score above or below the average of +0.10?

On the Internal External (IE) matrix, the total weighted scores of internal factor evaluation are plotted on the horizontal axis and the weighted scores of external factor evaluation are plotted on the vertical axis.

Every business of a company must develop as IFE and EFE matrix and the corporate level IE matrix should be developed on the basis of the total weighted scores of all the businesses of a company.

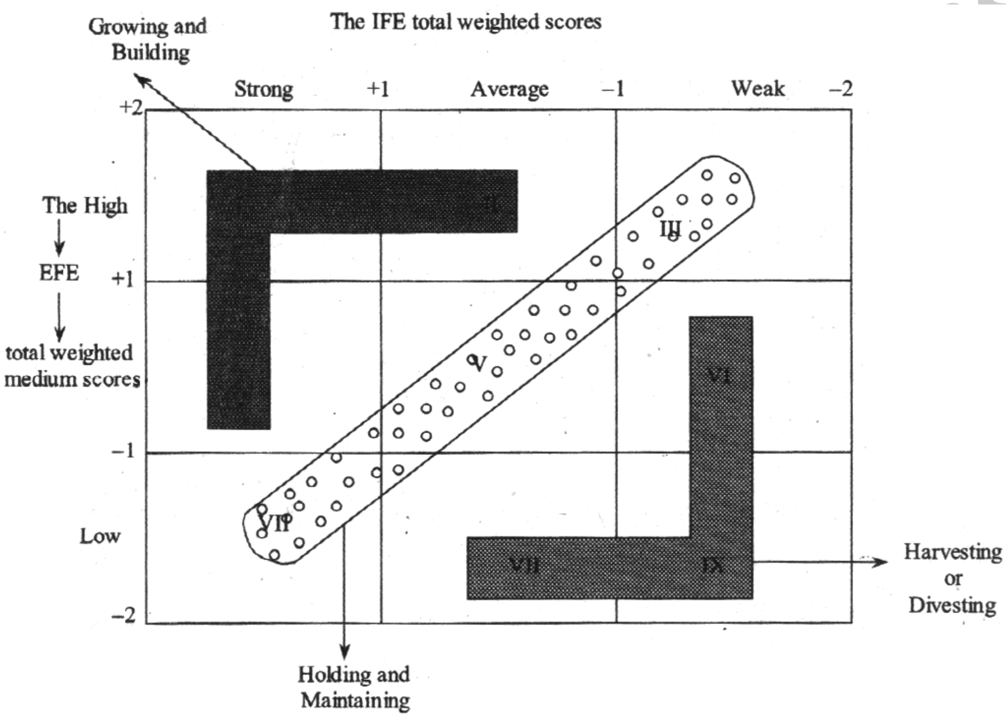


Fig. : Internal External (IE) Matrix

The IFE total weighted scores of –2 to –1 on the horizontal axis of IE matrix indicates the week internal position, the scores of –1 to +1 indicates average position and the scores of +1 to +2 indicates strong position.

In the same way, the EFE total weighted scores of –2 to –1 on vertical axis indicates low positions, scores of –1 to +1 indicates averages position and the scores of +1 to +2 indicates high position.

Strategy Implications

The IE matrix possess a nine cell (3x3 = 9) structure. The businesses belonging to the upper three calls on the left side (i.e., cells I, II, IV) are given top investment priority and hence the strategic prescriptions for these businesses is "growing and building".

This signifies that such businesses can follow intensive (market penetration, market development and product development) or integrative (forward integration, backward integration and horizontal integration) strategies.

The businesses lying in the lower left to the upper right (i.e., businesses in cells VII, V, III) are given medium priority and the strategic prescriptions for them are "holding and maintaining" their industry positions. This signifies that such businesses can follow market penetration and product development strategies.

2.7 The Grand Strategy Matrix

Q8. Grand Strategy Matrix has become a popular tool formulating the corporate strategy. Discuss.

(OR)

What are the quadrants of grand strategy matrix? Explain how it helps a company to decide on an appropriate strategy.

Ans : **(Oct.-22, Imp.)**

The grand strategy matrix consists of four quadrants and ail the companies and their businesses fall into any of these four quadrants. This matrix relies upon two evaluative dimensions i.e., competitive position and market growth. The strategies which are suitable for a company are presented in the respective quadrant on the basis of their order of attractiveness.

1. Quadrant-I

The business/companies belonging to the quadrant-I will have outstanding strategic position. The firms in this quadrant can opt for,

(i) Forward, backward or horizontal integration if they possess immense resources.

(ii) Concentric diversification strategy for decreasing the risks of narrow product line.

(iii) Aggressive strategy for taking the advantage of the opportunities posed by the external environment.

2. Quadrant-II

The businesses/firms belonging to quadrant-II i.e., rapid market growth and weak competitive position, cannot compete effectively with its competitors in the market place and also cannot take advantage of the opportunities provided by the external environment.

These firms can follow horizontal integration stratej and as a last alternative they can also follow the strategi of divestment and liquidation.

The funds produced by divesting the current busine can be used for developing new businesses.

3. Quadrant-III

The businesses/companies belonging to quadrar III i.e., slow market growth and weak competitive positii should make extreme and rapid changes in order to kei themselves away from further losses and destruction.

Primarily these firms should decreases their cos and assets and then transfer their resources from the curre businesses to new businesses.

4. Quadrant-IV

The businesses/companies belonging to quadrant-I i.e., slow market growth and strong competitive positii possess the capability to initiate diversified programmes the areas having high probability to grow,

2.8 Market Life Cycle Model

Q9. Explain briefly about Market Life Cycle Model.

(OR)

Briefly explain about Market Life Cycle Model.

(OR)

Explain in detail Market Life cycle Model.

Ans : **(Feb.-24, Sep.-23, April-23, May-19, Imp.)**

From a business point of view as well as a technical point of view, all products go through a life cycle. Product designers and manufacturing engineers must be aware of this cycle and must ensure their products respond appropriately in all stages of the cycle. Both life cycles are essential to a successful product.

There are four stages in the business-oriented life cycle.

Stage 1 : Introduction

In this stage the new product is first brought to market. This development stage is fraught with unknowns, uncertainties, and risks. The length of this stage depends on the product's complexity, the degree of newness or innovation, the customer fit, and the alternative products offered by competing enterprises.

Stage 2 : Growth

In this stage, gradual sales growth changes to a marked increase in consumer demand. Marketing focuses on fighting the competition. It is usually during this stage that other companies "jump in" with similar products, "carbon copies", or products with minor improve - ments.

The advantage for the originating company is one of time. They already have a product, whereas the competition is still bringing it online. The first product has had more time to mature and improve robustness and reliability, and the originating company has had time to grow its market and consolidate its market share.

Stage 3 : Maturity

In this stage the sales rate levels out, or growth is limited to the growth in the population. As price competition is not intense, any profit gains can be made only by improving manufacturing efficiency.

Generally, the producer is mainly concerned with holding onto market share, distribution channels, and retailers. The maturity stage can be short, such as in the fashion industry, or last for decades, such as for food products.

Stage 4 : Decline

As consumer demands tapers off the product enters a declining market. Many companies will either withdraw from that market, or merge with other companies.

Some companies will employ aggressive marketing techniques to temporarily keep sales up. In certain industries, products are often restyled on a regular basis. This starts the whole cycle over again.

2.9 Organizational Learning

Q10. Define Organizational Learning. Explain the need of Organizational Learning.

Ans :

Meaning

Organizational learning is the most recent approach to organization theory and is based largely on systems theory and emphasizes the importance of generative over adaptive learning in fast changing external environment such as information technology and globalization.

Definitions

(i) According to Argyris and Schon, "Organizational learning occurs when members of the organization act as earning agents for the organization, responding to the changes in the internal and external environments of the organization by detecting and correcting errors in organizational theory-in-use, and embedding the result of their enquiry in private images and shared maps of organizations".

(ii) According to Fiol and Lyles, "Organi- zational learning is the process of improving actions through better knowledge and understanding".

Need

The major changes that characterize the emerging economy are as follows:

1. Speed

The environment today is changing much faster than before. The business environment can no longer be termed stable in any market. Increasing competition, focus on competence, niche marketing strategies, new emerging technologies like the Internet and new business opportunities are focusing a drastic change in the basic nature or doing business.

2. Smart Products and Service Intensity

The products of today are smarter, with a lot of embedded knowledge and high levels of mass customization. These products behave like a 'thermostat"– they recognize their own operations, set-off self-correcting measures and warn users about imminent problems.

3. Globalization

Organizations today cannot restricts themselves to specific geographic markets even if they wish to, as there is an increasing mobility of customers. Competition today is not restricted to domestic markets and domestic players and instead included transnational organizations across national boundaries.

4. Shortening Product Life Cycles

As products and services become easier to imitate by competitors, the product/service life cycles shorten significantly. The markets mature fast, the customers learn to differentiate between the good and bad products and therefore the quality norms in the market are much higher. To survive in this market, it is necessary that organizations continuously innovative and differentiate themselves.

5. Network Intensity

Organizations and customers today are connected to every nook and corner of the world, thanks to giant leaps in computers and telecommunication technology.

Q11. Explain the Dimensions of Organizational Learning.

Ans :

There are three dimensions for understanding organizational learning:

1. Cognitive Dimension

Organizations learn through their memory, experience, organizational processes, and processing of information.

2. Affective Dimension

Organizations and employees begin to internalize new insights, and alter their behaviours by creating shared mental models and routines.

3. Action Dimension

Organizational learning is reflected in improved performance, change in behaviour, effectiveness in behaviour, and better response to internal and external environment changes.

These three dimensions reflect the process of acquiring certain inputs, internalizing the changes, and the effect of such changes on organizational adaptation and performance. Accordingly, Pareek defines organizational learning as the 'process by which an organization acquires, retains, and uses inputs for development, resulting in an enhanced capacity for continued self-learning and self-renewal'.

2.10 Impact Matrix

Q12. Describe briefly about Impact Matrix.

Ans :

Srategic impact matrix is an essential and useful technique for evaluating the relative importance of several strategic options. It forms the basis for the establishment of group discussions relating to the alternative strategies. As a presentational tool, it is useful in summarizing the outcomes of many.

It other more detailed studies relating to the effects of strategic actions. It is also useful for leaders who are intended in exploring the various alternatives for making strategic investments. It consists of two dimensions namely, the ease of implementation and the degree of impact.

While using this tool, all the options under consideration are required to be listed and then each option is arranged on the basis of ease of implementation. Based on their impact they need to be rated. After rating, they need to be placed in an appropriate square.

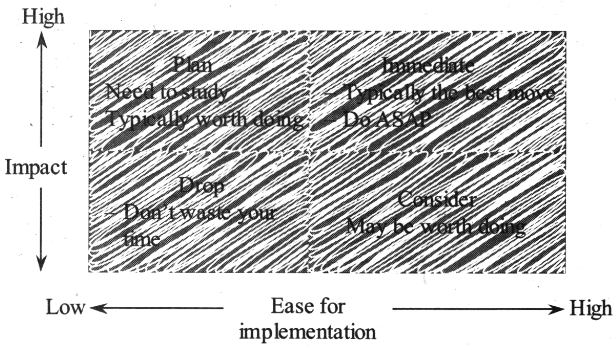


Fig.: Impact Matrix

One of the basic and simple use of an impact matrix is to determine and reduce the effects of various sub-components on the strategic action. For this purpose, a matrix is drawn which consists of two axes, wherein the sub-components of the strategic actions are on one axis while the various environmental factors or objectives are placed on the other axis. For each sub-component, it is important to determine whether it is clearly written or else if possible they needs to be rewritten, to make them more clear.

Then each matrix cell needs to be analyzed one after the other thereby recording whether the sub-component:

1. Has a negative effect on the objective if so, the effect could be minimized by either improving the sub-component or by adding a new sub-component which is characterized by the unique feature.
2. Has a neutral (o) or positive effect (+) if it is having a positive impact then more efforts can be put to increase its intensity i.e., by rewriting the sub-component, its positivity could be increased.
3. Has an uncertain effect (?) if so additional information must be gathered before the assessment is completed and strategic action is finalized.
4. Has an effect which is based on the way the strategic actions are implemented (I) if so, it can be likely to rewrite the strategic action to make sure that it is implemented positively.

2.11 Experience Curve

Q13. Explain briefly about Experience Curve.

Ans : **(Imp.)**

The experience curve makes use of the changing role of costs in different market conditions. The price of a product in a seller's market is usually fixed on a cost plus basis, i.e.,

Price = Internal cost + Desired profit

The price in a buyer's market, on the other hand, gets fixed by the market equilibrium. The equilibrium equation can be expressed as:

Profit margin = Permissible price – Internal cost

OR

Tolerable cost = Permissible price – Acceptable profit

The experience curve effect makes use of falling cost with accumulated value of experience.

For example, a company starts the production of a new product (two units) with a unit cost of Rs. 200. As the accumulated volume reaches 4 units, the unit cost comes down to Rs.. 160. The trend that develops is shown in table A.

When plotted it assumes a shape of hyperbola. This is depicted in figure B.

Accumulated Unit	Cost Production
2	200
4	200 × 0.8 160
8	160 × 0.8 128
16	128 × 0.8 102
32	102 × 0.8 82
64	82 × 0.8 66
128	66 × 0.8 52
256	52 × 0.8 42
512	42 × 0.8 34
1024	34 × 0.8 26

Table A : 80% Experience Curve

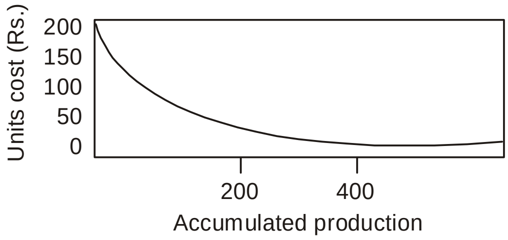


Fig.: Experience Curve

Causes

The experience effect is caused due to the following factors :

(i) Productivity improvement of labor due to accumulated experience skills, devising of new tools and fixtures, development reflex actions, etc.

(ii) The increased volumes of production lead to more specialization and thus save time. Vendors may also be developed to deliver products at the right time, thus reducing inventory costs.

(iii) Value engineering of products may further result in substitution of material, better reliability, weight, reduction scrap reduction, etc.

(iv) The production line can be balanced and more units produced without extra investments.

2.12 Generic Strategies

Q14. Explain briefly about various Generic strategies.

(OR)

What are Generic Strategies? Explain.

(OR)

What are generic strategies and discuss the types of strategies?

Ans : **(April-23, Oct.-22, Imp.)**

Meaning

A company's competitive strategy consists of the business approaches and initiatives it undertakes to attract customers and fulfil their expectations, to withstand competitive pressures and to strengthen its market position. Competitive strategy has a narrower scope than business strategy.

1. Low Cost Leadership Business Strategy

(i) When the competitive advantage of a firm lies in a lower cost of products or services relative to what the competitors have to offer, it is termed as cost leadership.

(ii) The firm out performs its competitors by offering products or services at a lower cost then they can. Customers prefer a lower cost product particularly if it offers the same utility to them as the comparable products available in the market have to offer.

(iii) When all firms offer products at a comparable price, then the cost leader firm earns a higher profit owing to the low cost of its products.

(iv) Cost leadership offers a margin of flexibility to the firm to lower price if the competition becomes stiff and yet earn more or less the same level of profit.

2. Differentiation Business Strategy

(i) When the competitive advantage of a firm lies in special features incorporated into the product/service, which are demanded by the customers who are willing to pay for those, then the strategy adopted is the differentiation business strategy.

(ii) The firm outperforms its competitors who are not able or willing to offer the special features that it can and does. Customers prefer a differentiated product/service when it offers them a utility that they value, and are willing to pay more for getting such a utility.

(iii) A differentiated product/service stands apart in the market and is distinguishable by the customers for its special features and attributes.

3. Focus Business Strategy

(i) Focus business strategies essentially rely on either cost leadership or differentiation but cater to a narrow segment of the total market. In terms of the market, therefore, focus strategies are niche strategies.

(ii) The more commonly-used bases for identifying customer groups are the demographic characteristics (age, gender, income, occupation, etc.), geographic segmentation (rural/urban or Northern India/ Southern India), or lifestyle (traditional/ modern).

4. Best cost provider strategy

The strategy which aims to provide more value for customer's money. The main objective is to deliver good value to the customers by satisfying their expectations with regard to price, quality, service, features, performance, etc.

A company can gain competitive advantage only when it offers a product with value added service at low cost compared to its competitors. In order to be the best cost provider, a company should possess all the resources and skills to achieve best quality, provide value added services, match performance of the product and provide the best customer service at low cost than the competing firm.

Best-cost provider strategies are hybrid strategies which are a combination of both a low cost strategy and a differentiation strategy. The target market for such strategies is usually the valued potential buyers which is infact a very sizable part of the whole market.

2.13 Strategy Formulation

Q15. Define Strategy Formulation. Explain the process of Strategy Formulation.

(OR)

Explain the process involved in Strategy Formulation.

Ans : **(Sep.-23, Dec.-19)**

Meaning

Strategy formulation is the process by which an organization chooses the most appropriate courses of action to achieve its defined goals. This process is essential to an organization's success, because it provides a frame work for the actions that will lead to the anticipated results.

Strategic plans should be communicated to all employees so that they are aware of the organization's objectives, mission, and purpose.

Process

The following are the steps involved in strategy formulation :

Fig.: Process of Strategy Formulation

1. Setting Organization's Objectives

The key component of any strategy statement is to set the long-term objectives of the organization. It is known that strategy is generally a medium for realization of organizational objectives.

Objectives stress the state of being there whereas Strategy stresses upon the process of reaching there. Strategy includes both the fixation of objectives as well the medium to be used to realize those objectives.

2. Evaluating the Organizational Environment

The next step is to evaluate the general economic and industrial environment in which the organization operates.

This includes a review of the organizations competitive position. It is essential to conduct a qualitative and quantitative review of an organizations existing product line.

3. Setting Quantitative Targets

In this step, an organization must practically fix the quantitative target values for some of the organizational objectives.

The idea behind this is to compare with long term customers, so as to evaluate the contribution that might be made by various product zones or operating departments.

4. Aiming in Context with the Divisional Plans

In this step, the contributions made by each department or division or product category within the organization are identified and accordingly strategic planning is done for each sub-unit. This requires a careful analysis of macroeconomic trends.

5. Performance Analysis

Performance analysis includes discovering and analyzing the gap between the planned or desired performance. A critical evaluation of the organizations past performance, present condition and the desired future conditions must be done by the organization.

This critical evaluation identifies the degree of gap that persists between the actual reality and the long-term aspirations of the organization. An attempt is made by the organization to estimate its probable future condition if the current trends persist.

6. Choice of Strategy

This is the ultimate step in strategy formulation. The best course of action is actually chosen after considering organizational goals, organizational strengths, potential and limitations as well as the external opportunities.

Q16. Explain the formulation of Strategy at corporate Levels.

Ans :

Corporate level strategy fundamentally is concerned with the selection of businesses in which the company should compete and with the development and coordination of that portfolio of businesses.

Corporate Level Strategy is concerned with :

A) Reach Defining the issues that are corporate responsibilities; these might include identifying the overall goals of the corporation, the types of businesses in which the corporation should be involved, and the way in which businesses will be integrated and managed.

B) Competitive Contact Defining where in the corporation competition is to be localized. Take the case of insurance: In the mid-1990, Aetna as a corporation was clearly identified with its commercial and property casualty insurance products.

The conglomerate Textron was not. For Textron, competition in the insurance markets took place specifically at the business unit level, through its subsidiary, Paul Revere.

C) Managing Activities and Business Inter- relation ships Corporate strategy seeks to develop synergies by sharing and coordinating staff and other resources across business units, investing financial resources across business units, and using business units to complement other corporate business activities. Igor Ansoff introduced the concept of synergy to corporate strategy.

D) Management Practices Corporations decide how business units are to be governed: through direct corporate intervention (centralization) or through more or less autonomous government (decentralization) that relies on persuasion and rewards.

Q17. Explain the Formulation of Strategy at Business Levels

Ans :

Meaning

A strategic business unit may be a division, product line, or other profit center that can be planned independently from the other business units of the firm.

At the business unit level, the strategic issues are less about the coordination of operating units and more about developing and sustaining a competitive advantage for the goods and services that are produced.

At the business level, the strategy formulation phase deals with: positioning the business against rivals anticipating changes in demand and technologies and adjusting the strategy to accommodate them influencing the nature of competition through strategic actions such as vertical integration and through political actions such as lobbying.

Competitive Tactics

Although a choice of one of the generic competitive strategies provides the foundation for a business strategy, there are many variations and elaborations. Among these are various tactics that may be useful (in general, tactics are shorter in time horizon and narrower in scope than strategies).

Categories

Three categories of competitive tactics are those dealing with timing (when to enter a market), market location (where and how to enter and/or defined) and cooperative tactics.

1. Timing Tactics

When to make a strategic move is often as important as what move to make. There are three types of moves, first-movers (i.e., the first to provide a product or service), second-movers or rapid followers, and late movers. Each tactic can have advantages and disadvantages.

Being a first-mover can have major strategic advantages when :

(i) Doing so builds an important image and reputation with buyers;

(ii) Early adoption of new technologies, different components, exclusive distribution channels, etc. can produce cost and/or other advantages over rivals;

(iii) First-time customers remain strongly loyal in marketing repeat purchases; and

(iv) Moving first makes entry and limitation by competitors hard or unlikely.

2. Market Location Tactics

These fall conveniently into offensive and defensive strategy. Offensive strategy to make market share from a competitor, while defensive strategy attempt to keep a competitor from taking away some of our present market share, under onslaught strategy by the competitor.

2.14 Types of Strategies

2.14.1 Offensive Strategy, Defensive Strategy

Q18. What are the different types of strategies?

(OR)

Explain the various Offensive Strategy.

(OR)

List out various Defensive Strategy.

(OR)

Elucidate the various Offensive and Defensive Strategy.

(OR)

What are the offensive strategies? How do the offensive strategies help to achieve a competitive advantage?

Ans : **(April-22, Aug.-21, Imp.)**

1. Offensive Strategies

It involves direct and indirect attacks by improving own position by taking away the market share of the competitors.

The primary focus of this strategy is to be a first mover and a proactive market leader and to protect itself by standing one step ahead of the competitors and allowing them to follow.

Various Offensive Strategies:

(a) Frontal attack

A frontal attack is attacking a competitor ahead on by producing similar products with similar quality and price; it is highly risky unless the attacker has a clear advantage. In the frontal attack, firms concentrate on competitor's strengths rather than weaknesses.

(b) Flank attack

Flank attack is less risky when compared to that of frontal attack in which firms attacking at the competitor's weak point or blind spot. In this strategy firms follow the path of least resistance where the competitor is incapable of defending.

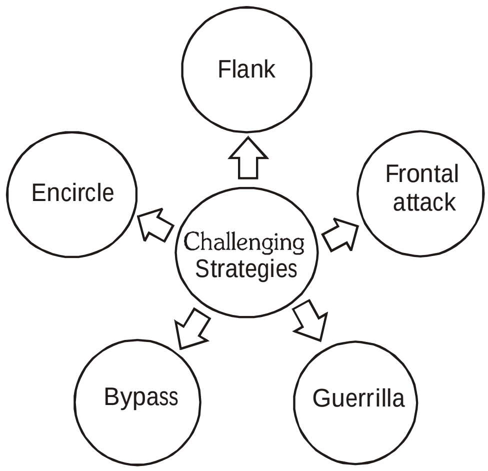


Fig.: Offensive Strategies

(c) Encirclement attack

It is the combination of both frontal and flank attacks. Here the challenging firm attacks the competitor firm on its entire major fronts i.e. strengths and weaknesses.

There are two strategies that can be used under the encirclement attack.

(i) Product encirclement

In this strategy, the challenger firm introduces different types of products with varied features, quality and price.

(ii) Market encirclement

In market encirclement strategy the challenger firm introduces the products into the new market segments which are left untapped by the competitor's firms.

(d) Bypass attack

Bypass attack is the most indirect form of marketing strategy in which challenging firms produce next generation products to occupy the competitor's market share. Challengers may diversify into unrelated products with new technology or may enter into new geographical markets.

The challenger firm performs a thorough research and produces next generation products in order to attract the more customers this strategy is also called as leapfrogging strategy

(e) Guerrilla attack

The guerrilla attack is expensive, but it is less than the frontal, flank and encirclement attacks. In guerrilla warfare, the challenger firm applies strategies with an intention to demoralize and harass the competitor by the following strategies.

Giving free samples to the customers

Allowing the customers to pay in any form i.e. cash, credit or debit cards

Attracting new customers by giving advertisements in social networks

By using powerful advertisement strategies

2. Defensive Strategies

Defensive strategies are a type of warfare strategy designed to protect a company's market share, profitability, product positioning, or mind share.

Types

(a) Position Defensive

This involves the defense of a fortified position. This tends to be a weak defense because you become a "sitting duck".

It can lead to a siege situation in which times is one the side of the attacker, that is, as time goes by the defender gets weaker, while the attacker gets stronger.

In a business context, this involves setting up fortifications such as barriers to market entry around a product, brand, product line, market, or market segment.

(b) Mobile Defense

This involves constantly shifting resources and developing new strategies and tactics. A mobile defense is intended to create a moving target is hard to successfully attack, while simultaneously, equipping the defender with a flexible response mechanism should an attack occur.

(c) Flank Position

This involves the re-deployment of your resources to deter a flanking attack. You protect against potential loss of market share in a segment, by strengthening your competitive position in this segment with new products and other tactics.

(d) Counter Offensive

This involves countering an attack with an offense of your own. If you are attacked, retaliate with an attack on the aggressor's weakest point.

(e) Contraction Defense

There are occasions when, faced with an actual or potential attack, a company will recognize that it has little hope of defending itself fully. It therefore opts for a withdrawal from those segments and geographical areas in which it is most vulnerable or in which it feels there is the least potential.

(f) Pre-emptive Defense

Recognizing the possible limitations both of the position defense and a contraction defense, many strategists, particularly in recent years, have begun to recognize the potential value of pre-emptive strikes.

This involves gathering information on potential attacks and then, capitalizing upon competitive advantages, striking first.

Q19. Distinguish between offensive and defensive strategy.

(OR)

Compare and contrast offensive and defensive strategies.

Ans : **(Feb.-24, April-23, Imp.)**

S.No.	Nature	Offensive Strategies	Defensive Strategies
1.	**Search**	Offersuperior attribute performance Change attribute importance	Limit ability and/or motivation to search for new products Change attributes from 'search' to experience.
2.	**Experience**	Offer lower price or better availability to induce trial and adoption Find underserved customersegment Change attribute to search	Limit trial of new products Expand to block gateways Change attributes from experience'to credence'
3.	**Credence**	Use 'trusted' people to create superior reputation Undermine reputation of incumbent firms Change attributes to experience or search	Stress long-standing reputation Undermine reputation of new entrant Threaten to retaliate (denying allegations will not be sufficient) Take extreme measures to restore reputation

2.15 Exit and Entry Barriers

Q20. What are the various Exit and Entry Barriers?

(OR)

Describe various Exit and Entry Barriers.

(OR)

What are exit barriers? Specifically point of a few the country specific exit barriers.

Ans : **(Oct.-22, Imp.)**

A barrier to entry is something that blocks or impedes the ability of a company (competitor) to enter an industry.

Barriers

Some of the common barriers to entry and exit are listed below.

I. Typical Barriers to Entry

(a) Economies of size: The need for a large volume of production and sales to reach the cost level per unit of production for profitability is a barrier to entry.

(b) Capital intensive: A large capital investment per unit of output in facilities tends to limit industry entry.

(c) Intellectual property: Patents and other types of proprietary intellectual property are very effective in limiting industry entry.

(d) High switching costs: The tendency for buyers of an industry's products to be reticent about switching to a new supplier tends to limit entry.

(e) Established brand identity: Industries dominated by branded products are difficult to enter due to the large amount of time and money required to create a competing branded product.

(f) Permitting requirements: Industries where permitting and licenses are required to establish production tend to have limited entry.

(g) Government standards: Industries where rigid industry standards exist tend to have limited entry.

II. Typical Barriers to Exit

(a) Investment in specialist equipment: Investments in specialized equipment that cannot readily be used in other industries tends to be an impediment to leaving the industry.

(b) Specialized skills: Highly specialized skills by industry participants that cannot be utilized in other industries tend to be an impediment to leaving the industry.

(c) High fixed costs: High levels of dedicated fixed costs tend to be an impediment to leaving an industry

If we combine entry and exit, we can predict industry rivalry, stability and profitability. As shown in Figure 1, an industry that is easy to enter but difficult to leave has intense industry rivalry and low profitability.

At the first sign of excess profitability in the industry, competitors flock to the industry. However, when profitability falls, it is difficult to leave the industry so profitability remains low.

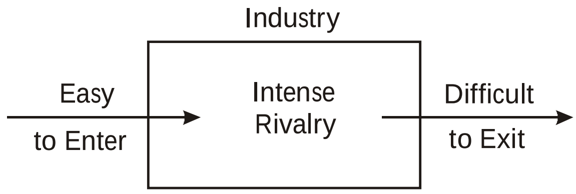


Figure 1

Conversely, an industry that is difficult to enter but easy to leave is shown in Figure 2. It has limited industry rivalry and tends to have good profitability. Competitors have a difficult time entering the industry during times of good profitability. However, during period of low profitability, competitors leave the industry easily.

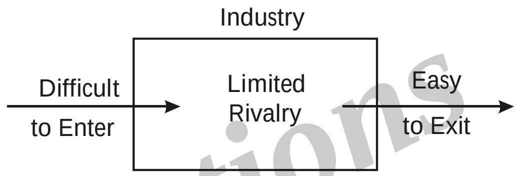


Figure 2

Industries that are easy to enter and easy to exit are shown in Figure 3. The size and composition of the industry is fluid and changes easily. Supply responds quickly to changes in demand and prices tend to stabilize. Rivalry is moderate due to the easy flow of businesses into and out of the industry.

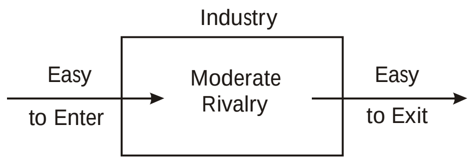


Figure 3

Industries that are difficult to enter and difficult to exit are shown in Figure 4. The size and composition of the industry is static and changes slowly. Supply changes slowly due to market signals so price responds strongly to changes in demand. The amount of rivalry can change radically due to changes in demand.

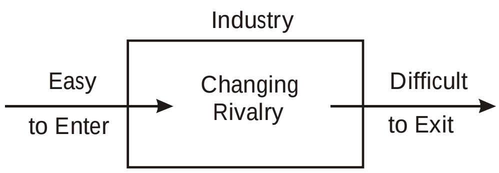


Figure 4

2.16 Tailoring Strategy to Fit Specific Industry and Company Situations

2.16.1 Strategies for Competing in Emerging Industries

Q21. What is an emerging industry ? Explain the different challenges faced by emerging industries.

Ans : **(April-22)**

Meaning

An emerging industry is one in the formative stage. Examples include wireless Internet communications, high-definition TV and liquid crystal display (LCD) TV screens, assisted living for the elderly, online education, organic food products, e-book publishing, and electronic banking.

Many companies striving to establish a strong foothold in an emerging industry are in a start-up mode; they are busily perfecting technology, adding people, acquiring or constructing facilities, gearing up operations, and trying to broaden distribution and gain buyer acceptance.

The business models and strategies of companies in an emerging industry are unproved-what appears to be a promising business concept and strategy may never generate attractive bottom-line profitability. Often, there are important product design problems and technological problems that remain to be worked out.

Challenges when Competing in Emerging Industries

Managers competing in emerging industries face the following unique strategy-making challenges.

1. As, the market is new and unproved, the assumptions regarding the operation of the market are usually followed specifying the rate at which it grows and expands. Rapid growth of the buyers and the willingness to pay for the demand of the goods are mostly relied on the guess work.
2. Mostly, the technological knowledge regarding the products of emerging industries is owned and closely safeguarded by the pioneering firms, whose patents and specific technical knowledge acts as significant factors in the attainment of competitive advantage.
3. Generally, there is no evidence regarding the likelihood of specific technology which will enable the firm in competing successfully in the market or which product feature is crucial for the achievement of buyer's satisfaction.
7. As, in an emerging industry all the buyers are first-time users, the marketer's duty is to generate purchases and to prevail over the customer's interest regarding the product characteristics, performance reliability and conflicting claims of the competitors.
8. The firms face difficulty in attaining the required supplies of raw materials and components.

2.16.2 Strategies for Competing in Turbulent, High-velocity Markets

Q22. Discuss Strategies for Competing in Turbulent, High-velocity Markets.

Ans :

More and more companies are finding themselves in industry situations characterized by rapid technological change, short product life cycles because of entry of important new rivals into the marketplace, frequent launches of new competitive moves by rivals, and fast-evolving customer requirements and expectations all occurring at once.

Since news of this or that important competitive development arrives daily, it is an imposing task just to monitor and assess developing events.

High-velocity change is plainly the prevailing condition in personal computer hardware and software, video games, networking, wireless telecommunications, medical equipment, biotechnology, prescription drugs and virtually all Internet industries.

I) Strategic Postures for Coping with Rapid Change

The central strategy-making challenge in a turbulent market environment is managing change. As illustrated in Figure, a company can assume any of three strategic postures in dealing with high-velocity change :

	Strategic Posture	Actions	Strategy
Defensive	Reacting to Change	• Introduce better products in response to new offerings of rivals • Respond to unexpected change in buyer needs and preferences • Adjust to new government policies	• React and respond as needed • Defend and protect the company's position
	Anticipating Change	• Analyze the prospects for market globalization • Research buyer needs, preferences and expectations • Monitor new technological developments closely to predict future path	• Plan ahead for expected future changes - Add/adapt resources and competitive capabilities - Improve product line - Strengthen distribution
Offensive	Leading Change	• Pioneer new and better technologies • Introduce innovative products that open new markets and spur the creation of whole new industries • Seek to set industry standards	• Seize the offensive • Be the agent of industry change; set the pace • Influence the rules of the game • Force rivals to follow

(i) It can Reacting to change

The company can respond to a rival's new product with a better product. It can counter an unexpected shift in buyer tastes and buyer demand by redesigning or repackaging its product, or shifting its advertising emphasis to different product attributes. Reacting is a defensive strategy and is therefore unlikely to create fresh opportunity, but it is nonetheless a necessary component in a company's arsenal of options.

(ii) It can anticipating change

Make plans for dealing with the expected changes, and follow its plans as changes occur (fine-tuning them as may be needed). Anticipation entails looking ahead to analyze what is likely to occur and then preparing and positioning for that future. It entails studying buyer behavior, buyer needs, and buyer expectations to get insight into how the market will evolve, then lining up the necessary production and distribution capabilities ahead of time.

Like reacting to change, anticipating change is still fundamentally defensive in that forces outside the enterprise are in the driver's seat. Anticipation, however, can open up new opportunities and thus is a better way to manage change than just pure reaction.

(iii) It can leading change

Leading change entails initiating the market and competitive forces that others must respond to – it is an offensive strategy aimed at putting a company in the driver's seat. Leading change means being first to market with an important new product or service. It means being the technological leader, rushing next-generation products to market ahead of rivals, and having products whose features and attributes shape customer preferences and expectations. It means proactively seeking to shape the rules of the game.

II) Strategic Moves for / fast-Changing Markets

Competitive success in fast-changing markets tends to hinge on a company's ability to improvise, experiment, adapt, reinvent, and regenerate as market and competitive conditions shift rapidly and sometimes unpredictably. It has to constantly reshape its strategy and its basis for competitive advantage.

(i) Invest aggressively in R&D to stay on the leading edge of technolo- gical know-how.

Translating technological advances into innovative new products (and remaining close on the heels of whatever advances and features are pioneered by rivals) is a necessity in industries where technology is the primary driver of change.

(ii) Develop quick-response capability.

Because no company can predict all of the change that will occur, it is crucial to have the organizational capability to be able to react quickly, improvising if necessary. This means shifting resources internally, adapting existing competencies and capabilities.

(iii) Rely on strategic partnerships with outside suppliers and with companies making tie-in products.

In many high-velocity industries, technology is branching off to create so many new technological paths and product categories that no company has the resources and competencies to pursue them all.

Specialization (to promote the necessary technical depth) and focus (to preserve organizational agility and leverage the firm's expertise) are desirable strategies.

(iv) Initiate fresh actions every few months, not just when a competitive response is needed.

In some sense, change is partly triggered by the passage of time rather than solely by the occurrence of events.

(v) Keep the company's products and services fresh and exciting enough to stand out in the midst of all the change that is taking place.

One of the risks of rapid change is that products and even companies can get lost in the shuffle.

2.16.3 Strategies for Competing in Maturing Industries

Q23. Explain Strategies for Competing in Maturing Industries ?

Ans :

A maturing industry is one that is moving from rapid growth to significantly slower growth. An industry is said to be mature when nearly all potential buyers are already users of the industry's products.

I) Industry Changes Resulting from Market Maturity

An industry's transition to maturity does not begin on an easily predicted schedule. Industry maturity can be forestalled by the emergence of new technological advances. Product innovations or other driving forces that keep rejuvenating market demand.

(i) Slowing growth in buyer demand generates more head-to-head competition for market share. Firms that want to continue on a rapid-growth track start looking for ways to take customers away from competitors.

(ii) Buyers become more sophisticated, often driving a harder bargain on repeat purchases.

(iii) Competition often produces a greater emphasis on cost and service. As sellers all begin to offer the product attributes buyers prefer, buyer choices increasingly depend on which seller offers the best combination of price and service.

(iv) Firms have a "topping-out" problem in adding new facilities. Reduced rates of industry growth mean slowdowns in capacity expansion for manufacturers and slowdowns in new store growth for retail chains.

(v) Product innovation and new end-use applications are harder to come by. Producers find it increasingly difficult to create new product features, find further uses for the product, and sustain buyer excitement.

II) Strategic Moves in Maturing Industries

As the new competitive character of industry maturity begins to hit full force, any of several strategic moves can strengthen a firm's competitive position: pruning the product line, improving value chain efficiency, trimming costs, increasing sales to present customers, acquiring rival firms, expanding internationally, and strengthening capabilities.

(i) Pruning Marginal Products and Models

A wide selection of models, features, and product options sometimes has competitive value during the growth stage, when buyers' needs are still evolving. But such variety can become too costly as price competition stiffens and profit margins are squeezed.

(ii) More Emphasis on Value Chain Innovation

Efforts to reinvent the industry value chain can have a fourfold payoff: lower costs, better product or service quality, grater capability to turn out multiple or customized product versions, and shorter design-to-market cycles.

(iii) Trimming Costs

Stiffening price competition gives firms extra incentive to drive down unit costs. Company cost-reduction initiatives can cover a broad front.

(iv) Increasing Sales to Present Customers

In a mature market, growing by taking customers away from rivals may not be as appealing as expanding sales to existing customers.

Strategies to increase purchases by existing customers. Strategies to increase purchases by existing customers can involve adding more sales promotions.

(v) Acquiring Rival Firms at Bargain Prices

Sometimes a firm can acquire the facilities and assets of struggling rivals quite cheaply. Bargain-priced acquisitions can help create a low-cost position if they also present opportunities for greater operating efficiency.

(vi) Expanding Internationally

As its domestic market matures, a firm may seek to enter foreign markets where attractive growth potential still exists and competitive pressures are not so strong.

(vii) Building New or More Flexible Capabilities

The stiffening pressures of competition in a maturing or already mature market can often be combated by strengthening the company's resource base and competitive capabilities.

This can mean adding new competencies or capabilities, deepening existing competencies to make them harder to imitate, or striving to make curse competencies more acceptable to changing customer requirements and expectations.

(viii) Strategic Pitfalls in Maturing Industries

Perhaps the biggest strategic mistake a company can make as an industry matures is steering a middle course between low cost, differentiation, and focusing-blending efforts to achieve low cost with efforts to incorporate differentiating features and efforts to focus on a limited target market.

2.16.4 Strategies for Firms in Stagnant or Declining Industries

Q24. What are the Strategies for Firms in Stagnant (or) Declining Industries.

Ans :

In general, companies that succeed in stagnant industries employ one or more of three strategic themes.

1. Pursue a focused strategy aimed at the faster-growing market segments within the industry. Stagnant or declining markets, like other markets, are composed of numerous segments or niches. Frequently, one or ore of these segments is growing rapidly, despite stagnation in the industry as a whole.

2. Stress differentiation based on quality improvement and product innovation. Either enhanced quality or innovation can rejuvenate demand by creating important new growth segments or inducing buyers to trade up.

3. Strive to drive costs down and become the industry's low-cost leader. Companies in stagnant industries can improve profit margins and return on investment by pursuing innovative cost reduction year after year. Potential cost-saving actions include

   (a) cutting marginally beneficial activities out of the value chain;

   (b) outsourcing functions and activities that can be performed more cheaply by outsiders;

   (c) redesigning internal business processes to exploit cost-reducing e-commerce technologies;

   (d) consolidating underutilized production facilities;

   (e) adding more distribution channels to ensure the unit volume needed for low-cost production;

   (f) closing low-volume, high-cost retail outlets; and

   (g) pruning marginal products from the firm's offerings.

Note that all three themes are spinoffs of the generic competitive strategies, adjusted to fit the circumstances of a tough industry environment. The most attractive declining industries are those in which sales are eroding only slowly, there is large built-in demand, and some profitable niches remain.

2.16.5 Strategies for Competing in Fragmen ted Industries

Q25. What are the Strategies for Competing in Fragmented Industries ?

Ans : **(Imp.)**

Meaning

A number of industries are populated by hundreds, even thousands, of small and medium-sized companies, many privately held and none with a substantial share of total industry sales. The standout competitive feature of a fragmented industry is the absence of market leaders with king-sized market shares or widespread buyer recognition.

Reasons

Any of several reasons can account for why the supply side of an industry is fragmented :

(i) Market demand is so extensive and so diverse that very large numbers of firms can easily coexist trying to accommodate the range and variety of buyer preferences and require- ments and to cover all the needed geographical locations.

(ii) Low entry barriers allow small firms to enter quickly and cheaply.

(iii) An absence of scale economies permits small companies to compete on an equal cost footing with larger firms.

(iv) Buyers require relatively small quantities of customized products. Because demand for any particular product version is small, sales volumes are not adequate to support producing, distributing, or marketing on a scale that yields advantages to a large firm.

(v) The market for the industry's product or service is becoming more global, putting companies in more and more countries in the same competitive market arena (as in apparel manufacture).

(vi) The technologies embodied in the industry's value chain are exploding into so many new areas and along so many different paths that specialization is essential just to keep abreast in any one area of expertise.

(vii) The industry is young and crowded with aspiring contenders, with no firm having yet developed the resource base, competitive capabilities, and market recognition to command a significant market share (as in business-to-consumer retailing via the Internet).

Strategy Options for a Fragmented Industry

Suitable competitive strategy options in a fragmented industry include :

(i) Constructing and operating "formula" facilities

This strategic approach is frequently employed in restaurant and relating businesses operating at multiple locations. It involves constructing standardized outlets in favourable locations at minimum cost and then operating them cost-effectively.

(ii) Becoming a low-cost operator

When price competition is intense and profit margins are under constant pressure, companies can stress no-frills operations featuring low overhead, high-productivity/low-cost labor, lead capital budgets, and dedicated pursuit of total operating efficiency. Successful low-cost producers in a fragmented industry can play the price-discounting game and still earn profits above the industry average.

(iii) Specializing by product type

When a fragmented industry's product include a range of styles or services, a strategy to focus on one product or service category can be effective.

(iv) Specializing by customer type

A firms can stake out a market niche in a fragmented industry by catering to those customers who are interested in low prices, unique product attributes, customized features, carefree service, or other extras.

(v) Focusing on a limited geographic area -

Even though a firm in a fragmented industry can't win a big share of total industrywide sales, it can still try to dominate a local or regional geographical area.

2.16.6 Strategies for Industry Leaders

Q26. What are the Strategies for Industry Leaders ?

Ans :

Meaning

The competitive positions of industry leaders normally range from "stronger than average" to "powerful". Leaders typically are well known, and strongly entrenched leaders have proven strategies.

Some of the best-known industry leaders are, Starbucks (coffee drinks), Microsoft (computer software), Callaway (golf clubs), McDonald's (fast food), Gerber (baby food), Hewlett-Packard (printers), Nokia (Cell phones), AT & T (long-distance telephone service), Eastman Kodak (Camera film), Wal-Mart (discount retailing), Amazon.com (online shopping), eBay (online auctions), and Levi Strauss (jeans).

The main strategic concern for a leader revolves around how to defend and strengthen its leadership position, perhaps becoming the dominant leader as opposed to just a leader. However, the pursuit of industry leadership and large market share is primarily important because of the competitive advantage and profitability that accrue to being the industry's biggest company.

Three contrasting strategic postures are open to industry leaders :

1. Stay-on-the-offensive strategy

The central goal of a stay-on-the-offensive strategy is to be a first-mover and a proactive market leader. It rests on the principle that staying a step ahead and forcing rivals into a catch-up mode is the surest path to industry prominence and potential market dominance as the saying goes, the best defense is a good offense.

2. Fortify-and-defend strategy

The essence of "fortify and defend" is to make it harder for challengers to gain ground and for new firms to enter.

The goal of a strong defense are to hold on to the present market share, strengthen current market position, and protect whatever competitive advantage the firm has. Specific defensive actions can include :

(i) Attempting to raise the competitive ante for challengers and new entrants via increased spending for advertising, higher levels of customer service, and bigger R & D outlays.

(ii) Introducing more product versions or brands to match the product attributes that challenger brands have or to fill vacant niches that competitors could slip into.

(iii) Adding personalized services and other extras that boost customer loyalty and make it harder of more costly for customers to switch to rival products.

(iv) Keeping prices reasonable and quality attractive.

(v) Building new capacity ahead of market demand to discourage smaller competitors from adding capacity of their own.

(vi) Investing enough to remain cost-competitive and technologically progressive.

(vii) Patenting the feasible alternative technologies.

(viii) Signing exclusive contracts with the best suppliers and dealer distributors.

3. Muscle-flexing strategy

Here a dominant leader plays competitive hardball (presumably in an ethical and competitively legal manner) when smaller rivals rock the boat with price cuts or mount new market offensives that directly threaten its position.

Specific responses can include quickly matching and perhaps exceeding challengers' price cuts, using large promotional campaigns to counter challengers' moves to gain market share, and offering better deals to their major customers.

2.16.7 Strategies for Runner-up Firms

Q27. Discuss various Strategies for Runner-up Firms.

Ans : **(Imp.)**

Meaning

Runner-up or "second-tier" firms have smaller market shares than "first-tier" industry leaders. Some runner-up firms are up-and-coming market challengers, employing offensive strategies to gan market share and build a stronger market position. Other runner-up competitors are focusers, seeking to improve their lot by concentrating their attention on serving a limited portion of the market.

There are, of course, always a number of firms in any industry that are destined to be perennial runners-up, lacking the resources and competitive strengths to do more than continue in trailing positions and/or content to follow the trendsetting moves of the market leaders.

Obstacles for Firms with Small Market Shares :

In industries where big size is definitely a key success factor, firms with small market shares have some obstacles to overcome :

(i) Less access to economies of scale in manufacturing, distribution, or marketing and sales promotion;

(ii) Difficulty in gaining customer recognition;

(iii) Weaker ability to use mass media advertising; and

(iv) Difficulty in funding capital requirements.

When significant scale economies give large-volume competitors a dominating cost advantage, small-share firms have only two viable strategic options: initiate offensive moves to gain sales and market share (so as to build the volume of business needed to approach the scale economies enjoyed by larger rivals) or withdraw from the business (gradually or quickly).

The competitive strategies most underdogs use to build market share and achieve critical scale economies are based on

1. Using lower prices to win customers from weak higher-cost rivals

2. Merging with or acquiring rival firms to achieve the size needed to capture greater scale economies

3. Investing in new cost-saving facilities and equipment, perhaps relocating operations to countries where costs are significantly lower

4. Pursuing technological innovations or radical value chain revamping to achieve dramatic cost savings.

But it is erroneous to view runner-up firms as inherently less profitable or unable to hold their own against the biggest firms. Many small and medium-sized firms earn healthy profits and enjoy good reputations with customers.

Approaches

Assuming that scale economies or learning-curve effects are relatively small and result in no important cost advantage for big-share firms, runner-up companies have considerable strategic flexibility and can consider ay of the following seven approaches.

1. Offensive Strategies to Build Market Share

A challenger firm needs a strategy aimed at building a competitive advantage of its own. Rarely can a runner-up improve its competitive position by imitating the strategies of leading firms.

Ambitious runner-up companies have to make some waves in the marketplace if they want to make big market share gains. The best "mover-and-shaker" offensives usually involve one of the following approaches :

(a) Pioneering a leapfrog technological break through.

(b) Getting new or better products into the market consistently ahead of rivals and building a reputation for product leadership.

(c) Being more agile and innovative in adapting to evolving market conditions and customer expectations than slower-to-change market leaders.

(d) Forging attractive strategic alliances with key distributors, dealers, or marketers of complementary products.

(e) Finding innovative ways to dramatically drive down costs and then using the attraction of lower prices to win customers from higher-cost, higher-priced rivals.

(f) Crafting an attractive differentiation strategy based on premium quality, technological superiority, outstanding customer service, rapid product innovation, or convenient online shopping options.

2. Growth-via-Acquisition Strategy

One of the most frequently used strategies employed by ambitious runner-up companies is merging with or acquiring rivals to form an enterprise that has greater competitive strength and a larger share of the overall market.

3. Vacant-Niche Strategy

This version of a focused strategy involves concentrating on specific customers groups or end-user applications that market leaders have bypassed or neglected.

An ideal vacant niche is of sufficient size and scope to be profitable, has some growth potential, is well suited to a firm's own capabilities, and for one reason or another is hard for leading firms to serve.

4. Specialist Strategy

A specialist firm trains its competitive effort on one technology, product or product family, end user, or market segment (often one in which buyers have special needs).

The aim is to train the company's resource strengths and capabilities on building competitive advantage through leadership in a specific area.

5. Superior Product Strategy

The approach here is to use a differentiation-based focused strategy keyed to superior product quality or unique attributes. Sales and marketing efforts are aimed directly at quality-conscious and performance-oriented buyers.

6. Distinctive-Image Strategy

Some runner-up companies build their strategies around ways to make themselves stand out from competitors.

7. Content Follower Strategy

Content followers deliberately refrain from initiating trendsetting strategic moves and from aggressive attempts to steal customers away from the leaders.

2.16.8 Strategies for Weak and Crisis-Ridden Business

Q28. Explain Strategies for Weak and Crisis-Ridden Business.

Ans : **(Imp.)**

Meaning

A firm in an also-ran or declining competitive position has four basic strategic options. If it can come up with the financial resources, it can launch an offensive turnaround strategy keyed either to low-cost or "new" differentiation themes, pouring enough money and talent into the effort to move up a notch or two in the industry rankings and become a respectable market contender within five years or so.

1. Selling off assets
2. Strategy Revision
3. Boosting revenues
4. Cutting costs
5. Combination Efforts.

1. Selling off Assets

Asset-reduction strategies are essential when cash flow is a critical consideration and when the most practical ways to generate cash are

(i) through sale of some of the firm's assets (plant and equipment, land, patents, inventories, or profitable subsidiaries) and

(ii) through retrenchment (pruning of marginal products from the product line, closing or selling older plants, reducing the workforce, withdrawing from outlying markets, cutting back customer service).

2. Strategy Revision

When weak performance is caused by bad strategy, the task of strategy overhaul can proceed along any of several paths :

(i) Shifting to a new competitive approach to rebuild the firm's market positional;

(ii) Overhauling internal operations and functional-area strategies to better support the same overall business strategy;

(iii) Merging with another firm in the industry and forging a new strategy keyed to the newly merged firm's strengths; and

(iv) Retrenching into a reduced core of products and customers more closely matched to the firm's strengths.

3. Boosting Revenues

Revenue-increasing turnaround efforts aim at generating increased sales volume. There are a number of revenue-building options: price cuts, increased promotion, a bigger sales force, added customer services, and quickly achieved product improvements.

4. Cutting Costs

Cost-reducing turnaround strategies work best when an ailing firm's value chain and cost structure are flexible enough to permit radical surgery, when operating inefficiencies are identifiable and readily correctable, when the firm's costs are obviously bloated, and when the firm is relatively close to its break-even point.

5. Combination Efforts

Combination turnaround strategies are usually essential in grim situations that require fast action on a broad front. Likewise, combination actions frequently come into play when new managers are brought in and given a free hand to make whatever changes they see fit. The tougher the problems, the more likely it is that the solutions will involve multiple strategic initiatives.

(i) Liquidation

Sometimes a business in crisis is too far gone to be salvaged. The problem, of course, is determining when a turnaround is achievable and when it isn't. It is easy for owners or managers to let their emotions and pride overcome sound judgment when a business gets in such deep trouble that a successful turnaround is remote. Closing down a crisis-ridden business and liquidating its assets, however, is sometimes the best and wisest strategy.

(ii) End-Game Strategies

An end-game, slow-exit, or harvesting strategy steers a middle course between preserving the status quo and existing as soon as possible. This type of strategy involves a gradual phasing down of the business and even sacrificing market position in return for bigger near-term cash flows or current profitability. The overriding financial objective of a slow-exit or harvest strategy is to reap the greatest possible harvest of cash to deploy to other business endeavors.

Short Question and Answers

1. Briefly explain about Market Life Cycle Model.

Ans :

There are four stages in the business-oriented life cycle.

Stage 1 : Introduction

In this stage the new product is first brought to market. This development stage is fraught with unknowns, uncertainties, and risks. The length of this stage depends on the product's complexity, the degree of newness or innovation, the customer fit, and the alternative products offered by competing enterprises.

Stage 2 : Growth

In this stage, gradual sales growth changes to a marked increase in consumer demand. Marketing focuses on fighting the competition. It is usually during this stage that other companies "jump in" with similar products, "carbon copies", or products with minor improve ments. The advantage for the originating company is one of time. They already have a product, whereas the competition is still bringing it online. The first product has had more time to mature and improve robustness and reliability, and the originating company has had time to grow its market and consolidate its market share.

Stage 3 : Maturity

In this stage the sales rate levels out, or growth is limited to the growth in the population. As price competition is not intense, any profit gains can be made only by improving manufacturing efficiency. Generally, the producer is mainly concerned with holding onto market share, distribution channels, and retailers. The maturity stage can be short, such as in the fashion industry, or last for decades, such as for food products (e.g. Quaker Oats).

Stage 4 : Decline

As consumer demands tapers off the product enters a declining market. Many companies will either withdraw from that market, or merge with other companies. Some companies will employ aggressive marketing techniques to temporarily keep sales up. In certain industries, products are often restyled on a regular basis. This starts the whole cycle over again.

2. Define the role of TOWS Matrix in an organization.

Ans :

All firms must formulate appropriate strategies to win. A good offence strategy without a good defense strategy and vice versa, most often leads to defeat. Firms should use their strength to exploit the opportunities and/ or to overcome the threats. Alternatively, companies may pursue defensive strategies to overcome weaknesses and avoid threats.

It is disastrous for the firm to face the threats posed by the environment, if it is already suffering from its weaknesses. However, a company can overcome its weaknesses, if the environment provides opportunities to it. It is rather difficult, but quite important to match key internal and external factors.

The TOWS Matrix helps to match the internal and external factors.

The TOWS Matrix tool results in the development of four types of strategies. They are:

(i) Strengths-Opportunities Strategies (SO),

(ii) Weaknesses-Opportunities Strategies (WO),

(iii) Strength-Threats Strategies (ST), and

(iv) Weaknesses-Threats Strategies (WT).

3. What is Strategic Analysis?

Ans :

Strategic analysis involves exploring the objective factors which are taken into account during the process of strategic choice.

Strategic analysis is an active and powerful area of strategic management which continuously develops new tools and techniques and replaces the old techniques.

4. BCG Matrix.

Ans :

The Boston Consulting Group a leading management consulting firm devised a four-square grid. This grid was first portfolio matrix to be widely used.

The BCG - type matrix is presented in Fig. The matrix is formed using industry growth rate on the vertical axis and relative market share on the horizontal axis. Each business unit appears as a circle on the four cell matrix with the size of each circle scaled to the per cent of revenues it represents in the overall corporate portfolio.

Relative market share is the ratio of business's market share to the market share held by the largest rival company in the industry, with market share measured in terms of quantity of sales but not value of sales. In other words, relative market share is calculated by dividing a business's percentage share of total industry's sales volume by the percentage share held by its largest rival.

5. GE Model.

Ans :

The alternative approach is the nine-cell matrix, based on the two dimensions of long-term industry attractiveness and business strength/competitive position. This approach is pioneered by General Electric as a way to analyze its own portfolio. This analysis was developed with the help of the consulting firm of Mckinsey and Company. The dimensions of the matrix, *viz.,* long-term industry attractiveness and business strength/competitive position are a composite of several considerations as opposed to a single factor.

6. Define Organizational Learning.

Ans :

Meaning

Organizational learning is the most recent approach to organization theory and is based largely on systems theory and emphasizes the importance of generative over adaptive learning in fast changing external environment such as information technology and globalization.

Organizational learning has been proposed as a development process for individuals, groups and organizations. Three processes have been suggested at the levels of the individual (interpreting), group (integrating) and organization (institutionalizing) and also the respective outputs (cognitive map, shared belief structures and organizational structure and systems).

7. Strategy Formulation.

Ans :

Strategy formulation is the process by which an organization chooses the most appropriate courses of action to achieve its defined goals. This process is essential to an organization's success, because it provides a frame work for the actions that will lead to the anticipated results. Strategic plans should be communicated to all employees so that they are aware of the organization's objectives, mission, and purpose.

Strategy formulation forces an organization to carefully look at the changing environment and to be prepared for the possible changes that may occur. A strategic plan also enables an organization to evaluate its resources, allocate budgets, and determine the most effective plan for maximizing ROI (return on investment).

8. Offensive Strategies.

Ans :

It involves direct and indirect attacks by improving own position by taking away the market share of the competitors. The primary focus of this strategy is to be a first mover and a proactive market leader and to protect itself by standing one step ahead of the competitors and allowing them to follow.

If the leader's growth is not equal or higher than the average growth rate of the industry then the market shares and position can be easily taken over by its competitors. A firm who wants to lead the markets need to improve the speed of cost reduction, improved customer relations, value added performance characteristics and quality.

9. Strengths and Weaknesses of GE Matrix.

Ans :

Strengths: This matrix has three strengths:

(i) It allows for intermediate ranking between high and low and between strong and weak.

(ii) It incorporates a much wider variety of strategically relevant variables, whereas the BCG Matrix is based totally on two considerations industry growth rate and relative market share.

Weaknesses

Though the GE Matrix is better than the BCG Matrix, it also suffers from some weaknesses. They are:

(i) The nine-cell GE Matrix provides no real guidance on the specific business strategy. This matrix also suggests general strategy like aggressive expansion, fortify-and-defend or harvest divest. These strategies do not address the issue of strategic coordination between businesses, specific competitive approaches and strategies to be adopted at the business unit level.

(ii) The GE method tends to obscure business that are about to become winners because their industries are entering the take off stage.

10. IE Matrix

Ans :

1. The Internal Factor Evaluation (IFE) Matrix

The Internal Factor Evaluation (IFE) Matrix summarizes as organization's key general management, marketing, finance, human resource, production/operations and research and development strengths and weaknesses.

2. The External Factor Evaluation (EFE) Matrix

The second technique of input stage of strategy formulation analytical framework is the External Factor Evaluation Matrix. This technique summarizes an organization's opportunities provided and threats posed by the external environmental factors, viz., economic, political, technological, social, cultural, governmental, competitors and international.

Choose the Correct Answers

1. Resources, activities and processes some will be unique and provide competitive advantage is known as ________ [d]

   (a) Strategic control (b) Business model

   (c) Strategic intent (d) Strategic capability

2. Which of the following is not a variable of the compornt, the startegic position. [d]

   (a) Environment (b) Purpose

   (c) Capability (d) Processes

3. ________ includes understanding the strategic posotion of an organisation, making strategic choice for the future and managing strategy in action. [c]

   (a) Strategic capability (b) Strategic control

   (c) Strategic management (b) Strategic position

4. According to BCG matrix SBU's with low market share and high market growth is called ________ [b]

   (a) Cash cosw (b) Question marks

   (c) Stars (d) Dogs

5. ________ involve the options for strategy in terms of both the directions in which strategy might move and the methods by which strategy might be pursued. [b]

   (a) Strategic position (b) Strategic choice

   (c) Strategic action (d) None of these

6. According to BCG matrix SBU's with high market share and high market growth is called ________ [c]

   (a) Cash cows (b) Question marks

   (c) Stars (d) Dogs

7. ________ is where organizations deliver modified or new products (or services) to existing markets. [a]

   (a) Product development (b) Consolidation

   (c) Market development (d) None of these

8. The acronym SWOT stands for ________ [d]

   (a) Special Weapons for Operations Timeliness

   (b) Services, Worldwide Optimization, and Transport

   (c) Strengths Worldwide Overcome Threats

   (d) Strengths, Weaknesses, Opportunities, and Threats

9. Stability strategy is a ________ strategy. [a]

   (a) Corporate level (b) Straetgic level

   (c) Functional level (d) Business level

10. ________ can be defined as corporate development beyond current products and markets. [d]

   (a) Product development (b) Market development

   (c) Diversitification (d) Related diversification

Fill in the Blanks

1. ________ analysis involves exploring the objective factors which are taken into account during the process of strategic choice.
2. A scan of the ________ and ________ environment is an important part of the strategic planning process.
3. An industry is a group of firms producing products that are close substitutes.
4. The ________ Group a leading management consulting firm devised a four-square grid. This grid was first portfolio matrix to be widely used.
5. ________ business units generate substantial cash surpluses than what it needs for reinvestment and expansion.
6. The ________ Matrix summarizes as organization's key general management, marketing, finance, human resource, production/operations and research and development strengths and weaknesses.
7. ________ learning is the capacity of process within an organization to improve performance based on experience.
8. The ________ curve makes use of the changing role of costs in different market conditions.
9. ________ formulation is the process by which an organization chooses the most appropriate courses of action to achieve its defined goals.
10. A ________ attack is attacking a competitor ahead on by producing similar products with similar quality and price; it is highly risky unless the attacker has a clear advantage.

ANSWERS

1. Strategic
2. Internal, External
3. Industry
4. Boston Consulting
5. Cash Cow
6. Internal Factor Evaluation
7. Organizational
8. Experience
9. Strategy
10. Frontal

UNIT III	**Strategy Implementation**: Strategy and Structure, Strategy and Leadership, Strategy and culture connection - Operationalizing and institutionalizing strategy- Strategies for competing in Global markets and internet economy - Organizational Values and their impact on Strategy – Resource Allocation as a vital part of strategy – Planning systems for implementation.

3.1 Strategy Implementation

Q1. Define Strategy Implementation. Explain the key considerations of strategy formulation.

Ans : **(Sep.23, Imp.)**

Meaning

In simple words strategy implementation is the process of chosen to strategy to action. Strategy implementation involves the design and management (Action) of systems to achieve the best integration of people, structure, processes and resources in an efficient and most optimum use.

Key Considerations

1. **Location**

   It is essential for an MNC to decide about the location of its subsidiary and major consideration in the selection of any country depends on its market size. Industrialized countries are ranked higher whe n compared with other countries and MNC's traditionally invested in the rich countries.

2. **Ownership**

   Selection of ownership form of an international business operation is another major issue which needs to be resolved as early as possible because the most common form of ownership includes, joint ventures, alliances, mergers and acquisitions and new facilities. Based on the region of the world, ownership pattern is selected.

3. **Functional Strategies**

   Functional strategies are mostly used to synchronize the operations so as to ensure the effectiveness of the strategy being implemented. Some of the specific functions of MNc's differs from one another i.e., marketing manufacturing, finance, technology and human resources.

Q2. Explain the Framework of McKinsey's 7's framework.

Ans : **(Imp.)**

The model was developed in the late 1970s by Tom Peters and Robert Waterman, former consultants at McKinsey & Company. They identified seven internal elements of an organization that need to align for it to be successful.

1. **Strategy:** this is your organization's plan for building and maintaining a competitive advantage over its competitors.

2. **Structure:** this how your company is organized (that is, how departments and teams are structured, including who reports to whom).

3. **Systems:** the daily activities and procedures that staff use to get the job done.

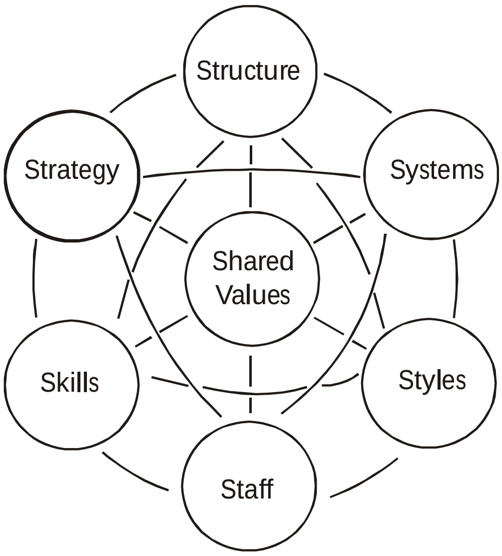


Fig.: Framework of McKinsey's

4. **Shared values:** These are the core values of the organization, as shown in its corporate culture and general work ethic. They were called "super ordinate goals" when the model was first developed.

5. **Style:** The style of leadership adopted.

6. **Staff:** The employees and their general capabilities.

7. **Skills:** The actual skills and competencies of the organization's employees.

Q3. Explain the various steps involved in strategy implementation.

(OR)

What are the basic activities in the strategy implementation process? Explain their relative importance.

Ans : **(Sep.-23, April-22)**

1. Operationalizing the Strategy

Important tools to accomplish this,

(a) Annual objectives guide implementation by translating long-term objectives into current targets (coordination).

(b) Functional strategies are derived from business strategy and provide specific, immediate direction to key functional areas within the business in terms of what must be done to implement the strategy.

(c) Policies provide another means of directing and controlling decisions and actions at the operating levels of the firm in a manner consistent with business and functional strategies. Effective policies channel actions, behavior, decisions and practices to promote strategic accomplishment.

2. Institutionalizing the Strategy

It involves,

(i) Structural alternatives.

Simple, functional, divisional, matrix.

(ii) Dimensions of leadership (in implementation)

3. Strategic Control Guiding and Evalua- ting the Strategy

Establishing strategic controls. Strategic controls are intended to steer the company towards its long-term strategic direction.

Four basic types of strategic control,

(a) Premise Control

Designed to check systematically and continuously whether or not the premises set during the planning and implementation process are still valid.

(b) Implementation Control

Designed to assess whether the overall strategy should be changed in light of unfolding events and results associated with incremental steps and actions that implement the overall strategy.

(c) Strategic Surveillance

Designed to monitor a broad range of events inside and outside the company that are likely to threaten the course of the firm's strategy.

(d) Special Alert Control

It is the need to thoroughly and often rapidly, reconsider the firms basic strategy based on a sudden, unexpected event.

Q4. Explain the Issues involved in Strategy Implementation.

Ans : **(Sep.-20, Imp.)**

(i) Project Implementation

The project management institute of US has defined a project as "a one-shot, time limited, goal oriented, major undertaking, requiring the commitment of varied skills and resources".

(ii) Procedural Implementation

On the basis of rules and regulations of the government, it is necessary to execute the strategy in strategy implementation. The strategy implementation process requires the fulfillment of certain procedures.

(iii) Organizational Growth

Organizational structure serves towards the achievement of organizational goals and its missions. Therefore, the structure is crucial for strategy implementation. The manner in which the duties and responsibilities are assigned to the individual and then grouping them into respective units, departments and divisions is referred to as organizational structure.

(iv) Organizational Structures and Strategies

The strategies serve as a base for company structures. The company develops various structures. Simple strategies requires simple structure whereas, flexible structures are suitable for growth strategies. Complex strategies can be successfully implemented through the matrix structures.

(v) Entrepreneurial Structure

The business usually start on a small scale and consist of only the owner and few employees. Organizational chart and delegation of authority is not required in such organizations.

3.2 Strategy and Structure

Q5. What is structure? Discuss the factors influencing organizational structure.

(OR)

What is organizational structure?

Ans : **(April-23, Sep.-20)**

Meaning

An organization structure is the way in which the tasks and subtasks required to implement a strategy are arranged. The diagrammatical representation of structure could be an organization chart but a chart shows only the 'skeleton'. The 'flesh and blood' that bring to life an organization are the several mechanisms that support the structure. All these cannot be depicted on a chart.

Factors

1. Nature of an Organization

The nature of an organization refers to the organizational environment which includes social, cultural and global environment. The more the changes take place in an organizational environment, the uncertainty level would be greater, when uncertainty is greater it would lead to greater problems.

2. Technology Advances

Technology is the integration of skills, knowledge, tools, machines, computers and equipment which are being used in the design, production and distribution of the goods of services.

3. Human Resources in an Organization

Nature of the employment relationship and features of human resources are the most significant contingency factors which influences the organization's selection of a structure.

3.2.1 Types of Structures

Q6. Enumerate the different structural mechanism required to implement a strategy.

(OR)

Describe the various types of structures.

Ans : **(Imp.)**

1. Entrepreneurial Structure

The entrepreneurial structure, is the most elementary form of structure and is appropriate for an organization that is owned and managed by one person.

A small-scale industrial unit, a small proprietary concern, or a mini-service outlet may exhibit the characteristics of organizations which are based on an entrepreneurial structure. Typically, these organizations are single-business, product, or service firms that serve local markets.

The owner-manager looks after all decisions, whether they are day-to-day operational matters or strategic in nature.

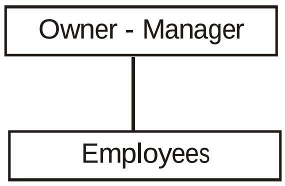


Fig.: Entrepreneurial Structure

Advantages

The advantages that the entrepreneurial structure offers are:

(i) Quick decision-making, as power is centralized

(ii) Timely response to environmental changes

(iii) Informal and simple organization systems

Disadvantages

The disadvantages of the entrepreneurial structure are

(i) Excessive reliance on the owner-manager and so proves to be demanding for the owner-manager

(ii) May divert the attention of owner-manager to day-to-day operational matters and ignore strategic decision

(iii) Increasingly inadequate for future requirements if volume of business expands

2. Functional Structure

As the volume of business expands, the entrepreneurial structure outlives its useful-ness. The need arises for specialized skills and delegation of authority to managers who can look after different functional areas. A typical functional structure is shown in Figure. Note that specialization of skills is both according to the line and staff functions.

The functional structure seeks to distribute decision-making and operational authority along functional lines.

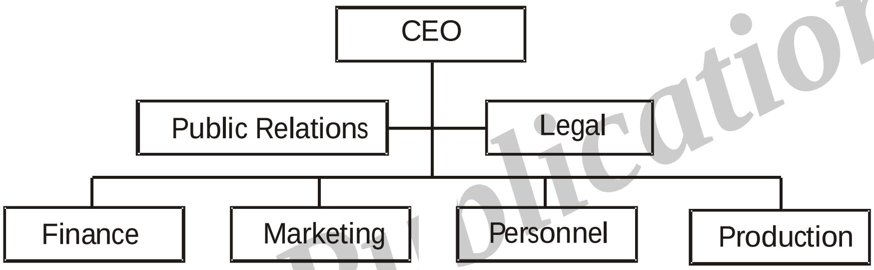


Fig.: Functional Structure

Advantages

The advantages that a functional structure offers are:

(i) Efficient distribution of work through specialization

(ii) Delegation of day-to-day operational functions

(iii) Providing time for the top management to focus on strategic decisions.

Disadvantages

The disadvantages of a functional structure are:

(i) Creates difficulty in coordination among different functional areas

(ii) Creates specialists, which results in narrow specialization, often at the cost of the overall benefit of the organization

(iii) Leads to functional, and line and staff conflicts

(iv) Despite the disadvantages, the functional structure is quite common and exists in its original or a modified form as the organization evolves from the initial to the mature stages of development.

3. Divisional Structure

The structural needs of expansion and growth are satisfied by the functional structure but only up to a limit. There comes a time in the life of organizations when growth and increasing complexity in terms of geographic expansion, market segmentation, and diversification make the functional structure inadequate.

Some form of divisional structure is necessary to deal with such situations. A divisional structure is shown in Figure. Basically, work is divided on the basis of product lines, type of customers served, or geographic area covered, and then separate divisions or groups are created and placed under the divisional-level management. Within divisions, the functional structure may still operate.

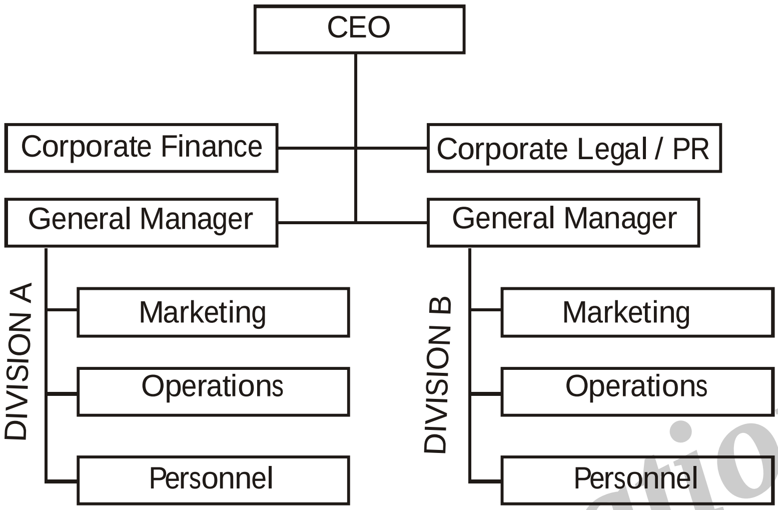


Fig.: Divisional Structure

Advantages

The advantages that a divisional structure offers are:

(i) Enables grouping of functions required for the performance of activities related to a division.

(ii) Generates quick response to environmental changes affecting the businesses of different divisions.

(iii) Enables the top management to focus on strategic matters.

Disadvantages

The disadvantages of the divisional structure are:

(i) Problems in the allocation of resources and corporate overhead costs; particularly if the business and corporate objectives are ill-defined

(ii) Inconsistency arising from the sharing of authority between the corporate and divisional levels

(iii) Policy inconsistencies between the different divisions

4. Matrix Structure

In large organizations, there is often a need to work on major products or projects, each of which is strategically significant. The result is the requirement of a matrix type of organization structure. a matrix structure. Essentially, such a type of structure is created by assigning functional specialists to work on a special project or a new product or service.

For the duration of the project, the specialists from different areas form a group or team and report to a team leader. Simultaneously, they may also work in their respective parent departments. Once the project is completed, the team members revert to their parent departments.

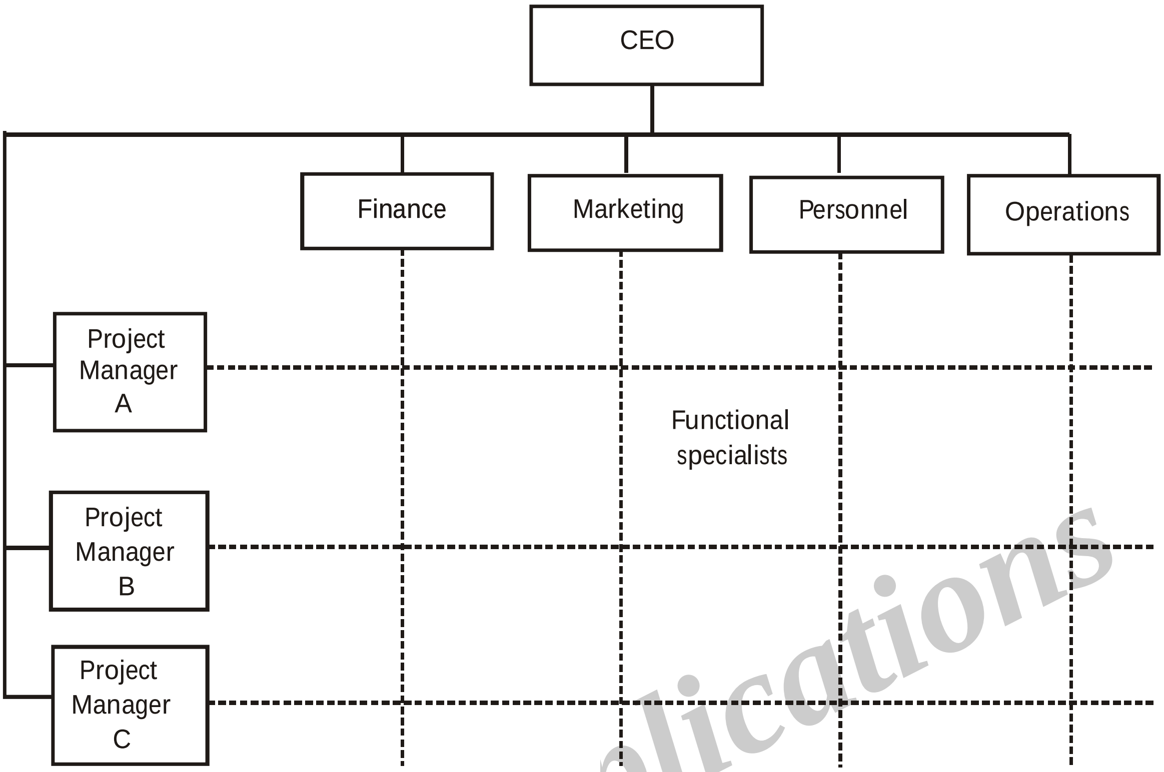


Fig.: Matrix Organization Structure

Advantages

The advantages that the matrix structure offers are:

(i) Allows individual specialists to be assigned where their talent is the most needed

(ii) Fosters creativity because of the pooling of diverse talents

(iii) Provides good exposure to specialists in general management

Disadvantages

The disadvantages of matrix structure are:

(i) Dual accountability creates confusion and difficulty for individual team members

(ii) Requires a high level of vertical and horizontal combination

(iii) Shared authority may create communication problems

5. Network structure

The increasing volatility of the environment, coupled with the emergence of knowledge-based industries, has led to the creation of a network structure. Also known as the 'spider's web structure' or the 'virtual organization', the network structure is "composed of a series of project groups or collaborations linked by constantly changing non-hierarchical cobweb-like networks".

Advantages

The advantages that the network structure offers are:

(i) High level of flexibility to change structural arrangements in line with business requirements.

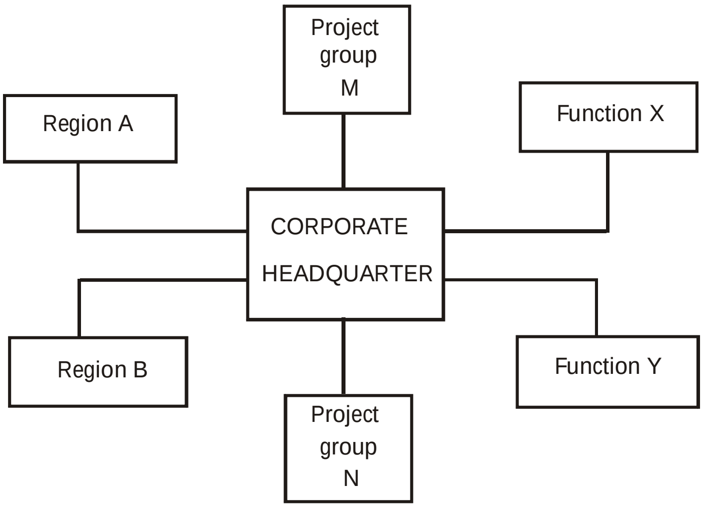


Fig.: Network Organizational Structure

(ii) Permits concentration on core competencies of the firm.

(iii) Adaptability to cope with rapid environmental change.

Disadvantages

The disadvantages of a network structure are:

(i) Loss of control and lack of coordination as there are several partners.

(ii) Risks of overspecialization as most tasks are performed by others.

(iii) High costs as a duplication of resources could be there.

Q7. What are the behavioral implications in the context of virtual organizational structure?

Ans : **(Oct.-22, Imp.)**

The functional structure of an organization is developed in such a way that every section of it is grouped on the basis of functions and tasks that it performs. For instance, an organization can have a marketing section, a sales section, a customer support section, and so on. Such a structure works efficiently for smaller businesses in which every department relies on skills and knowledge of specialists in different fields

Virtual organizations are characterized by establishing links between the main company and outside parties such as clients, partners, vendors, and so on. Such links are supported through computerized solutions for achieving simultaneous profitability and growth.

The team structure of organizations is developed so that employees work together on certain projects; thus, the structure ensures a pragmatic division or grouping of workers on the basis of objectives that they have to reach. Team-based organizations are cross-functional and interdepartmental, which means that they include workers with different skills as well as ensure that these skills are versatile and can be used in a variety of projects.

Q8. Organizational structure is that the strategies need to be framed based on structure or structure to be change according to strategy? Substantiate your answer.

Ans : **(Sep.-20, Imp.)**

The suitability of structure to a specific strategy is based on various situational factors, if strategy and structure does not match each other then it leads to inefficient operations of the company. One of the key factor which influences the relationship between the strategy and structure is the stages of organization development.

Stages of Organization Development

Usually, successful companies undergoes growth 23 expansion by dividing their activities. The expansion or 3 company leads to various changes. These changes involve.

1. Rise in the levels and amounts of financial resources (gross profits and investments).
2. Increase in human resources, financial resources and material resources.
3. Increase in the number of products/services and a the markets.
4. Improvement in the specialization of operating and managerial competencies.
5. Increment in the size, complexity and risk of operating and managerial problems.

When there is a development in organization, the dominant strategic issues change with developmental ranges of the organization. The most often used models stages of development are as follows,

1. Cannon's Stages of Development Model

Cannon has stated the exclusive stages of development model which comprises five stages of development. He stated that firms pass through any one of the following five stages of development. Firms are exposed to different strategic Issues at each stage of development.

Stage 1

This stages indicates the small business which is basically managed by the owner-manager. The market of the firm constitutes a specific geographical area.

Stage 2

As company grows in size, it is not possible for an owner-manager to perform all the managerial functions by himself/herself.

So, the owner-manager is required to appoint in accountant, sales representative and other agents who are expert in performing these tasks. It becomes essential if the organizational size increases.

Stage 3

Depending on the nature and type of product or geographic area or customers, organization will be restructured. In this situation, control becomes a difficult task when each division develops its own view of product quality, pricing, etc.

Stage 4

For regaining the control of the organization, management may appoint additional human resources which helps in assisting and coordinating with the top management so as to make efficient decisions.

Stage 5

In this stage, the involvement of top management in the process of strategic decision making increases leading to the recentralization that acts as a part of a cutback and turnaround strategy.

2. Thain's Stages of Corporate Develop- ment Model

Thain has proposed a different concept of organizational stages of development which helps in identifying the three stages of organizational development with different factors relating to the top management in each stage.

Stage 1

The first stage of Thain model is similar to Cannon's Entrepreneurial stage. The manager retain complete ownership and control.

The strengths, weaknesses and performance of the company depends upon the personality, ability and style of the owner-manager. By expanding the size and scope of business, the owner is required to recruit managers who perform the functions more efficiently.

Stage 2

At this stage, a management team is formed dealing specifically with business and selling its products to a market. Here, company specializes in one specific product and emphasizes in one area. This may create problem when consumer preferences or ability to buy changes over a period of time.

Stage 3

At this stage, firms are diversified in a conglomerate fashion wherein, several operating units are under the control of corporate office. Companies can operate outside resources independently and need to have a bureaucratic structure to manage and control a large and diversified business.

3.3 Strategy and Leadership

Q9. What is strategic leadership?

(OR)

Discuss strategic leadership.

(OR)

Explain the characteristics of strategic leadership.

Ans : **(Dec.-19, Imp.)**

Meaning

Strategic leadership refers to a manager's potential to express a strategic vision for the organization, or a part of the organization, and to motivate and persuade others to acquire that vision.

Strategic leadership can also be defined as utilizing strategy in the management of employees. It is the potential to influence organizational members and to execute organizational change. Strategic leaders create organizational structure, allocate resources and express strategic vision.

Characteristics

1. **Loyalty**

   Powerful and effective leaders demonstrate their loyalty to their vision by their words and actions.

2. **Keeping them updated**

   Efficient and effective leaders keep themselves updated about what is happening within their organization.

3. **Judicious use of power**

   Strategic leaders makes a very wise use of their power. They must play the power game skillfully and try to develop consent for their ideas rather than forcing their ideas upon others.

4. **Have wider perspective/outlook**

   Strategic leaders just don't have skills in their narrow specialty but they have a little knowledge about a lot of things.

5. **Motivation**

   Strategic leaders must have a zeal for work that goes beyond money and power and also they should have an inclination to achieve goals with energy and determination.

6. **Compassion**

   Strategic leaders must understand the views and feelings of their subordinates, and make decisions after considering them.

7. **Self-control**

   Strategic leaders must have the potential to control distracting/disturbing moods and desires, i.e., they must think before acting.

8. **Social skills**

   Strategic leaders must be friendly and social.

9. **Self-awareness**

   Strategic leaders must have the potential to understand their own moods and emotions, as well as their impact on others.

10. **Readiness to delegate and authorize**

    Effective leaders are proficient at delegation. They are well aware of the fact that delegation will avoid overloading of responsibilities on the leaders.

11. **Articulacy**

    Strong leaders are articulate enough to communicate the vision (vision of where the organization should head) to the organizational members in terms that boost those members.

12. **Constancy/ Reliability**

    Strategic leaders constantly convey their vision until it becomes a component of organi- zational culture.

Q10. What is the relationship between strategy and leadership?

Ans : **(April-23, April-22)**

It is very important for the leaders to clearly express and communicate a strong vision to the employees, so that they get motivated and drives towards the future. An effective leader always aims for future, sets a course for future and involves all the organizational members to move in the same direction.

The success of the organization mainly depends on the decision taken by the strategic leaders. So, the top managers plays a very important role in monitoring the internal and external environments of the organization, developing the organization's resources and capabilities, identifying business threats, keeping a record of changing market trends and creating a vision for the future, so that all the organizational members can believe and follow it.

Strategic leadership is regarded as one of the most important part of the organization. Strategic leadership is defined as the 'individual's capacity to anticipate, envision, maintain flexibility, to think strategically and to work along with others for implementing change which will create a competitive advantage for the organization.

An effective strategic leadership helps the organizations to,

- Make use of proper and suitable strategies.
- Have a strong and dedicated management.
- Concentrate on target markets.
- Create and sustain competitive advantage for long period of time.
- Maintain effective relationships with customers and clients.

An effective strategic leader carry out four important functions which are as follows.

1. Creates values, vision and mission for the organization.
2. Clearly expresses the objectives, strategies, policies and structures which changes the vision, values and mission to business decisions.
3. Creates a learning environment and culture for an organization.
4. Serves as a role model for the organizational members.

3.4 Strategy and Culture Connection

Q11. What is corporate culture? Write the impact of culture on corporate life.

Ans : **(Imp.)**

Meaning

The phenomenon which often distinguishes good organizations from bad ones could summed up as 'corporate culture'. The well-managed organizations apparently have distinctive cultures that are, in some way, responsible for their ability to successfully implement strategies.

"It has been clearly demonstrated that every corporation has a culture (which often includes several subcultures) that exerts powerful influences on the behaviour of managers".

Impact

(i) The fact that organizations may have a strong or weak culture affects their ability to perform strategic management.

(ii) "Culture affects not only the way managers behave within an organization but also the decisions they make about the organization's

(iii) relationships with its environment and its strategy". "Culture is a strength that can also be a weakness". As a strength, culture can facilitate communication, decision-making and control, and create cooperation and commitment.

(iv) As a weakness, culture may obstruct the smooth implementation of strategy by creating resistance to change.

(v) An organization's culture could be characterized as weak when many subcultures exist, few values and behavioural norms are shared, and traditions are rare. In such organizations, employees do not have a sense of commitment, loyalty, and a sense of identity.

(vi) Rather than being members of the organization these are wage-earners. There are several traits exhibited by organizations that have a weak or unhealthy culture.

Q12. How to manage strategy and culture connections ?

Ans :

Meaning

Culture often becomes the focus of attention during periods of organizational change - when companies merge and their cultures clash, for example, or when growth and other strategic change mean that the existing culture becomes inappropriate, and hinders rather than supports progress.

In more static environments, cultural issues may be responsible for low morale, absenteeism or high staff turnover, with all of the adverse effects those can have on productivity.

It provides a simple framework for managing the strategy and culture relationship that identifies four basic situations a firm might face.

Changes in key organizational factors that are necessary to implement the new Strategy	Many	Link changes to basic mission and fundamental organizational Norms 1	Reformulate strategy or prepare carefully for long-term, difficult change 4
	Few	2 Synergic Focus on reinforcing culture	3 Manage around the culture
		High	Low
		Potential compatibility of changes with existing culture	

Fig.: Managing the Strategy-Culture Relationship

Linkage to Mission

A firm in situation 1 in the figure faces a challenge in which implementing a new strategy requires several changes in structure, systems, managerial assignments, operating procedures or other fundamental aspects of the firm. However, most of the changes are potentially compatible with the existing organizational culture.

Firms in such situation usually perform effectively and either seeks to take advantage of a major opportunity or attempt to redirect major product-market operations consistent with proven core capabilities. Such firms will be in a very promising position. They can pursue a strategy that requires major changes but still benefit from the power of cultural reinforcement.

The four basic considerations that are emphasized by firms managing a strategy-culture relationship are :

1. **Key changes should be visibly linked to the basic company mission**

   The company mission provides a broad official foundation for the organizational culture. Top management should make use of all available internal and external meetings to reinforce the message that the changes are inextricably linked to the company mission.

2. **Emphasis should be placed on the use of existing personnel**

   Wherever possible, existing personnel should fill positions created to implement the new strategy. Existing personnel embody the shared values and norms of the organization that will have influence to ensure cultural compatibility since major changes are implemented by way of a new strategy.

3. **Care should be taken if adjustments in the reward system are needed**

   The adjustments should be consistent with the current reward system.

4. **Key attention should be paid to the changes that are least compatible with the current culture**

   the current norms should not get disrupted as far as possible. For instance, an organization may choose to subcontract an important step in a production process since that step might be incompatible with the current organizational culture.

Q13. What is organization culture? What is the role of leaders in organization culture?

Ans : **(Oct.-22, Imp.)**

Organizational culture is defined as the underlying beliefs, assumptions, values and ways of interacting that contribute to the unique social and psychological environment of an organization.

Effective leadership is one of the greatest fundamentals to building great organizational cultures. A leader can be anyone who has influence or authority, regardless of title, and leaders set the tone for organizational culture.

(i) Higher quality and safety

Engaged employees are committed to meeting a standard of quality and excellence. Because of this, they make smarter decisions, pay closer attention to detail, and approach their work with thoughtfulness. These same actions also go far in promoting and maintaining workplace safety.

(ii) Better work/life balance

When a company encourages and supports a healthier balance for employees, they don't just work harder, but smarter. Being able to better juggle these two important parts of life makes way for motivation and efficiency to take hold. It also decreases absenteeism and increases loyalty to the organization.

(iii) Excellent customer service

Employees who are valued end up valuing their customers, clients, team members, and everyone else they come into contact with each day. When more care is taken to answer questions, address concerns, solve problems, and generally be of help to others, soaring sales are sure to follow.

(iv) Greater retention rates

All of these benefits aren't only enjoyed by the employer. Employees of companies that cultivate such a culture are apt to stay put for the long term. Why? There's simply no reason to leave when you're feeling appreciated, heard, and allowed to advance.

(v) Growing profitability

With an upward trajectory of engagement that fuels these benefits comes a general growth in profit, due to impressive productivity delivered from every member of the workforce.

3.5 Operationalizing and Institutionalizing Strategy

Q14. What is Operationalizing strategy? Explain different types of operationalizing strategics.

Ans :

Meaning

Strategies of the organization set the goals and the actions that have to be performed by the organization to accomplish the set goals and objectives. Through the operational plans, the firms are able to incorporate strategic plans into its daily operations. These plans helps to accomplish the set goals by operationalizing the strategic plans.

The operational plans have been broadly categorized into two types based on the activities to be performed. They are, of operation alizing strates.

1. Single-use plans and
2. Standing plans.

Each plan can be dealt in detail as follows,

1. Single-use Plans

These plans are useful for the operationali- zation or for performing the non-recurring activities i.e., they are non-repetitive and specific activities. Such activities occur occasionally or only once during the source of action. These plans include,

(a) Programmes

It is a single use plan that is applicable for a large set of activities of organization. It is involved in,

- Specifying the major steps
- The members or units necessary to conduct operations for each step
- Timing and sequencing of activities.

(b) Projects

The scope of projects is limited and are a part of programmes. They consists of assignments and time for each.

(c) Budgets

Budgets are the statements that represents the allocation of financial resources of organization to performs each activity i.e., programs and projects in a given period of time. Budget can be used as a control mechanism of organization activities

2. Standing Plans

Standing plans are applicable to the activities which can occur repeatedly in the organization recurring activities.

(a) Policies

Policy is a standing plan that provides guidelines to the managers/workers to take decisions regarding the organi- zational activities. Policies creates boundaries/

limitations to the workers and managers to work/perform within them. The policies of the organization should be in consistent with the objectives of organization.

(b) Procedures

Procedures are a part of policies and are standing plans. They provide a set of instructions in a detailed manner to the employer which guides them to perform the activities in a sequence and in standardized form procedure is also called standard operating procedures or standard methods.

(c) Rules

Rules are also standing plans which provide the statements or detailed specific actions that are to be performed in a particular situation.

Q15. Explain briefy about Institutionalizing strategy?

Ans :

(i) For institutionalization of a strategy, firms need to focus on the systems, style, skills, staff and super ordinate goals management of the organization. Institution is a set of values, norms, roles and groups that helps the management in achieving the specific organizational goals.

(ii) Business leaders are required to develop a set of values, norms, roles and groups so as to institutionalize the business strategy for the accomplishment of business goals.

(iii) For institutionalizing a business strategy, it needs to be consistent with the corporate culture, quality system and other forces that are driving the organization.

(iv) Total quality management and ethical development acts as the major strategies, that are institutionalized in the organization which leads to the shift in an organization from control mechanism towards the cooperative and coordinative approach.

(v) This shift resulted into the enhancement of the quality of work life of employees and quality of products to the customers.

(vi) CEO, being the head of the organization is responsible for crafting and developing the strategies.

(vii) The individual goals and the values, beliefs of the CEO also plays a crucial role in designing the organizational strategies.

Q16. What are the policies procedures used for facilitating strategy.

Ans :

The following are the important procedure of an organization that facilitate the strategy implementation which includes.

(a) Annual objectives

(b) Management by objectives and

(c) Reward systems.

(a) Annual Objectives

These are the objectives that should be accomplished during the year in order to achieve the strategic goals of the organization. Annual objectives represent the essential component of a strategic implementation process.

(b) Management by Objectives

MBO is involved in setting performance goals for each individual employees of the organization instead of only establishing annual objectives for the whole organization. This concept was first proposed by Peter Drucker in 1954 which resulted in the evolution of number of similar programs like MBO.

(c) Reward Systems

Reward system of the organization facilitates the strategy implementation process by appropriately designing the desirable behaviours of both individuals as well as group.

The incentives and rewards provided by the management motivates and empowers the employees to contribute more for the accomplishment of organizational goals.

3.6 Strategies for Competing in Global Markets and Internet Economy

Q17. Define internationalization strategies. Explain various types of internationalization strategies.

Ans :

Meaning

International strategies are one of the significant type of expansion strategies adapted by the organization that are willing market their products across the world. To adapt the international strategies, firms have to analyze the factors that affects the international environment, the strengths and capabilities of the firms.

Strategies need to be designed based on the features of foreign markets after conducting a thorough analysis of foreign markets.

Types

1. **International Strategy**

   Usually, the firms makes use of an international strategy if they aims to exploit their competencies by spreading opportunistically into international markets/foreign markets.

2. **Multidomestic Strategy**

   A multinational company which adopts a multidomestic strategy is called as locally responsive company or multidomestic company. This strategy helps each of its foreign country operations to act fairly independent.

3. **Global Strategy**

   Firms makes use of a global strategy to aims to maximize integration. This decision motivates the company to create and market standardized products like razor, blades or service like package delivery especially for particular global market segment.

Q18. Explain briefly about Global Marketing Strategy.

(OR)

Discuss with examples what strategies of a company can make it compete with its rivals in the globalization era.

Ans : **(Sep.-23, Aug.-21, Imp.)**

Meaning

A global marketing strategy that totally globalized all marketing activities is not always achievable or desirable (differentiated globalization). In the early phases of development, global marketing strategies were assumed to be of one type only, offering the same marketing strategy across the globe.

1. **Integrated Global Marketing Strategy**

   When a company pursues an integrated global marketing strategy, most elements of the marketing strategy have been globalized.

   Globalization includes not only the product but also the communications strategy, pricing and distribution as well as such strategic elements as segmentation and positioning.

2. **Global Product Category Strategy**

   Possibly the least integrated type of global marketing strategy is the global product category strategy. Leverage is gained from competing in the same category country after country and may come in the form of product technology or development costs.

3. **Global Segment Strategy**

   A company that decides to target the same segment in many countries is following a global segment strategy. The company may develop an understanding of its customer base and leverage that experience around the world.

   In both consumer and industrial industries significant knowledge is accumulated when a company gains in-depth understanding of a niche or segment.

4. **Global Marketing Mix Element Strategies**

   These strategies pursue globalization along individual marketing mix elements such as pricing, distribution, place, promotion, communications or product.

5. **Global Product Strategy**

   Pursuing a global product strategy implies that a company has largely globalized its product offering. Although the product may not need to be completely standardized worldwide, key aspects or modules may in fact be globalized.

6. **Global Branding Strategies**

   Global branding strategies consist of using the same brand name or logo worldwide. Companies want to leverage the creation of such brand names across many markets, because the launching of new brands requires a considerable marketing investment.

7. Global Advertising Strategy

Globalized advertising is generally associated with the use of the same brand name across the world. However, a company may want to use different brand names partly for historic purposes. Many global firms have made acquisitions in other countries resulting in a number of local brands.

8. Composite Global Marketing Strategy

The above descriptions of the various global marketing models give the distinct impression that companies might be using one or the other generic strategy exclusively.

Reality shows, however, that few companies consistently adhere to only one single strategy. More often companies adopt several generic global strategies and run them in parallel.

Q19. Explan are the different types of international entry modes?

Ans : **(Imp.)**

Two types of approaches emerge as of particular interest to us.

1. Exporting as an Entry Strategy

Exporting represents the least commitment on the part of the firm entering a foreign market Exporting to a foreign market is a strategy many companies follow for at least some of their markets.

Since many countries do not offer a large enough opportunity to justify local production, exporting allows a company to centrally manufacture its products for several markets and therefore to obtain economies of scale.

(a) Indirect Exporting

Indirect exporting includes dealing through export management companies of foreign agents, merchants or distributors. Several types of intermediaries located in the domestic market are ready to assist a manufacturer in contacting international markets or buyers.

(b) Direct Exporting

Direct exporting includes setting up an export department within the firm or having the firm's sales force sell directly to foreign customers or marketing intermediaries. A company engages in direct exporting when it exports through intermediaries located in the foreign markets. Under direct exporting, an exporter must deal with a large number of foreign contacts, possibly one or more for each country the company plans to enter.

2. Foreign Production as an Entry Strategy

Many companies realize that to open a new market and serve local customers better, exporting into that market is not a sufficiently strong commitment to realize strong local presence.

(a) Licensing

Licensing is similar to contract manufacturing, as the foreign licensee receives specifications for producing products locally, but the licensor generally receives a set fee or royalty rather than finished products.

(b) Franchising

Franchising is a special form of licensing in which the franchiser makes a total marketing program available including the brand name, logo, products and method of operation.

(c) Local Manufacturing

A common and widely practiced form of market entry is the local manufacturing of a company's products.

Many companies find it to their advantage to manufacture locally instead of supplying the particular market with products made elsewhere. Numerous factors such as local costs, market size, tariffs, laws and political considerations may affect a choice to manufacture locally.

3. Ownership Strategies

Companies entering foreign markets have to decide on more than the most suitable entry strategy. They also need to arrange ownership, either as a wholly owned subsidiary, in a joint venture, or more recently in strategic alliance.

(a) Joint Ventures

In a joint venture, an investing firm owns roughly 25 to 75 percent of a foreign firm, allowing the investing firm to affect management decisions of the foreign firm.

Under a joint venture (JV) arrangement, the foreign company invites an outside partner to share stock ownership in the new unit.

(b) Strategic Alliances

A more recent phenomenon is the development of a range of strategic alliances. Alliances are different from traditional joint ventures in which two partners contribute a fixed amount of resources and the venture develops on its own.

(c) Entering Markets Through Mergers and Acquisitions

Although international firms have always made acquisitions, the need to enter markets more quickly than through building a base from scratch or entering some type of collaboration has made the acquisition route extremely attractive.

This trend has probably been aided by the opening of many financial markets, making the acquisition of publicly traded companies much easier.

4. Preparing An Entry Strategy Analysis

The necessary sales projections have to be supplemented with detailed cost data and financial need projections on assets (managerial, financial, etc. resources). The data need to be assembled for all entry strategies under consideration.

5. Entry Strategy Configuration

In reality, most entry strategies consist of a combination of different formats. We refer to the process of deciding on the best possible entry strategy mix as entry strategy configuration.

6. Exit Strategies

Circumstances may make companies want to leave a country or market. Other than the failure to achieve marketing objectives, there may be political, economic or legal reasons for a company to want to dissolve or sell an operation (management myopia).

Q20. Explain the Strategic guidelines for Internet Economy.

(OR)

Discuss the strategies for competing in the internet economy.

Ans : **(April-23, Sep.-23)**

Meaning

Competing in the Digital Economy is about strategy. A company's financial and operational resources are important but they not as important as having access to the right information at the right time.

In order to complete in the Digital Economy Company must develop an e-business strategy, hire and develop capable staff, build a knowledge management system and focus on being a market leader in process innovation.

Strategies

(i) Expansion

With the help of e-commerce, Indian companies are expanding widely and catering to large amount of people through expanding their product range. Uber has introduced online food delivery app in India as Uber Eats. Even Amazon Indian is striving to expand its food retail business in India through e-commerce.

(ii) Ancillary Services

By using e-commerce, Indian companies can provide core product or service along with various ancillary services without much investment.

Amazon Introduced one day delivery guarantee on purchases to attract customers. Even many companies are offering ancillary services like payment gateway, e- wallet service, etc.

(iii) Subscription for E-Commerce

In internet economy, e-commerce companies are implementing subscription model to offer more benefits and customized services to customers.

Amazon prime was introduced by Amazon which is a subscription based service to customers. Ever flipkart has introduced its premium subscription based services wherein they get discounted same day delivery, free delivery etc.

(iv) Personalized Experience

Most of the customers prefer to have product selection and shopping experience as per their requirements. E-commerce websites offer personalized experience to customers to satisfy their needs and interests based on location, choices and products preferred by customers.

This strategy helped many Indian companies to understand demand of customers and serve them accordingly.

3.7 Organizational Values and their Impact on Strategy

Q21. What are values? Explain different types of values.

Ans :

Meaning

Generally, value has been taken to mean moral ideas, general conceptions or orientations towards the world or sometimes simply interests, attitudes, preferences, needs, sentiments and dispositions.

Definitions

(i) **According to M. Haralambos,** "A value is a belief that something is good and desirable".

(ii) **According to R.K. Mukherjee,** "Values are socially approved desires and goals that are internalized through the process of conditioning, learning or socialization and that become subjective preferences, standards, and aspirations".

Types

1. **Intrinsic Values**

These are the values which are related with goals of life. They are sometimes known as ultimate and transcendent values. They determine the schemata of human rights and duties and of human virtues. In the hierarchy of values, they occupy the highest place and superior to all other values of life.

2. **Instrumental Values**

These values come after the intrinsic values in the scheme of gradation of values. These values are means to achieve goals (intrinsic values) of life. They are also known as incidental or proximate values.

Q22. How organizational values are impact on strategy ?

Ans : **(Imp.)**

Individual values influence the organizations as well as the strategy. Organizations consist of a large number of individuals with a variety of values.

The values are shaped by the organizational environment and nature of the business. Individuals will shared interests and values with others within the organizations. The mode of influence of values on strategy is presented.

Values and Strategy Implementation

Strategy implementation is mostly affected by instrumental values of people in the organization. However, when we say people, the question arises: who are these people in the organization? The answer of this question is significant because that will determine the shape of strategy implementation.

From strategic management point of view, people in an organization are divided into four group's board of directors's chief executives, other managers, and corporate planning staff. Out of these groups, chief executive and managers under" him are mostly responsible for, strategy implementation.

Though organizational culture represents the collectivity of personal values, it is only representation and not all-inclusive.

Two sets of values, organizational and personal, show following relationships and reconciling; or modifying process :

1. **Common Values**

Since an organization is a collectively of people and organizational value represent the collective values of its members there are some commonality between these two. These common values do not require any reconciliation or modification because have already been integrated.

2. **Different Weak Values**

In this case, part of the organizational and personal values differs but the divergence is related to weak values either terminal or instrumental. A weak value has low priority in the hierarchy of values whether organizational or personal. In fact, every individual has a set of values arranged in hierarchy.

Because of hierarchical nature of values, they differ in terms of importance. Since there are individual differences, hierarchy of values also differs.

3. Different-Strong Values

Problems in strategy implementations emerge when there is divergence of values which are strong for the organization or individual.

If values are strong to the organization any divergence may lead to separation of individual whose values are at divergence. For example, Wipro has very strong values in terms of ethical integrity.

Factors that shape and change values

The major sources of influence of an individual's values include; external influences, the nature of business and the company culture.

A) External Influences

External influences include : (i) values of society, and (ii) organized groups.

(i) Values of Society

Various issues like attitudes to work, authority, and equality are constantly shaped by society at large. This process should be understood from the point of corporate strategy due to the following reasons:

(a) Values of society change and adjust overtime.

(b) Multinational and transnational companies have the added problem of coping with the different standards and expectations of different countries.

(ii) Organized Groups

Individuals very often have allegiances to other groups which are very influential on their values. These allegiances are directly related to working situations like membership of trade unions or more informal like membership in clubs and social organizations.

B) Nature of Business

The issues concerning the nature of a business include market situation, and product / technology. These two factors are more specific to the particular circumstances of a company.

(i) Market Situation

Different companies face different market situations like recession, and boom. The values of the people within the company will change depending upon the market situation.

Strategic decisions, in turn, are influenced by these changed values of the people, and values of the employees.

(ii) Products / Technology

Technology influences values through the product, systems of production, distribution etc.

The influence of technology on values would be in two ways viz.,

(a) The company's ability to compete in the market is determined by various factors including technology. Technology determines methods of operating and tasks to be performed by employees

(b) The skills required by the company are determined by the nature and level of technology. This is turn determines the kind of people required to operate the technology and their values.

C) Company Culture

The company culture sometimes impact on organizational values and benefits. So in every organization the top level people and middle level people should focus on company culture.

3.8 Resource Allocation as a Vital Part of Strategy

Q23. Define resource allocation? What are the factors influencing resource allo-cation.

(OR)

What is meant by resource allocation?

(OR)

"Is resource allocation a vital part of Strategy". Why?

Ans : **(April-23, Aug.-21, Dec.-19)**

Meaning

Resource allocation deals with the procurement and commitment of financial, physical, and human resources to strategic tasks for the achievement of organizational objectives.

Factors

1. Objectives of the organization

While dealing with objectives, we stated that objective-setting is a complex process. There are a number of objectives.

Some are official (or explicit) while others are operative (or implicit). Employees of any organization tend to judge the importance given by strategists to tasks on the basis of the amount of resource allocated to them.

If the chairperson of a company, while presenting the annual report, waxes eloquent on the virtues of human resource but the actual resource allocation does not reflect the importance given to these resource, then human resource development is certainly not a priority strategic task.

2. Preference of dominant strategists

The dominant strategists most often the CEO tend to affect the process of resource allocation. Their preferences are reflected in the way the resources get allocated.

3. Internal politics

Resources are often misconstrued as power. Those departmental units which are able to attract more resources are perceived as being more powerful.

Executives who are in a position to affect the process of resource allocation in their favour are perceived to be more effective.

4. External influences

Apart from internal politics, external influences also affect resource allocation. These influences arise due to government policy and stipulations, the demands of external shareholders, financial institutions, community, and others.

Q24. Write about the difficulties involved in Resource allocation?

Ans :

(a) Scarcity of Resources

There are three types of resources that form the major input of a business,

(i) Financial Resources

Lack of adequate finance and various constraints relating to the procurement of finance at high cost of capital (K) are found to be the major limitations affecting the effectiveness of an enterprise.

Such limitations can be overcomed by generating and expanding the firms resource-generation capability, essential for acquiring the competitive advantage. Credit worthiness and investors confidence are required for gaining competitive advantage.

(ii) Raw Materials or Physical Resources

Land, machinery and equipments constitute the physical resources of a business. The procurement of these resources is hindered due to government restrictions litigations and other formalities.

(iii) Human Resources

Lack of essential skills in employees often causes the non-availability of adequate human resource in an organizations. Usually, skilled labour is limited, whose attraction and retention is a difficult task.

(b) Restrictions on the Generation of Resources

Internal allocation of resources require various counters of discussions like,

(i) Budgeting for the existing SBU's.

(ii) Generation of resources for newer units.

(iii) Appropriate allocation of resources for maximum growth of potential sectors.

(c) Overstatement of Needs

When a bottom-up approach is carried out in an organization, there is a tendency to generate overstatement of needs.

This leads to the emergence of difficulties in the process of resource allocation. Many executives may feel they are not being paid according to their expectations.

This paves the path for the emergence of negative feelings among the employees, thereby, hampering the effective management of strategic process.

(d) Tendency to Imitate Competitors

Imitating competitors is often followed by firms running in a same industry. Difficulties arise when these imitating firms copy resource allocation techniques only and not their strategic moves. All these factors hinder the competitive ability of the firms and their strategy formulation capabilities.

Resource allocation process is carried out by the chief executives officer, who laters to the needs of strategy formulation and implementation.

Q25. Explain techniques generally employed for allocating resources.

(OR)

What are the tools for allocating resources?

Ans : **(Aug.-21, Dec.-19, Imp.)**

Tools and Techniques

1. Strategic budgeting

Budgeting is a common technique used as a planning, coordination, and control device in management. Its usage is widespread in organizations. The topic of budgeting is covered exhaustively in texts in the area of financial management.

2. BCG-based budgeting

The BCG matrix (described in Section 8.2) can also be used for resource allocation. In a BCG matrix, SBUs or products are identified as 'stars', 'question marks', 'cash cows' and 'dogs'. Investment and cash flow decisions can be made on the basis of the type of multi-SBU, multidivision or multi-department company where resources have to be allocated.

3. PLC-based budgeting

Resource allocation could be linked to the different stages in a product's (or SBU's) life cycle. A product in the introduction and growth stages may attract more resources and these may be diverted from the high-profit yielding products that have reached the maturity stage of their life cycle.

4. Capital budgeting

Resource allocation for new projects or products could be done on the basis of capital budgeting. Existing projects, in cases of restructuring and modernization, could also use capital budgeting for resource allocation.

5. Zero-based budgeting

Zero-based budgeting (ZBB) is an operations planning and budgeting process that requires each strategist to justify resource allocation demand, not on the basis of the previous years' budget, but on" ground zero", which is based on a fresh calculation of costs each time a plan is to be implemented. The strategic plan is divided into operational plans, goals, and activities.

6. Parta system

The parta system is an indigenous form of control device used for exercising management control.

Though essentially parta is a control tool used for the daily assessment of net cash inflow from operations, before tax and dividends, the budgeted parta is a pre determined amount agreed upon between the chairperson of the company and the business unit incharge.

3.9 Planning Systems for Implementation

Q26. Explain the strategy of planning system for implementation?

(OR)

Write in detail about the planning system for implementing strategic implementation.

(OR)

Explain the planning system for strategy implementation.

Ans : **(May-19)**

It is important for a manager to establish a planning system which helps in relating the plans of strategy formulation and its implementation. Though, there is a multi-divisional organisation structure, the mechanism for planning varies from one organisation to other and the roles, responsibilities of the business strategic leaders/managers and their activities for the development of the strategies, the plans and the systems, used for the purpose of integration varies from one organisation to other.

According to Wrapp, organisations have to plan the activities using the strategic planning in the following ways,

(a) The planning committee of the organisation should consists of a top-management to look over all the planning and operational activities and subcommittees that are planning for specific projects.

(b) Organisations should possess a planning committee which consists of sub-committees in order to plan for the establishment and management of specific projects.

The top level managers that are involved in the planning committee should only take the responsibilities of planning activities irrespective of their operational areas.

(c) Organisations may also have a decentralized form of planning committees for each department of the organisation. The general manager is required to behave as the head of the planning committees assisted by the staff members of the department.

(d) Organisations may also appoint a special planning staff for planning and developing the long term plans.

This has been resulted in creation of boundaries between the planners and the doers. Planners are those individuals who are responsible for designing plans for the implementation of activities. Doers are those individuals who implement the strategies.

According to Higgins, for the removal of the planning function from the strategic activities of the organisation, seperate planning committees need to be established to bring improvements in the planning efforts of the organisation.

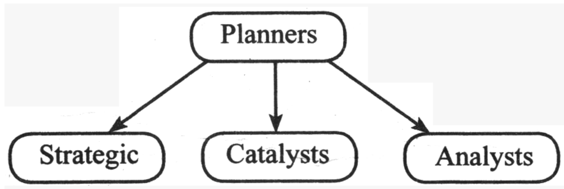
It also increases the likelihood that the plans generated in this manner adversely effects the process of decision making.

Planners have to perform two different types of activities,

(i) To actively participate in the substantive decision making regarding the strategies and plans.

(ii) To get involved in the strategy formulation and implementation process.

Depending on these two kinds of tasks, the planners have been categorised into 3 groups as represented in figure,



(a) Strategic

The planner should be of strategists type as they undertakes the following activities,

(i) Conducts acquisition studies

(ii) Identifies the strategic options available with the company

(iii) Selecting the best options among all

(iv) Providing appropriate information regarding the strategic choice which include the advantage of the planning documents that are submitted by the executives of strategic business units.

(b) Catalysts

Catalysts are the planners which are involved in the activities of,

(i) The establishment of a conceptual framework for planning based on the needs of an organisation

(ii) Discussing with the line executives and

(iii) Providing support to them for the effective utilisation of the system.

Q27. Discuss the various challenges faced during the strategy implementation.

Ans : **(Dec.-19,Imp.)**

The various challenges faced during the strategy implementation are,

1. One of the most difficult challenges to strategy implementation is to prioritize the efforts, determine the timing, resources and sequence to carryout the plan successfully.

2. Every company, be it a start-up or a well-established brand, lack sufficient resources. Lack of resources is a common challenge that every company face during the implementation of strategy.

3. Lack of team work can affect the strategy implementation process. It there is poor communication among different departments and team members don't make contribution to the goal, then this will lead to the downfall of greatest strategies.

4. Successful implementation of a strategy may get affected due to the resistance to change on the part of employers. It the employees are not ready to put their efforts towards the change, then there are chances that the strategy implementation would fail.

5. It the employees who are expected to implement the strategy, are not given effective training, they will never be able to execute the strategy. It is challenging for the company to select right training options and train the employees despite their busy schedule.

6. Successful implementation of a strategy' is not possible if the new strategy is not reviewed on a regular basis. Lack of follow through is one of the challenges an organization faces during strategy implementation.

Q28. Explain pros and cons of Barrier free structure.

Ans : **(April-23, Imp.)**

Pros of Barrier the structure

1. Leverages the talents of all employees.

2. Enhances cooperation, coordination, and information sharing among functions, divisions, SBUs, and external constituencies.

3. Enables a quicker response to market changes through a single-goal focus.

4. Can lead to coordinated win-win initiatives with key suppliers, customers, and alliance partners.

Cons of Barrier free structure

1. Difficult to overcome political and authority boundaries inside and outside of the organization.

2. Lacks strong leadership and common vision, which can lead to coordination problems.

3. Time-consuming and difficult-to-manage democratic processes.

4. Lacks high levels of trust, which can impede performance.

Q29. Explain how leadership plays an important in the strategy implementation with a suitable case.

Ans : **(Feb.-24, Imp.)**

Leadership plays a crucial role in the successful implementation of strategy, as it provides direction, motivation, and guidance to employees to achieve organizational goals. In this essay, we will explore how leadership contributes to strategy implementation through a case study of Apple Inc. under the leadership of Steve Jobs.

Apple Inc. is a technology company that specializes in consumer electronics, software, and online services. Founded in 1976, Apple has become one of the most valuable companies in the world, with a market capitalization of over $2 trillion as of February 2023. The company's success can be attributed to the visionary leadership of Steve Jobs, who served as CEO and Chairman of Apple from 1997 to 2011, and again from 2015 until his death in 2011.

Under Jobs' leadership, Apple implemented a number of strategies that transformed the company into a global technology powerhouse. One of the most significant strategies was the introduction of the iPhone, which revolutionized the smartphone industry and helped to establish Apple as a dominant player in the market. The iPhone's success was due in large part to Jobs' ability to envision the potential of the product and to communicate that vision to his team

Jobs' leadership style was characterized by his ability to inspire and motivate employees to achieve their full potential. He had a unique ability to combine creativity and innovation with a strong sense of discipline and focus. This allowed him to guide Apple towards the successful implementation of its strategies, despite the many challenges and setbacks the company faced.

One of the key factors that contributed to the success of the iPhone strategy was Jobs' ability to create a culture of creativity and innovation at Apple. He encouraged his employees to think outside the box and to pursue ideas that others considered impossible. This culture of innovation was central to the development of the iPhone, which was a ground-breaking product that combined a number of new technologies into a single device.

Jobs' leadership also played a crucial role in the successful implementation of the iPhone strategy through his ability to communicate the company's vision to employees. He was known for his ability to simplify complex ideas and to convey them in a way that was easy to understand and inspiring to listen to. This ability to communicate effectively was essential in motivating employees to work towards the company's goals and in building a sense of shared purpose and direction within the organization.

Another key aspect of Jobs' leadership was his focus on design and user experience. He believed that the success of any product depended on its ability to combine great technology with beautiful design and a seamless user experience. This focus on design helped to set the iPhone apart from its competitors and made it a highly desirable product for consumers.

Q30. Does organizational culture impacts Strategy. Explain.

Ans :

Organizational culture is the shared values, beliefs, attitudes, and behaviours that shape how people within a company interact and work together. It is a critical factor in shaping the organization's identity, values, and goals.

Organizational culture can have a significant impact on strategy because it influences how employees perceive and approach the strategic direction of the organization. Organizational culture can impact strategy in several ways:

1. **Alignment**: A strong culture can align employees around a shared strategic vision, making it easier to implement the strategy.
2. **Innovation**: A culture that values innovation and risk-taking can lead to the development of new strategies and the ability to adapt to changing markets.
3. **Communication**: A culture that values open and honest communication can help employees understand and buy into the strategy, making it more effective
4. **Employee engagement**: A positive culture can engage employees in the strategy and make them more committed to its success
5. **Resistance**: A culture that values tradition and stability can make it more difficult to implement change and adopt new strategies.

Q31. What is the relationship among organizational structure, control systems, incentives and culture? Discuss.

Ans :

The relationship among organizational structure, control systems, incentives, and culture is complex and interdependent. Let's explore each of these elements and their relationships:

1. Organizational Structure

Organizational structure refers to the hierarchical arrangement of roles, responsibilities, and reporting lines within an organization. It defines the flow of communication, decision-making authority, and accountability. The structure can be formal or informal, flat or tall, and can vary depending on the organization's size, industry, and goals.

2. Control Systems

Control systems are designed to monitor and regulate organizational activities to ensure that they align with established goals and objectives. They involve the implementation of policies, procedures, and mechanisms to measure, compare, and feedback performance. Control systems can include financial controls, quality assurance processes, risk management systems, and performance management frameworks.

3. Incentives

Incentives are rewards or motivations offered to individuals or groups to encourage and reinforce desired behaviors or outcomes. They can include financial rewards such as bonuses, commissions, or profit sharing, recognition and praise, career advancement opportunities, or other benefits. Incentives are often used in performance management systems to motivate employees and align their interests with organizational objectives.

4. Culture

Organizational culture refers to the shared values, beliefs, norms, and behaviors that shape the collective identity and character of an organization. It influences how individuals interact, make decisions, and approach their work. Culture encompasses factors such as communication styles, leadership practices, employee engagement, teamwork, and the overall work environment.

Short Question and Answers

1. Explain the planning system for strategy implementation.

Ans :

A system can be defined as a set of interrelated elements working towards a common purpose. A subsystem is part of larger system with which we are concerned and all systems are part of larger systems. While we have achieved a very high degree of automation and joining together of subsystem in scientific, mechanical and factory manufacturing operations, se have hardly applied the systems' principles to business systems. The concept of synergism applies to the integration of the subsystems through information interchange. This concept of synergism has not generally been applied to business organization. "The system concept of MIS is therefore one of optimizing the output of the organization by connecting the operating subsystems through the medium of information exchange.

2. Discuss strategic leadership.

Ans :

Strategic leadership refers to a manager's potential to express a strategic vision for the organization, or a part of the organization, and to motivate and persuade others to acquire that vision. Strategic leadership can also be defined as utilizing strategy in the management of employees. It is the potential to influence organizational members and to execute organizational change. Strategic leaders create organizational structure, allocate resources and express strategic vision. Strategic leaders work in an ambiguous environment on very difficult issues that influence and are influenced by occasions and organizations external to their own.

3. Define Strategy Implementation.

Ans :

In simple words strategy implementation is the process of chosen to strategy to action. Strategy implementation involves the design and management (Action) of systems to achieve the best integration of people, structure, processes and resources in an efficient and most optimum use.

4. What is organizational structure?

Ans :

An organization structure is the way in which the tasks and subtasks required to implement a strategy are arranged. The diagrammatical representation of structure could be an organization chart but a chart shows only the 'skeleton'. The 'flesh and blood' that bring to life an organization are the several mechanisms that support the structure. All these cannot be depicted on a chart. But a strategist has to grapple with the complexities of creating the structure, making it work, redesigning when required, and implementing changes that will keep the structure relevant to the needs of the strategies that have to be implemented.

5. What is corporate culture?

Ans :

The phenomenon which often distinguishes good organizations from bad ones could summed up as 'corporate culture'. The well-managed organizations apparently have distinctive cultures that are, in some way, responsible for their ability to successfully implement strategies. "It has been clearly demonstrated that every corporation has a culture (which often includes several subcultures) that exerts powerful influences on the behaviour of managers". We shall see below what corporate culture is, how it influences corporate life, and how it can be managed so that it becomes strategy-supportive.

6. What is Operationalizing strategy?

Ans :

Strategies of the organization set the goals and the actions that have to be performed by the organization to accomplish the set goals and objectives. Through the operational plans, the firms are able to incorporate strategic plans into its daily operations. These plans helps to accomplish the set goals by operationalizing the strategic plans.

The operational plans have been broadly categorized into two types based on the activities to be performed. They are,

1. Single-use plans and
2. Standing plans.

7. What is Institutionalizing strategy?

Ans :

For institutionalization of a strategy, firms need to focus on the systems, style, skills, staff and super ordinate goals management of the organization. Institution is a set of values, norms, roles and groups that helps the management in achieving the specific organizational goals. Business leaders are required to develop a set of values, norms, roles and groups so as to institutionalize the business strategy for the accomplishment of business goals.

For institutionalizing a business strategy, it needs to be consistent with the corporate culture, quality system and other forces that are driving the organization. Total quality management and ethical development acts as the major strategies, that are institutionalized in the organization which leads to the shift in an organization from control mechanism towards the cooperative and coordinative approach. This shift resulted into the enhancement of the quality of work life of employees and quality of products to the customers.

8. What are values? Explain different types of values.

Ans :

Generally, value has been taken to mean moral ideas, general conceptions or orientations towards the world or sometimes simply interests, attitudes, preferences, needs, sentiments and dispositions.

Definitions

(i) **According to M. Haralambos,** "A value is a belief that something is good and desirable".

(ii) **According to R.K. Mukherjee,** "Values are socially approved desires and goals that are internalized through the process of conditioning, learning or socialization and that become subjective preferences, standards, and aspirations".

(iii) **According to Zaleznik and David,** "Values are the ideas in the mind of men compared to norms in that they specify how people should behave. Values also attach degrees of goodness to activities and relationships"

9. What is meant by resource allocation?

Ans :

A strategic plan is the representation of the hopes and aspirations of strategists. Project implementation is meant for the creation of an infrastructure to enable them to put such a plan into action. Procedural implementation provides the 'go ahead' signal. But nothing really happens until resources are procured and allocated to tasks for the accomplishment of objectives.

Resource allocation deals with the procure-ment and commitment of financial, physical, and human resources to strategic tasks for the achievement of organizational objectives.

10. What are the tools for allocating resources?

Ans :

1. **Strategic budgeting**

   Budgeting is a common technique used as a planning, coordination, and control device in management. Its usage is widespread in organizations. The topic of budgeting is covered exhaustively in texts in the area of financial management. But apart from traditional budgeting where stress is laid on accounting, a budget is increasingly being used as a dynamic management tool. The difference lies in the way a budgeting exercise is carried out in an iterative manner between different managerial levels and the assumptions made before the formulation of budgets.

2. **BCG-based budgeting**

   The BCG matrix (described in Section 8.2) can also be used for resource allocation. In a BCG matrix, SBUs or products are identified as 'stars', 'question marks', 'cash cows' and 'dogs'. Investment and cash flow decisions can be made on the basis of the type of multi-SBU, multidivision or multi-department company where resources have to be allocated.

Choose the Correct Answers

1. Which of the following would be chosen by the core strategist to implement operational control: - [d]
   (a) Premise Control (b) Special Alert Control
   (c) Implementation Control (d) Budgetary Control
2. When it comes to identifying problem areas and correct the strategic approaches that have not been effective so far, what should a strategic manager choose to do out of the following: [d]
   (a) BPR (b) Benchmarking
   (c) Strategic Change (d) Strategic Audit
3. With reference to Richard Rumelt's criteria for Strategic Audit, what out of the following is the first limitation against which strategy is audited? [a]
   (a) Financial Resource (b) Human Resource
   (c) Physical Resource (d) All of the above
4. The model of change has been propounded by: [c]
   (a) Michael Hammer (b) Michael Porter
   (c) Kurt Lewin (d) Kurt Louis
5. Compliance, Identification and Internalization are the three processes involved in: [c]
   (a) Refreezing (b) Defreezing
   (c) Changing behavior patterns (d) Breaking down old attitudes
6. Business Process Reengineering involves: [c]
   (a) Partial Modification (b) None of the two
   (c) Massive Improvement (d) Replacing Engineers
7. Strategy evaluation is more difficult today due to the following trends except: [d]
   (a) A dramatic increase in the environment's complexity.
   (b) The increasing difficulty of predicting the future with accuracy.
   (c) The increasing number of variables in the environment.
   (d) Firms have unlimited resources.
8. With reference to benchmarking, select the correct statement out of the following: [c]
   (a) The focus of benchmarking is to study existing processes and eliminate the ones that are redundant.
   (b) Traditional controlling has been rephrased as benchmarking.
   (c) Benchmarking helps in setting goals and measuring productivity based on best industry practices.
   (d) Benchmarking solves all business problems.
9. BPR is an unusual improvement in operating effectiveness through the redesigning of ________ business process and supporting business systems. [c]
   (a) usual (b) common
   (c) critical (d) none of these
10. The purpose of strategy evaluation is to [b]
   (a) increase the budget annually.
   (b) alert management to problems or potential problems.
   (c) make budget changes.
   (d) evaluate employees' performance.

Fill in the Blanks

1. ________ implementation is the process of chosen to strategy to action.
2. An ________ structure is the way in which the tasks and subtasks required to implement a strategy are arranged.
3. The ________ structure, is the most elementary form of structure and is appropriate for an organization that is owned and managed by one person.
4. ________ leadership refers to a manager's potential to express a strategic vision for the organization, or a part of the organization, and to motivate and persuade others to acquire that vision.
5. ________ plans are applicable to the activities which can occur repeatedly in the organization recurring activities.
6. ________ strategies are one of the significant type of expansion strategies adapted by the organization that are willing market their products across the world.
7. A ________ is a belief that something is good and desirable.
8. ________ values influence the organizations as well as the strategy.
9. A ________ plan is the representation of the hopes and aspirations of strategists.
10. For ________ of a strategy, firms need to focus on the systems, style, skills, staff and super ordinate goals management of the organization.

ANSWERS

1. Strategy
2. Organization
3. Entrepreneurial
4. Strategic
5. Standing
6. International
7. Value
8. Individual
9. Strategic
10. Institutionalization

UNIT IV	**Turnaround and Diversification Strategies**: Turnaround strategy - Management of Strategic Change, strategies for Mergers, Acquisitions, Takeovers and Joint Ventures, Alliances and cooperative - Diversification Strategy: firms diversify, different types of diversification strategies, the concept of core competence, strategies and competitive advantage in diversified companies and its evaluation. International Strategies.

4.1 Turnaround Strategy

Q1. Define Turnaround Strategy. State the approaches for Turnaround Strategy.

(OR)

Discuss about Turnaround Strategy.

Ans : **(April-23, Sep.-20, Imp.)**

Meaning

Turnaround strategies derive their name from the action involved, that is, reversing a negative trend. The overall goal of turnaround strategy is to return an under performing or distressed company to normal in terms of acceptable levels of profitability, solvency, liquidity, and cashflow.

Definitions

According to Ansoff, "Turnaround strategy is actually a combination of both external action related to markets, creditors, etc., and internal actions related to resources, operations and particular nature of what is threatening the firm from within or outside".

Approaches

In order to reverse the negative financial performance of the organization; the top management may make use of the following two approaches,

1. Surgical Approach
2. Human Resource Development (HRD)

1. Surgical Approach

The surgical approach is rigid and mechanical in nature. It requires a tough and inhumane attitude from the tor managements side.

This approach is basically being used to cut cost and increase the profits, for which the managemerr takes drastic steps such as, laying off workers, shutting down the plans, or departments, replacing the equipments settim accountability for results and so on.

This approach would be followed and continued till the firm shows, signs of turnaround, improved performance soon after which the tough controls, would be relaxed.

2. Human Resource Development (HRD) Approach

Human Resource Development (HRD) approach basically emphasizes upon understanding the problem and behavioral change brought in by the members, in order to turnaround the organizational performance.

It includes the following steps.

(i) The CEO holds several meetings with the managers in order to identify/trace out the root cause for the organizational poor performance.

(ii) Provides encouragement and motivation to the employees and managers and also suggests methods to turnaround the firm. A series of organization wide brainstorming sessions are also arranged.

(iii) Employees are encouraged to take active participation in deciding the techniques of job performance. They are also motivated to change their behaviour, acquire new skills and knowledge.

(iv) Organizational members are encouraged to provide good solutions to the problems through team spirit and coordination.

Q2. Explain the various ways for Managing Turnaround Strategy.

Ans :

There are three ways in which turnarounds can be handled:

1. Through Existing Chief Executive and Management Team

The existing chief executive and management team handles the entire turnaround strategy with the advisory support of a specialist external consultant.

The use of this method can only be successful if the chief executive has a reasonable amount of credibility left with the banks and financial institutions and a qualified consultant is available.

2. Through Executive Consultant or Turnaround Specialist

In another situation, the existing team withdraws temporarily and an executive consultant or turnaround specialist is employed to do the job.

This person is usually deputed by the banks and financial institutions and, after the job is over, reverts to the original position. This method is also very rarely used in India.

3. Through Replacement of Existing Team with a Healthy One

The last method - the one most difficult to attempt but that is most often used - involves the replacement of the existing team, specially the chief executive, or merging the sick organisation with a healthy one.

Q3. Explain the main features of turnaround strategy.

Ans :

The following are the important features of turnaround strategies,

1. Crisis Stabilisation

It focuses on getting back the control over the diminishing position. The emphasis on cost reduction and/or revenue generation is for short period of time and it involves some steps as follows,

(a) Increasing Revenue

(i) Make sure that marketing mix is designed for important market segments.

(ii) Pricing strategy is analyzed to maximise revenue.

(iii) Emphasize on organizational activities on requirements of target market sector customers.

(iv) Utilizing additional opportunities for generating revenue in relation to target market.

(v) Funds from reduction for costs are invested in new growth areas.

(b) Reducing Costs

(i) Labour costs and costs of senior management is reduced.

(ii) Emphasize on productivity improvement.

(iii) Marketing costs which does not emphasize on target market is reduced.

(iv) Financial controls and control on cash expenses are limited.

(v) Develop competitive bidding for suppliers, postpone creditor payments, speed up debtor payments and

(vi) Minimize the inventory and avoid non-profitable products/services.

Usually, turnarounds are considered as cost-cutting exercises.

2. Changes in Management

Changes in management are mostly needed at the top level which comprises of introduction of new chairman or chief executive and also changes in the board, basically in marketing, sales and finance for three main causes.

First, when old management is viewed as cause of problem development. Second, when it is necessary for management to experience the turnaround management and finally when new management bring in different approaches in the organization.

3. Acquiring the Support From Stakeholder

At the . time of decline, key stakeholders may not get good quality of information. In turnaround situation, it is necessary that key stakeholders, bank, key shareholder groups and employees are provided with clear information of the situation.

It is possible that clear evaluation of the power of different stakeholder groups is significant in managing turnaround.

4. Clarifying the Target Market(s)

The success of turnaround strategy is based on clarification of target market or market segments, which are likely to yield cash and grow profits and emphasize on revenue generating activities of market segments.

A successful turnaround strategy comprises of cost-cutting which demands the business to reconceptualize and reorient itself to the market.

5. Refocusing

Clarification of target market may create the opportunity to avoid products and services which are not targeted, consuming the management time for little return or not generating sufficient financial contribution. It also provides opportunities to outsource the peripheral areas of activity.

6. Financial Restructuring

The financial structure of the organisation may be needed to change wherein, existing capital structure must be changed, additional finance is raised or renegotiating agreements with creditors and banks.

Q4. What are the advantages and disadvan-tages of turnaround strategy?

Ans :

Advantages

1. Involves Restructuring

Turnaround strategy involves restructuring of sick company. Restructuring means rearranging the resources of the company for improving its profitability and performance. Restructuring can be Financial restructuring, Technical restructuring, Marketing restructuring, Personnel restructuring, etc.

2. Applicable to a Loss-making Unit

Turnaround is a strategy of converting a loss-making or an uneconomic unit into a profitable one. It is applicable to a loss-making unit. It is done (applied or implemented) by making systematic efforts. It is a solution to solve the problem of industrial sickness.

3. Consultation of Experts

Turnaround can be done by consulting company's own (internal) experts or by external experts (hired consultants). Internal experts know the company's culture, resources, level of technology, etc., and much better.

4. Optimum Utilization of Resources

Generally, a sick company doesn't make an optimum utilizations of its all available resources. These mainly consist of human resources, financial resources, physical resources, and so on. The turnaround strategy helps to utilize the resources optimally.

5. Leaves a Permanent Effect

Turnaround leaves a permanent effect (mark or impact) on the structure and working of the company. It helps a sick company to stop its all unproductive activities and concentrate on productive ones.

6. Needs Co-operation of People

For turnaround to be successful, full co-operation of employees is necessary. This is because the turnaround strategy will involve the employees. Co-operation of other groups such as shareholders, financial institutions, suppliers, and others is also required for the turnaround strategy to be effective.

Disadvantage

1. Involves an in-Depth Planning

Turnaround strategy involves detailed analysis or study of the failed model or structure of the sick company. It begins with planning suitable, adaptable and result-oriented strategies to initiate the turnaround.

2. Capital Intensive Strategy

Turnaround is a capital intensive strategy. It mainly requires a large amount of funds (money) to restructure the resources of a sick company. For its initiation, company needs an excellent team of expert consultants and professionals.

3. **Long and Time-Consuming Process**

Turnaround strategy is a long-term strategy as it is not a one-day task is a lengthy and a time-consuming process and may even take few years to turn around a sick unit.

4.2 Management of Strategic Change

Q5. What are the various types of Strategic Change?

Ans :

Strategic change is basically of four types are as follows :

1. **Adaptation Change**

Adaptation change is the most common type of strategic change which is being followed by many organiza-tions. It is incremental in nature and can be easily adjusted in the present paradigm of the organization.

2. **Reconstruction Change**

It is a rapid type of a change which involves large scale adjustments and restructuring throughout the organization. However, it does not change the central paradigm of the firm.

A good example of reconstruction change is a turnaround situation which requires substantial cost reduction and financial appraisals in order to improve the decreasing financial performance of the organisation.

3. **Evolution Change**

Evolution change requires a total paradigm over a period of time. The organization is considered as a "Learning system" which continuously keeps on adjusting and realigning their strategies in order to fit with the changes of its environ-ment.

4. **Revolution Change**

This change calls for an immediate and substantial change in both the strategy and paradigm of the firm. This change demand urgency as the firm fails to respond appropriately to the changing business environments over a period of time.

Q6. Write about different styles of managing strategic change.

Ans :

The different styles which the managers uses for managing the strategic change are as follows,

1. **Education and Communication**

This style deals with the elucidation of causes and means of strategic change. The change process can be effective if the individuals who are influenced by the change takes part in planning and developing the change.

2. **Collaboration or Participation**

This style deals with the participation of those individuals in the change process, who are directly affected by the change. The individuals having positive or optimistic attitude, overshadows the organizational constraints and are very dedicated and committed towards the change process.

3. **Intervention**

This style is coordinated and controlled by a specified change agent. This change agent is responsible and has the authority for the delegation of the elements of the change process.

4. **Direction**

Direction style of management is a top down approach in which the personal managerial authority is used for formulating a future strategy and the way in which the change will take place in the future.

It is a type of style which is closely related with the development of strategic intent.

5. **Coercion**

The extreme end of the direction style is coercion style. This style involves the forceful imposition of change in the organization. It explicitly uses powers at the times of crisis for managing the implementa-tion of strategic change in the organization.

4.3 Strategies for Mergers

Q7. Define Mergers. Explain different types of mergers.

(OR)

Explain mergers as a strategy. Explain the types of mergers.

Ans : **(May-19)**

Meaning

Merger refers to a friendly joining together of two organizations as in a corporate marriage, usually with the sanction of both firm's top strategic decision makers. Mergers are usually based on the core competencies of firms.

Types

1. Horizontal Mergers

Horizontal mergers take place when there is a combination of two or more organizations in the same business, or of organizations engaged in certain aspects of the production or marketing processes.

Four instance a company making footwear combines with another footwear company, or a retailer of pharmaceuticals combines with another retailer in the same business.

2. Vertical Mergers

Vertical mergers take place when there is a combination of two or more organizations, not necessarily in the same business, which create complementarily, either in terms of supply of materials (inputs) or marketing of goods and services (outputs).

For instance, a footwear company combines with a leather tannery or with a chain of shoe retail stores.

3. Concentric Mergers

Concentric mergers take place when there is a combination of two or more organizations unrelated to each other, either in terms of customer functions, customer groups, or alternative technologies used, for example, a footwear company combining with pharmaceutical firm.

4. Conglomerate Mergers

Conglomerate mergers take place when there is a combination of two or more organizations unrelated to each other, either in terms of customer functions, customer groups, or alternative technologies used, for example, a footwear company combining with pharmaceutical firm.

5. Reverse Mergers

Reverse merger, also known as back door listing, or a reverse merger, is a financial transaction that results in a privately-held company becoming a publicly-held company without going the traditional route of filing a prospectus and undertaking an initial public offering (IPO).

Q8. Discuss the steps involved in Merger Process.

Ans : **(May-19)**

In order to avoid above pitfalls, and to make the merger activity successful, firms should follow a systematic action plan for their M&A activities. The merger process consists of the following stages :

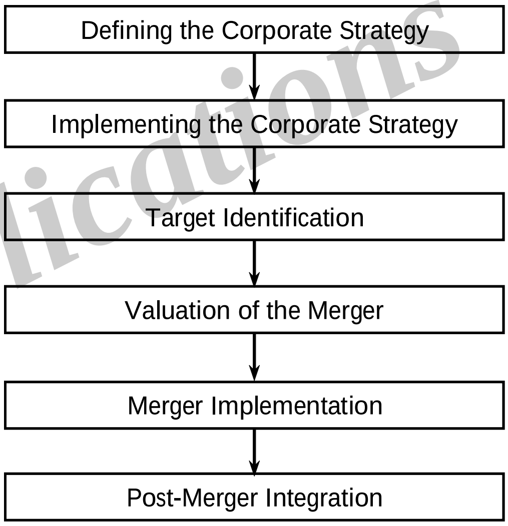


Fig.: Process of Merges

1. Defining the Corporate Strategy

A firm needs to first clearly define its corporate strategy–what business the firm is currently in? What business it intends to be in? How does it wish to grow, and be known as?

2. Implementing the Corporate Strategy

Next, the firm should define a route or road map to implement its corporate strategy – whether it intends to user mergers or joint ventures/strategic alliances, or internal development as a strategy for its growth/diversification plans.

3. Target Identification

If the firm it attractive to pursue the M and A route, sufficient effort should be devoted to identification of the right kind of a target firm to merge/acquire. The parameters for identification should include the financial considerations, business strengths and weaknesses, the specific resources, competencies and capabilities the target firm will bring it to the merger, market power the merger would bring about, as well as the effort required in integrating the two firms - their structures, strategies, culture, and processes.

4. Valuation of the Merger

Then, a financial valuation of the merger should begin. The specific cost and the premium that the firm would like to pay for acquiring shares/ management control of the target firm would again depend on the projected synergies that the merger is likely to bring about.

5. Merger Implementation

The tax, regulatory and market issues domi-nate the next stage of the merger process - the merger implementation.

In this stage, when the merger is being implemented, depending on the local laws, conditions, and shareholder preferences, the merger could happen through a stock swap, a tender offer, cash offer, or any other method.

6. Post-Merger Integration

The final stage called the post-merger integration includes activities like asset stripping (selling off those assets in the target company that are not likely to add value to the merged/acquired firm); efforts at improving the operating efficiency and setting up managerial systems at the acquired firm; efforts at streamlining the operations of the combined firm to ensure that the projected synergies are repeat; and initiatives in establishing the right kind of corporate culture, providing the right management direction/leadership, and ensuring the competitiveness of the combined firms.

Q9. What are the advantages and disadvan-tages of mergers?

Ans : **(May-19)**

Advantages

1. Increases market share

When companies merge, the new company gains a larger market share and gets ahead in the competition.

2. Reduces the cost of operations

Companies can achieve economies of scale, such as bulk buying of raw materials, which can result in cost reductions. The investments on assets are now spread out over a larger output, which leads to technical economies.

3. Avoids replication

Some companies producing similar products may merge to avoid duplication and eliminate competition. It also results in reduced prices for the customers.

4. Expands business into new geographic areas

A company seeking to expand its business in a certain geographical area may merge with another similar company operating in the same area to get the business started.

5. Prevents closure of an unprofitable business

Mergers can save a company from going bankrupt and also save many jobs.

Disadvantages

1. Raises prices of products or services

A merger results in reduced competition and a larger market share. Thus, the new company can gain a monopoly and increase the prices of its products or services.

2. Creates gaps in communication

The companies that have agreed to merge may have different cultures. It may result in a gap in communication and affect the performance of the employees.

3. Creates unemployment

In an aggressive merger, a company may opt to eliminate the underperforming assets of the other company. It may result in employees losing their jobs.

4. Prevents economies of scale

In cases where there is little in common between the companies, it may be difficult to gain synergies. Also, a bigger company may be unable to motivate employees and achieve the same degree of control. Thus, the new company may not be able to achieve economies of scale.

Q10. Discuss the impact of mergers of Indian banks on their performance.

Ans : **(Feb.-24, Imp.)**

Mergers of Indian banks have had a significant impact on their performance, both in terms of financial metrics and service delivery. The Indian banking sector has undergone a period of rapid consolidation in recent years, with several mergers and acquisitions taking place between 2017 and 2020. This trend is likely to continue in the future, as the government aims to achieve universal banking penetration and deepen financial inclusion.

One of the main impacts of bank mergers in India has been an improvement in financial performance.

Merged banks have often reported higher profits, lower costs, and improved efficiency levels

For example, the merger of ICICI Bank and Bank of Madura in 2001 resulted in a 25% increase in profit after tax, while the merger of HDFC Bank and Cholamandalam Investment and Finance Company in 2005 led to a 35% increase in net profit.

Another positive impact of bank mergers in India has been an improvement in service delivery.

Merged banks have often been able to offer a wider range of services, including new products and services that were not previously available.

4.4 Acquisitions / Takeovers Strategy

Q11. Define the term acquisition (or) takeover. What are the Advantages and Disadvantages of Takeover?

Ans :

Meaning

Takeover is a process of acquiring a specific amount of equity capital of a company which helps the acquire to control the operations of the company. If an acquire purchases more than 50 percent of paid-up equity of acquired company, then he can exercise his control on all functions of the company. The acquire can have an effective control on the acquired company even with 20 to 40 percent of equity holding, as the leftover shareholders are separated and not properly organized and they are unable to question the powers of the acquire.

Advantages

(i) Takeover helps the firm in utilizing economies of scale in different business operations, such as production, marketing information systems, financing, etc.

(ii) It also helps in replacing an inefficient management team with an effective team, efficient workers of both the companies are combined to form a new management team.

(iii) Some economists have proclaimed, that takeovers are effective measures to protect the interest of shareholders.

(iv) Takeovers also help in generating economies of operations, which ultimately leads to synergistic benefits by combining two different businesses which are efficient in specific operation.

(v) Takeovers save the companies which were managed inadequately by the incompetent managers.

Disadvantages

(i) Takeover is regarded by some economists and authors as a destructor of jobs and local communities.

(ii) Usually, the commitments in takeovers are not fulfilled.

(iii) Takeovers involve many costs in it, such as remuneration to lawyers, management officials and all other people who support in preparing and carrying out a bid.

(iv) Peter Drucker believes, that takeovers destroy the confidence of employees.

(v) Takeovers may also lead to redistribution of wealth which causes a reduction in efficiency.

(vi) Takeovers also involve agency costs which are related to agency conflicts that arise in the process of takeover.

(vii) As the size of the firm increases in takeover, the remuneration of executives increase rapidly, even though their efficiency does not improve.

(viii) If diseconomies of scale or scope related to takeover are not identified then it may have a great impact on value of the firm.

Q12. What are the differences between mergers and acquisitions?

Ans : **(Dec.-19, Imp.)**

S.No.	Nature	Merger	Acquisition
1.	**Meaning**	A merger is the fusion of two or more companies that voluntarily come together to form a new entity or company	An acquisition is the process whereby a company or business entity purchases or acquires another one but no new company is formed
2.	**Purpose**	A merger happens to decrease competition as well as to increase operational efficiency	To consolidate aninstantaneous growth
3.	**Size of Company**	The size of the merging companies is more or less the same	The acquiring company is larger or bigger than the acquired one
4.	**Terms**	A merger is considered as friendly and planned for	An acquisition is considered as either voluntary or involuntary and can be hostile
5.	**Example**	The birth of SmithKline Beecham happened as a result of the merger between Glaxo Wellcome and Smith Kline Beecham	Toto Motors acquiring Jaguar Rand Rover

4.5 Joint Ventures

Q13. What are joint ventures? State the characteristics of joint ventures.

Ans : **(April-23)**

Meaning

A joint venture is created when two companies agree to form a separate vehicle for a particular purpose, while the main unit continues to operate as before.

Features

The features of a joint venture are identified by the following :

1. Two entrepreneurs or companies join together to establish a common undertaking investing money and other resources such as knowledge, skill or any other asset. The right of management or mutual control of the enterprise is clearly defined.
2. Generally, they have a limited scope and duration relevant to the purpose.
3. It involves only a small fraction of participants total activities.
4. The partners to the joint venture are interested in the joint property.
5. The joint venture is to anticipate profit where partners define the right to share in profit.

Q14. Explain the motives of the joint ventures.

Ans : **(April-23, Imp.)**

The following are the motives behind setting up a strategic alliance / joint venture.

1. Funding a new business opportunity could be the focus of a joint venture, especially when the new project is likely to be in a niche area. The outcome is uncertain due to high risks as well as a long gestation period, forcing the two entrepreneurs to share the risk and resources.
2. Another strong motive for joint ventures has been the subsequent learning experience as well as experience curve benefits that follow. This is especially true for joint ventures in the area of technology, research, and knowledge-based/professional services such as medical, legal, tech services, and accounting.
3. Ideation and scope could be their main inspiration for the joint venture, where sharing the risk and resources is incidental. This happens when there are new inventions, innovations, and a passion to experience new avenues. Again, these kinds of ventures are initiated by technocrats in some greenfield projects, which have a first mover advantage.
4. As the parent companies continue to exist while a joint venture is formed, the regulatory authorities are not as stringent as in the case of a merger, where the distinct entities cease to exist.

Q15. Explain the reasons for failure of joint ventures.

Ans : **(April-23, Imp.)**

1. Lack of clarity in basic objectives of the joint venture leads to conflicts after formation. The search for a new technology is not achieved.

3. Inadequacy in planning and preparation has led to failure.

4. Tussles in sharing managerial control between the Joint Venture partners leads to intransigency.

5. Continued secrecy and resistance to share expertise between the Joint Venture partners leads to a deadlock.

6. While Joint Venture are known to have limitations, they have been successful when their purpose is clear and defined.

Q16. What are the differences between mergers, acquisitions and joint ventures?

Ans : **(April-22)**

S.No.	Merger	Acquisition	Joint Venture
1.	Merging of two companies is done through the exchange of stock and cash.	Acquisition is done by acquiring the shares and voting powers of the public traded company against the will of that company.	In a joint venture, the partners of both the companies combine their assets to complete the project.
2.	Mergers helps in preventing competitors and avoids competition.	Acquisition reduces competition by acquiring the competing firm.	Joint venture reduces or abolishes the competition when a company forms a joint venture with its own competitors.
3.	The selling firm wants to merge for increasing their value of stock, growth rate and the firms resources.	Some companies acquire other companies to take a grip over the market, obtain the advantage of the market share and perform efficient operations.	The partners form joint venture in order to complete their project by combining their assets and after the purpose is achieved the joint venture is terminated,
4.	Mergers helps in combining the resources and efforts of two companies and reduces their operating cost and increases their growth level.	The acquiring firm should consider. and provide value to the products, services and customers of the company which it is taking over.	In a joint venture, the partners share the cost, risk and technology and uses expert knowledge for starting new project involving huge investment. It also helps in exploiting the new markets and expanding their operations globally.

Q17. Explain the advantages and disadvantages of Joint Ventures.

Ans : **(Feb.-24, Imp.)**

Advantages

The advantages of joint ventures are as follows,

1. Joint ventures are commonly used because they offer important advantages to the foreign firm.
2. By bringing in a partner, the company can share the risk for a new venture.
3. JV's partner may also have important skills or contracts of value to the international firm.
4. Sometimes, the partner may be an important customer who is willing to contract for a portion of the new units output in return for an equity participation.
5. The partner may also represent important local business interests with excellent contracts to the government.
6. A firm with advanced product technology may also gain market access through the joint venture route by teaming up with companies that are prepared to distribute its products.

Disadvantages

The disadvantages of joint ventures are as follows,

1. JV's result in disputes between or among parties due to varied interests.
2. The partners delay the decision-making once the dispute arises. Then the operation becomes unresponsive and inefficient. [1]
3. Decision-making is normally slowed down indy due to the involvement of a number of parties.

Q18. Distinguish between Acquisition and Takeover with an example.

Ans : **(Feb.-24, Imp.)**

Acquisition and takeover are two common business terms that are often used interchangeably but have distinct meanings.

An acquisition refers to the process of one company purchasing another company, while a takeover refers to the process of one company taking control of another company.

An acquisition occurs when one company purchases another company.

The acquiring company takes control of the target company and its assets, and the target company becomes a subsidiary of the acquiring company

The acquiring company usually pays a price, often in the form of cash, to the target company's shareholders in exchange for ownership of the target company.

Example

Microsoft approached Yahoo's management team and offered to purchase its shares at a premium price. Yahoo's shareholders approved the acquisition, and Microsoft gained control of Yahoo's assets, including its brand, inventory, and customer base.

4.6 Alliances and Cooperative

Q19. What is the definition of cooperative strategy and Why is this strategy importance to firms competing in the 21st century competitive land scape.

Ans :

Meaning

A co-operative strategy is a means by which firms work together to achieve a shared objective. Thus, cooperating with other firms is another strategy firms use to create value for a customer at a lower cost than it would to do it by the firm itself and thereby establish a favorable position relative to competition.

Example

(i) IBM is involved with a number of cooperative arrangements.

(ii) The intention of serving customers better than its competitors serve them, and of gaining an advantageous position relative to competitors drive this firm's use of cooperative strategies.

(iii) IBM's corporate-level cooperative strategy in services and software finds it seeking to deliver server technologies in ways that maximize customer value while improving the firm's position relative to competitors.

(iv) For example, Hewlett-Packard recently bought EDS to battle IBM for the leadership position in the global services market.

(v) IBM has many business-level alliances with partner firms focusing on what they believe are better ways to improve services for customer firms, such as the cooperative agreements that IBM has through its new division in business analytics.

(vi) The objectives IBM and its various partners seek by working together high-light the reality that in the twenty-first century landscape, firms must develop the skills required to successfully use cooperative strategies as a complement to their abilities to grow and improve performance through internally developed strategies and mergers and acquisitions.

Q20. What is a strategic alliance? What are the three types of strategic alliances firms use to develop a competitive advantage?

Ans :

Meaning

A strategic alliance is a cooperative strategy in which firms combine some of their resources and capabilities to create a competitive advantage. Thus, strategic alliances involve firms with some degree of exchange and sharing of resources and capabilities to co-develop, sell, and service goods or services.

Strategic alliances allow firms to leverage their existing resources and capabilities while working with partners to develop additional resources and capabilities as the foundation for new competitive advantages.

Types

1. Joint Venture

A joint venture is a strategic alliance in which two or more firms create a legally independent company to share some of their resources and capabilities to develop a competitive advantage.

Joint ventures, which are often formed to improve firms' abilities to compete in uncertain competitive environments, are effective in establishing long-term relationships and in transferring tacit knowledge.

2. Equity Strategic Alliance

An equity strategic alliance is an alliance in which two or more firms own different percentages of the company they have formed by combining some of their resources and capabilities to create a competitive ad-vantage.

3. Non-equity Strategic Alliance

A nonequity strategic alliance is an alliance in which two or more firms develop a contractual relationship to share some of their unique resources and capabilities to create a competitive advantage. In this type of alliance, firms do not establish a separate independent company and therefore, do not take equity positions.

Q21. Define corporate level cooperative strategy. What are the three corporate level cooperative strategy?

Ans :

Meaning

A firm uses a corporate-level cooperative strategy to help it diversify in terms of products offered or markets served, or both. Diversifying alliances, synergistic alliances, and franchising are the most commonly used corporate level cooperative strategies.

1. Diversifying Strategic Alliance

(i) A diversifying strategic alliance is a corporate-level cooperative strategy in which firms share some of their resources and capabilities to diversify into new product or market areas.

(ii) The spread of high-speed wireless net-works and devices with global positioning chips and the popularity of Web site applications running on Apple's iPhone and Research in Motion's BlackBerry (and other 'mart-phones) shows that consumers are increasingly accessing mobile information.

(iii) Equipped with this knowledge, Alcatel-Lucent is entering the market through mo-pile advertising, which will allow a cell phone carrier to alert customers about the location of a favorite store or the closest ATM.

(iv) It is pursuing this diversification alliance with 1020 Place cast, a California based developer of cell phone online ads associated with user locations. Hyatt, FedEx, and Avis are especially interested in using the service. The ads will also include a link to coupons or their promotions.

2. Synergistic Strategic Alliance

A synergistic strategic alliance is a corporate-level cooperative strategy in which firms share some of their resources and capabilities to create economies of scope.

3. Franchising

Franchising is a corporate-level cooperative strategy in which a firm (the franchisor) uses a franchise as a contractual relationship to describe and control the sharing of its resources and capabilities with partners (the franchisees).

Q22. Why do strategic alliances have become attractive in execution of major projects? What are the benefits and limitations?

Ans : **(Oct.-22)**

A strategic alliance refers to a business agreement where two organizations join forces to accomplish a mutually beneficial goal. Each participating organization preserves its independence and autonomy in a strategic alliance, remaining an individual entity while working toward shared objectives.

Benefits

1. **Expand business opportunities and revenue**

   Agreeing to join a strategic alliance means a business is open to working with companies outside of its geographic location.

   If you work for an entertainment promotions business in New Delhi, you may build a strategic alliance with a company in Mumbai to help increase name recognition and provide a service beneficial to their company.

2. **Attain different sources of income :** Working with a strategic alliance may improve the resources to scale a company and replenish the services it provides to its partner.

   For example, the company in your strategic alliance might provide graphic design services, while the company you work for specializes in copywriting services.

Limitations

Here are some disadvantages of a strategic alliance:

1. **Experience communication challenges**

   A disadvantage of strategic alliances a company may experience is communication challenges. This may happen because a company may have challenges sharing information with its alliances or it may communicate differently than how the other company communicates.

2. **Earn unequal benefits**

   In a strategic alliance, the company you work for can experience unequal benefits. In these agreements, one company may earn more benefits than the other.

3. **Risk a company's reputation :** Similar to how you may enhance a company's reputation through a strategic alliance, you may risk decreasing a company's public perception.

4.7 Diversification Strategy

Q23. What is diversification strategy? Explain the formulation of diversification strategy.

Ans : **(Sep.-23, Aug.-21, Dec.-19)**

Diversification is a form of corporate strategy for a company. It seeks to increase profitability through greater sales volume obtained from new products and new markets. Diversification can occur either at the business unit level or at the corporate level.

At the business unit level, it is most likely to expand into a new segment of an industry which the business is already in. At the corporate level, it is generally and it is also very interesting entering a promising business outside of the scope of the existing business unit.

Formulation of Diversification Strategy

The steps involved in the formulation of a diversification strategy are similar to the various corporate strategies formulation. The following are the steps involved in formulating a diversification strategy,

The organisations should firstly conduct an assessment of the projects of the firms for determining the feasibility in formulating and implementing the diversification strategy. This process involves following steps,

1. Firm should be aware of the available opportunities in the market and has to analyse and evaluate each diversification opportunity.
2. After analysing the opportunities the firm should conduct a feasibility study.
3. In the third step, the conducts SWOT analysis for recognizing their strengths and weaknesses to face the threats and to grab the opportunities.
4. In the fourth step, firm selects a diversification product.
5. In the fifth step, the firm gathers all the resources for the project.
6. After acquiring all the necessary resources, the firm should implement the project in an effective and efficient manner.

7. After implementing, evaluate the performance of the project for taking corrective actions.

4.7.1 Why Firm Diversify

Q24. Explain the various Reasons for Diversification.

(OR)

Explain the need to diversify by the organization with suitable cases.

(OR)

Why firms diversify? Give reasons.

Ans : **(Feb.-24, April-23)**

Companies diversify their activities due to various reasons. Now, we discuss these reasons.

1. Fast Organizational Growth

Organisational diversify their activities and operations in order to grow at a fast rate into related and unrelated areas.

For example, Tata Group which was originally in the area of iron and steel diversified into automobile, telecommunications, consultancy services, and finance. Reliance diversified its activities in petroleum products, finance, telecom-munications and retail business.

2. Effective Risk Management

Organisations carrying out single portfolio business face risks due fluctuations in demand for and supply for products and production factors. Diversified organizations manage risk most efficiently due to the balance between demand for and supply of its various diversified products.

Therefore, organizations diversify their activities to manage and reduce risk.

3. Maximum Utilization of Resources

Organisations diversify the production and service activities in order to make use of manufacturing facilities and other facilities like marketing facilities and distribution facilities to the fullest extent.

For example, Coca-Cola (India) Limited diversified activities by producing Kinley mineral water to make use of production as well as marketing facilities to a maximum extent.

4. Financial Factors

Organisations producing capital goods like machinery and equipment may face cash flow, working and liquidity problems.

Such organisations diversify the activities into consumer goods and while goods industries in which cash flow and liquidity positions would be favourable. For example, Reliance which was in petroleum industry diversified into retail marketing.

5. To Reduce Weaknesses

Orgnisations posses strengths as well as weaknesses in their various internal operations as well as resources. Organisations diversify their activities or portfolios into those areas whose strengths wipe out the weaknesses of the organisations.

6. Technology

Organisations diversify the activities, sometimes, in order to avail the latest technology.

7. Formulation of Diversification Strategy

Formulation of diversification strategy resemble the practice of formulating various corporate strategies.

4.7.2 Different Types of Diversification Strategies

Q25. What are the Different Types of Diversi-fication Strategies?

(OR)

Explain the classification of Diversi-fication Strategies.

(OR)

Explain the different types of Diversi-fication Strategies.

(OR)

List out types of diversification strategy.

(OR)

Discuss the different types of diversification strategies.

Ans : **(Sep.23, April-23, Aug.-21, Sep.-20, Dec.-19, Imp.)**

Diversification can be of three types viz.,

(i) Concentric diversification (or) Related diversificotion

(ii) Horizontal diversification and

(iii) Conglomerate diversification (or) Unrelated diversification

(i) Concentric Diversification

Companies pursue concentric diversification strategy remain relatively simple. The total efforts of the company concentrate on a limited combination of customer groups, customer functions and alternate technologies and products.

(ii) Horizontal Diversification Strategy

Many companies expand by creating other firms in their same line of business. The reasons for engaging in this process of horizontal integration are :

(a) To increase the market share,

(b) To reduce the cost of operations per unit of business through the large scale economies,

(c) To get greater leverage to deal with the customers and suppliers,

(d) To promote the products and services more efficiently to a large audience,

(e) To have greater access to channels of distribution,

(f) To enjoy increase operational flexibility,

(g) Finally to take the advantage of the benefits of synergy.

iii) Conglomerate Strategy : The firms adapt conglomerate strategy in order to :

(a) Achieve growth rate higher than what can be realized through expansion,

(b) Make effective use of financial resources with retained profits exceeding immediate investment needs,

(c) Avail of potential opportunities of profitable investments,

(d) Achieve distinctive competitive advantage and broader stability,

(e) Improve that price-earnings ratio and bring about a higher market price of shares.

Q26. Compare and contrast related and unrelated diversification strategy with suitable examples.

Ans : **(May-19, Imp.)**

(i) Related diversification occurs within the same industry. New businesses are related to the core business of the company. Unrelated diversification occurs in different industries. It involves diversifying into totally new businesses that have no relationship with the core business of the company.

(ii) Resource-sharing and skills-transfer between different businesses are the focus of the related diversification approach. The main focus of the unrelated diversification approach is to create shareholder value by acquiring new market segments.

(iii) Related diversification is conspicuous by the value-chain commonalities among the businesses.

(iv) Related diversification can create value in more ways than unrelated diversification.

(v) Since management has prior knowledge about managing a similar type of enterprise, they are better capable of managing related businesses Therefore, related diversification involves fewer risks than unrelated diversification.

Q27. What is related (or) concentric diversification? State the advantages of concen-tric diversification.

Ans :

Meaning

Related diversification is the most popular distinction between the different types of diversifica-tion and is made with regard to how close the field of diversification is to the field of the existing business activities.

Related diversification occurs when the company adds to or expands its existing line of production or markets. In these cases, the company starts manufacturing a new product or penetrates a new market related to its business activity. Under related diversification the company makes easier the consumption of its products by producing complementing goods or offering complementing services.

For example, a shoe producer starts a line of purses and other leather accessories; an electronics repair shop adds to its portfolio of services the renting of appliances to the customers for temporary use until their own are repaired

Advantages

(i) Spreading the risk by way of producing similar and/or related goods, offering similar or complementing services, or penetrating similar markets;

(ii) In the majority of cases the companies use existing, available resources and experience;

(ii) If the company starts producing part of the raw materials (components) for its main production line, it guarantees better quality, lower prices and regular supplies;

(iv) Strategic goals can be combined and, as a result, opportunities arising throughout the "production chain" can be shared and fully utilized.

(v) Better usage of opportunities to share technologies, skills and expertise, common distribution channels, similar management techniques and adapting resources.

(vi) Economies of scale can be achieved through the elimination or significant reduction of certain expenses when more than one business activity is developed in a common company and also because of the opportunities to use any internal connections arising along the business chain.

(vii) Synergy effect - when two activities are integrated, the result is greater than the sum of the results of two individual activities.

Q28. What is unrelated (or) conglomerate diversification? State the advantages and disadvantages of conglomerate diversification.

Ans :

Meaning

Unrelated Diversification is a form of diversification when the business adds new or unrelated product lines and penetrates new markets. For example, if the shoe producer enters the business of clothing manufacturing. In this case there is no direct connection with the company´s existing business - this diversification is classified as unrelated.

The unrelated diversification is based on the concept that any new business or company, which can be acquired under favorable financial conditions and has the potential for high revenues, is suitable for diversification.

Advantages

1. The unrelated diversification which is carefully developed and undertaken only after thorough analysis of the environment and the company´s own *resources* usually brings very good financial results. However, in all cases it should be a low risk investment with a potential for high returns.

2. In some cases of company acquisition, this diversification can secure funds on hand during a seasonal slowdown, adding to the cash flow for the main business activity.

3. Spreading the risk through different sectors of the economy. It is very important to identify industries in which the business activity slowdown does not coincide with the slowdowns in the main business of the company.

Disadvantages

1. Achieving successful unrelated diversification requires good management skills, closely following each of the business activities and timely identifying and solving even the smallest problems. The greater the number of business activities, the more difficult is the total management task.

2. In many instances the overall performance of the unrelated business activities does not exceed the individual ones. Sometimes it is even worse, unless the managers are exceptionally talented and focused.

3. As a rule, the implementation of unrelated diversification strategy requires allocation of significant financial and human resources and there is always the risk of harming the main company business.

4.8 The Concept of Core Competence

Q29. Describe the role of core competence while framing competitive strategies.

(OR)

How core competences play an important role in organizational Turnaround Strategy? Explain.

Ans : **(April-23, Dec.-19, May-19)**

Meaning

The core competency theory is the theory of strategy that prescribes actions to be taken by firms to achieve competitive advantage in the marketplace. The concept of core competency states that firms must play to their strengths or those areas or functions in which they have competencies.

In addition, the theory also defines what forms a core competency and this is to do with it being not easy for competitors to imitate, it can be reused across the markets that the firm caters to and the products it makes, and it must add value to the end user or the consumers who get benefit from it.

Building Core Competencies

Firms use four specific criteria of sustainable competitive advantage to build its core competencies.

The four important core competencies are the capabilities that are:

1. Valuable
2. Rare
3. Costly to imitate and
4. Non substitutable.

1. Valuable

Valuable capabilities, allow the company to take advantage of opportunities and make the threats ineffective in its external environment. A firm creates value for its customers by utilizing the capabilities to take advantage of the opportunities.

2. Rare

Rare capabilities are the capabilities that only a few competitors of the company possess. So, the capabilities which are valuable and which are not common are the source for competitive advantage. Competitive advantage can be obtained only when a company develops and takes advantage of valuable capabilities, that differ from its competitors.

3. Costly to Imitate

The capabilities that other firms cannot develop easily are the capabilities that are "costly to imitate".

(i) The costly to imitate capabilities are created when a company develops capabilities because of its unique historical culture.

(ii) The second reason for creating a costly to imitate capability is when the link between the company's capabilities and its competitive advantage is difficult to classify.

(iii) The third reason is the social complexity.

4. Non-substitutable

Non substitutable capabilities are the capabilities that do not have substitutes equivalent to a particular strategy.

Non substitutable capabilities are an important source of competitive advantage as there will be no capabilities that can be considered as strategically equivalent valuable resource. If there are no substitutes, the strategic value of capability increases.

Q30. What is distinctive to competence with examples?

Ans : **(May-19, Imp.)**

(i) A distinctive competency is a company's unique competency. It is some characteristic of a business that it does better than other competitors. It can be the company's technologies, skills, best practices etc.

(ii) Almost every company does one competitively important activity in the most effective way when compared to the other internal things and it does so that it can claim that activity as its core competence.

(iii) For examples, Sharp Corporation's distinctive competence in flat-panel display technology has enabled it to dominate the worldwide market for Liquid Crystal Displays (LCDs).

(iv) The distinctive competencies to Toyota and Honda in low-cost, high-quality manufacturing and to design-to-market cycles for new models have proved to be considerable competitive advantages in the global market for motor vehicles.

(v) Intel's distinctive competence in rapidly developing new generations of ever more powerful semiconductor chips for personal computers has helped give the company a dominating presence in the personal computer industry.

(vi) Starbucks distinctive competence in store ambience and innovative coffee drinks has propelled it to the forefront among coffee retailers.

4.9 Strategies and Competitive Advantage in Diversified Companies and its Evaluation

Q31. Explain the concept of Competitive Advantage in Diversified Companies.

Ans : **(Sep.-20, Imp.)**

1. Competitive Advantages of Related Diversification

(i) Spreading the risk by way of producing similar and/or related goods, offering similar or complementing services, or penetrating similar markets;

(ii) In the majority of cases the companies use existing, available resources and experience;

(iii) If the company starts producing part of the raw materials (components) for its main production line, it guarantees better quality, lower prices and regular supplies;

(iv) Strategic goals can be combined and, as a result, opportunities arising throughout the "production chain" can be shared and fully utilized.

(v) Better usage of opportunities to share technologies, skills and expertise, common distribution channels, similar management techniques and adapting resources.

(vi) Economies of scale can be achieved through the elimination or significant reduction of certain expenses when more than one business activity is developed in a common company and also because of the opportunities to use any internal connections arising along the business chain.

(vii) Synergy effect - when two activities are integrated, the result is greater than the sum of the results of two individual activities.

2. Competitive Advantages of Unrelated Diversification

(i) The unrelated diversification which is carefully developed and undertaken only after thorough analysis of the environment and the company´s own *resources* usually brings very good financial results.

However, in all cases it should be a low risk investment with a potential for high returns.

(ii) In some cases of company acquisition, this diversification can secure funds on hand during a seasonal slowdown, adding to the cash flow for the main business activity.

(iii) Spreading the risk through different sectors of the economy. It is very important to identify industries in which the business activity slowdown does not coincide with the slowdowns in the main business of the company.

Q32. Explain the evaluation of a strategy in a diversified company.

(OR)

What are the steps involved in evaluating a diversified company's strategy?

Ans : **(Sep.-20, Imp.)**

Step 1: Evaluating Industry Attractiveness

Industry attractiveness is evaluated for determining,

(a) The industry which the company has diversified into, indicates a good business for the company to operate or not.

(b) The highest attractive and lowest attractive industry.

(c) The level of appeal offered by the diversified industries in which the company has invested.

Industry attractiveness can be measured on the basis of,

(i) Size of the market and its expected growth rate.

(ii) The competition level and intensity.

(iii) Growing threats and opportunities.

(iv) The existence of cross industry strategic fits.

(v) Resource requirements.

(vi) Various seasonal and cyclical factors like economic vulnerability and seasonal demands.

(vii) Social, political, regulatory and environmental factors.

(viii) Industry's high profits rate and high expected rate of return on investments.

(ix) Uncertainties and risks associated with the diversified industry.

Industry attractiveness is rated on a scale of 1 to 10. In the rating scale, the high rating denotes high attractiveness and low ratings denotes low attractiveness.

Step 2: Evaluating Business Unit Competitive Strength

The competitive strength of a business unit is evaluated with the help of following two steps:

(a) Calculation of competitive strength scores for each business unit and

(b) Interpretation of competitive strength scores.

(a) Calculation of Competitive Strength Scores

The quantitative measures which are used in the calculation of competitive strengths are as follows,

(i) Relative Market Share

Relative market share is given as, The market share of the company Market share of largest competitor in the industry.

The market share is measured or expressed in unit volume. If the relative market share ratio is less than '1' then the company's competitive strength and market position is expected to be weak and vice versa.

(ii) Counting on key Product Attributes

The key product attributes of a firm that provides enhanced customer satisfaction and loyalty include Product performance, Reliability and Service.

(iii) Ability to Benefit from Strategic Fits with Similar Businesses

The strategic fits with similar businesses helps a firm to improve its competitive strength and attain competitive advantage.

(iv) Tendency to Bargain

Effective bargaining with key suppliers and customers acts as a source of competitive advantage for the firm.

(v) Alliances and Partnerships

Effective and smooth supply chain helps in the formation of alliances with key suppliers. Good and strong partnerships enhances the competitive strength of business and provides competitive advantage to the firm.

(vi) Brand as an Asset

A strong brand image and reputation helps the firm in attaining competitive advantage over its rivals.

(vii) Competitively Valuable Capabilities

The valuable capabilities which add to the competitive advantage of the firms are,

- Technological leadership
- Product innovation and
- Marketing process.

These capabilities are formulated in such a way that they matches with the required industrial level of competition and success.

(viii) Profitability in Relation to Competitors

Profitability levels that reach above average margin signifies, strong competitive position of the firm. The below average profitability signifies the firm's competitive disadvantage.

(b) Interpretation of Competitive Strength Scores

The competitive strength of business units are rated on a scale of 1 to 10.

Step 3: Examining The Competitive Advan-tage Potential of Cross-Business Strategic Fits

This step can be skipped for diversified companies, the businesses of which are unrelated. The capability to convert strategic fits into competitive advantage is essential to judge to what extent company's related diversification strategy is effective.

Examining the competitive advantage potential of cross business strategic fits requires carrying out searching and evaluating what advantages diversified company can get by comparing the value chains of related businesses.

Comparison of value chain bring the following advantages to the company,

(a) Value chain comparison give a chance to transfer resources like skills, intellectual capital or technology between the businesses.

(b) Give opportunities to sister businesses to collaborate with one another in order to build new competitive capabilities.

(c) Give opportunities to combine some activities which results in minimization of cost and wider economies of scope.

(d) Provide opportunities to share popular brand name.

Step 4: Testing the Resource Fit

The businesses in a diversified company should possess a good 'Resource Fit'. Businesses are said to have possessed good resource fit when,

(a) Business of a company are contributing to the overall resource strengths of a company and

(b) Company possesses sufficient resources to fulfill all the requirements of its businesses.

Whether the company is capable to generate adequate cash flows to meet its capital needs, pay dividends, pay off debts and retain its financial position illustrates its 'Resource Fit'.

Step 5: Ranking Performance and Prioritizing for Allocation of Resources

After evaluating the diversified company's strategy based on competitive strength, industry attractiveness, strategic fit and resource fit. The performance of the businesses are ranked and priorities are set for businesses for the purpose of resource allocation.

The performance of businesses is judged by taking into account by following factors,

- Increases in profits.
- Increase in sales.
- Contribution of business unit to overall company's revenue.
- Return on capital investment made on business unit.
- At times, cash flow of a business unit is also taken into account to determine the performance of a business unit.

Based on ranks given to future performance of business units, priorities are set for each business unit for resources allocation. Decision has to be taken regarding which business unit should be assigned with top priority and which business unit should be assigned with low priority.

Step 6: Implementing New Strategies to Improve the Company's Overall Performance Level.

The conclusions drawn from the above mentioned five steps help in setting new strategies for improving the overall performance of a diversified company. Some of the strategies for improving overall company's performance are,

(a) Widening the scope of a company by acquiring new businesses in new industries.

(b) Restructuring and redesigning the diversified company's business.

(c) Sticking on to existing business activities and grabbing the opportunities offered by existing businesses.

4.10 International Strategies

Q33. Expain briefly about International Strategies.

Ans :

Meaning

Firms choose to use one or both of two basic types of international strategies: business-level international strategy and corporate-level international strategy. At the business level, firms follow generic strategies: cost leadership, differentiation, focused cost leadership, focused differentiation, or integrated cost leadership/differentiation.

International Business-Level Strategy

Each business must develop a competitive strategy focused on its own domestic market' International business level strategies have some unique features. In an international business level strategy, the home country of operation is often the most important source of competitive advantage.

(i) Factors of Production

The first dimension in Porter's model is the factors of production. This dimension refers to the inputs necessary to compete in any industry - labor, land, natural resources, capital, and infrastructure (such as transportation, postal, and communi-cation systems).

There are basic factors (for example, natural and labor resources) and advanced factors (such as digital communication systems and a highly educated workforce).

Other production factors are generalized (highway systems and the supply of debt capital) and specialized (skilled personnel in a specific industry, such as the workers in a port that specialize in handling bulk chemicals).

(ii) Demand Conditons

The second dimension in Porter's model, demand conditions, is characterized by the nature and size of buyers' needs in the home market for the industry's goods or services. A large market segment can produce the demand necessary to create scale-efficient facilities.

Related and supporting industries are the third dimension in Porter's model.Thaly has become the leader in the shoe industry because of related and supporting industries; a well-established leather-processing industry provides the leather needed to construct shoes and related products.

Also, many people travel to Italy to purchase leather goods, providing support in distribution. Supporting industries in leather-working machinery and design services also contribute to the success of the shoe industry. In fact, the design services industry supports its own related industries, such as ski boots, fashion ap-parel, and furniture.

(iii) Firm Strategy, Structure

Firm strategy, structure, and rivalry make up the final country dimension and also foster the growth of certain industries. The types of strategy, structure, and rivalry among firms vary gready from nation to nation.

The excellent technical training system in Germany fosters a strong emphasis on continuous product and process improvements.

Q34. What are the three international corporate level strategies?

Ans : **(Imp.)**

The three international corporate-level strategies are multidomestic, global, and transnational.

1. Multidomestic Strategy

(i) A multidomestic strategy is an international strategy in which strategic and operating decisions are decen-tralized to the strategic business unit in each country so as to allow that unit to tailor products to the local market.

(ii) A multidomestic strategy focuses on competition within each country. It assumes that the markets differ and therefore, are segmented by country boundaries.

(iii) The multidomestic strategy uses a highly decentralized approach, allowing each division to focus on a geographic area, region, or country.

(iv) In other words, consumer needs and desires, industry conditions (*e.g.*, the number and type of competitors), political and legal structures, and social norms vary by country.

2. Global Strategy

(i) In contrast to a multidomestic strategy, a global strategy resumes more standardization of products across country markets. As a result, a global strategy is centralized md controlled by the home office.

(ii) The strategic business units operating in each country are assumed to be interdependent, and the home office attempts to achieve integration across these businesses.

(iii) The firm uses a global strategy to offer standardized products across country markets, with competitive strategy being dictated by the home office.

(iv) Thus, a global strategy emphasizes economies of scale and offers greater opportunities to take innovations developed at the corporate level or in one country and utilize them in other markets. Improvements in global accounting and financial reporting standards are facilitating this strategy.

3. Transnational Strategy

(i) A transnational strategy is an international strategy through which the firm seeks to achieve both global efficiency and local responsiveness.

Realizing these goals is difficult: One requires close global coordination while the other requires local flexibility. "Flexible coordination" building a shared vision and individual commitment through an integrated network is required to implement the transnational strategy.

(ii) Such integrated networks allow a firm to manage its connections with customers, suppliers, partners, and other parties more efficiently rather than using arm's-length transactions.

Q35. What environmental trends are affecting international strategy?

Ans : **(Imp.)**

(i) Liability of Foreignness

The dramatic success of Japanese firms such as Toyota and Sony in the United States and other international markets in the 1980s was a powerful jolt to the US managers and awakened them to the importance of international competition in markets that were rapidly becoming global.

In the twenty-first century, China, India, Brazil, and Russia represent major international market opportunities for firms from many countries, including the United States, Japan, Korea, and the European Union.

(ii) Regionalization

Regionalization is a second trend that has become more common in global markets. Because a firm's location can affect its strategic competitive-ness, it must decide whether to compete in all or many global markets, or to focus on a particular region or regions. Competing in all markets provides economies that can be achieved because of the combined market size.

Research suggests that firms that compete in risky emerging markets can also have higher performance.

Q36. What five modes of international expansion are available, and what is the normal sequence of their use?

Ans : **(Imp.)**

International expansion is accomplished by exporting products, participating in licensing arrangements, forming strategic alliances, making acquisitions, and establishing new wholly owned subsidiaries.

Thus, choosing the appropriate mode or path to enter international markets affects the firm's performance in those markets.

(i) Exporting

Many industrial firms begin their international expansion by exporting goods or services to other countries. Exporting does not require the expense of establishing operations in the host countries, but exporters must es-tablish some means of marketing and distributing their products. Usually, exporting firms develop contractual arrangements with host-country firms.

(ii) Licensing

Licensing is an increasingly common form of organizational network, particularly among smaller firms." A licensing arrangement allows a foreign company to purchase the right to manufacture and sell the firm's products within a host country or set of countries.

The licensor is normally paid a royalty on each unit produced and sold. The licensee takes the risks and makes the monetary investments in facilities for manufacturing, marketing, and distributing the goods or service.

(iii) Strategic Alliances

In recent years, strategic alliances have become a popular means of international expansion. Strategic alliances allow firms to share the risks and the resources required to enter international markets.

Moreover, strategic alliances can facilitate the development of nea cars competencies that contribute to the firm's future strategic competitiveness.

(iv) Acquistion

As free trade has continued to expand in global markets, cross border acquisitions have also been increasing significants. Aquisitions can provide quick access to a new market. In fact, acquisitions often provide the fastest and the largest initial international expansion of any of the alternatives. Thus, entry is much quicker than by other modes.

For example, while Wal-Mart entered India through an alliance with Bharti group (due to the regulatory regime in India regarding entry of foreign firms in the retail sector), in Germany and the United Kingdom it did so by acquiring local firms. Later, Wal-Mart withdrew from Germany.

(v) New Wholly Owned Subsidiary

The establishment of a new wholly owned subsidiary is referred to as a greenfield venture. The process of creating such ventures is often complex and potentially costly, but it affords maximum control to the firm and has the most potential to provide above average returns.

This potential is especially true of firms with strong intangible capabilities that might be leveraged through a greenfield venture. A firm maintains full control of its operations with a greenfield venture. More control is especially advantageous if the firm has proprietary technology.

Q37. How do establishment of core competence enable; organizations to compete better?

Ans : **(Oct.-22, Imp.)**

Core competencies are the resources and capabilities that comprise the strategic advantages of a business. A modern management theory argues that a business must define, cultivate, and exploit its core competencies in order to succeed against the competition

A business can choose to be operationally excellent in a number of different ways. Below are common core competencies found in business:

(i) Greatest Quality Products

This core competency means the company's products are most durable, long-lasting, and most reliable. The company will likely have invested in the strongest quality control measures, technically proficient workers, and high-quality raw materials.

(ii) Most Innovative Technology

This core competency means the company is an industry leader in its sector. The company will likely have invested heavy amounts of capital into research & development, holds many patents, and hires experts in respective fields.

(iii) Best Customer Service

This core competency means customers have the greatest experience during (and after) their purchase. The company will likely have invested in training for staff, large numbers of customer service representatives, and processes to manage exceptions or issues as they arise.

(iv) Largest Buying Power

This core competency leverages a company's economy of scale. This company will likely have invested in mergers or acquisitions and have built up strong relationships with vendors to gain favorable pricing or service.

(v) Strongest Company Culture

This core competency promotes the internal atmosphere of the business. The company aims to attract the best talent by investing heavily in employee recognition, development, or collaborative, fun events.

(vi) Fastest Production or Delivery

This core competency means the company is able to make or ship items the fastest. The company will likely have invested in connected software systems as well as production processes and distribution relationships.

(vii) Lowest Cost Provider

This core competency means the company charges the lowest price among comparable goods. The company will likely have invested in the most efficient processes the reduce labor or material input.

(viii) Highest Degree of Flexibility

This core competency allows the company to quickly pivot in response to business opportunities or challenges. The company will likely have invested in cross-training across employees or nimble software solutions.

Short Questions and Answers

1. Describe the role of core competence while framing competitive strategies.

Ans :

The core competency theory is the theory of strategy that prescribes actions to be taken by firms to achieve competitive advantage in the marketplace. The concept of core competency states that firms must play to their strengths or those areas or functions in which they have competencies. In addition, the theory also defines what forms a core competency and this is to do with it being not easy for competitors to imitate, it can be reused across the markets that the firm caters to and the products it makes, and it must add value to the end user or the consumers who get benefit from it. In other words, companies must orient their strategies to tap into the core competencies and the core competency is the fundamental basis for the value added by the firm.

2. What are the differences between mergers and acquisitions?

Ans :

Sl.No.	Characteristics	Merger	Acquisition
1.	**Meaning**	A merger is the fusion of two or more companies that voluntarily come together to form a new entity or company	An acquisition is the process whereby a company or business entity purchases or acquires another one but no new company is formed
2.	**Purpose**	A merger happens to decrease competition as well as to increase operational efficiency	To consolidate aninstantaneous growth
3.	**Size of Company**	The size of the merging companies is more or less the same	The acquiring company is larger or bigger than the acquired one

3. Turnaround Strategy.

Ans :

According to Ansoff, "Turnaround strategy is actually a combination of both external action related to markets, creditors, etc., and internal actions related to resources, operations and particular nature of what is threatening the firm from within or outside".

4. Define Mergers.

Ans :

Merger refers to a friendly joining together of two organizations as in a corporate marriage, usually with the sanction of both firm's top strategic decision makers. Mergers are usually based on the core competencies of firms.

For example, two companies with similar core competencies (e.g., in marketing) in marketing may merge to strengthen their overall competitive position.

Alternative, two firms may merge to combine complementary core competencies.

For example, a firm possesses a competency in its marketing may merge with a firm that has good brand name.

5. Explain the types of mergers.

Ans :

i) **Horizontal Mergers:** Horizontal mergers take place when there is a combination of two or more organizations in the same business, or of organizations engaged in certain aspects of the production or marketing processes.

ii) **Vertical Mergers:** Vertical mergers take place when there is a combination of two or more organizations, not necessarily in the same business, which create complementarily, either in terms of supply of materials (inputs) or marketing of goods and services (outputs).

iii) **Concentric Mergers:** Concentric mergers take place when there is a combination of two or more organizations unrelated to each other, either in terms of customer functions, customer groups, or alternative technologies used.

iv) **Conglomerate Mergers:** Conglomerate mergers take place when there is a combination of two or more organizations unrelated to each other, either in terms of customer functions, customer groups, or alternative technologies used.

v) **Reverse Mergers:** Reverse merger, also known as back door listing, or a reverse merger, is a financial transaction that results in a privately-held company becoming a publicly-held company without going the traditional route of filing a prospectus and undertaking an initial public offering (IPO).

6. Define the term acquisition.

Ans :

Takeover is a process of acquiring a specific amount of equity capital of a company which helps the acquire to control the operations of the company. If an acquire purchases more than 50 percent of paid-up equity of acquired company, then he can exercise his control on all functions of the company. The acquire can have an effective control on the acquired company even with 20 to 40 percent of equity holding, as the leftover shareholders are separated and not properly organized and they are unable to question the powers of the acquire.

7. What are joint ventures?

Ans :

A joint venture is created when two companies agree to form a separate vehicle for a particular purpose, while the main unit continues to operate as before. The features of a joint venture are identified by the following:

i) Two entrepreneurs or companies join together to establish a common undertaking investing money and other resources such as knowledge, skill or any other asset. The right of management or mutual control of the enterprise is clearly defined.

ii) Generally, they have a limited scope and duration relevant to the purpose.

iii) It involves only a small fraction of participants total activities.

iv) The partners to the joint venture are interested in the joint property.

v) The joint venture is to anticipate profit where partners define the right to share in profit.

8. What is diversification strategy?

Ans :

Diversification is a form of corporate strategy for a company. It seeks to increase profitability through greater sales volume obtained from new products and new markets. Diversification can occur either at the business unit level or at the corporate level. At the business unit level, it is most likely to expand into a new segment of an industry which the business is already in. At the corporate level, it is generally and it is also very interesting entering a promising business outside of the scope of the existing business unit.

9. Concentric Diversification

Ans :

Companies pursue concentric diversification strategy remain relatively simple. The total efforts of the company concentrate on a limited combination of customer groups, customer functions and alternate technologies and products.

Concentric diversification strategies include producing new products that are useful to the same customer group. For example a TV Company pursues a diversification strategy of producing DVD player. Gujarat Gas Company pursued a diversifica-tion strategy of selling gas stoves and provides finance to buy gas stoves and gas connections. Similarly, Hindustan Beverages Ltd., which produces coca-cola pursued concentric diversification strategy of producing '*Kinley*' purified water and other beverages like 'Sprite' and 'Fanta'.

10. Horizontal Diversification

Ans :

Many companies expand by creating other firms in their same line of business. The reasons for engaging in this process of horizontal integration are:

- To increase the market share,
- To reduce the cost of operations per unit of business through the large scale economies,
- To get greater leverage to deal with the customers and suppliers,
- To promote the products and services more efficiently to a large audience,
- To have greater access to channels of distribution,
- To enjoy increase operational flexibility,
- Finally to take the advantage of the benefits of synergy.

Choose the Correct Answers

1. Which authority has any power to approve or disapprove an amalgamation or a demerger? [b]
   (a) SEBI (b) High court
   (c) NSE (d) None of the above
2. Company, part of whose assets and liabilities are transferred in parts to two or more companies is known as [b]
   (a) Resulting company (b) Demerged Company
   (c) Reverse merged company (d) Amalgmated Company
3. Company who receives the assets and liabilities are transferred in parts to two or more companies is known as [b]
   (a) Demerged Company (b) Resulting company
   (c) Reverse merged company (d) Amalgamated company
4. The date from which the assets and liabilities shall retrospectively be transferred from the books of the transferor company to the books of transferee company is known as [b]
   (a) Effective date (b) Appointed date
   (c) Active date (d) None of the above
5. A merger in which an entirely new firm is created and both the acquired and acquiring firms cease to exist is called a: [b]
   (a) divestiture. (b) consolidation.
   (c) tender offer. (d) spinoff.
6. A public offer by one firm to directly buy the shares of another firm is called a: [c]
   (a) merger. (b) consolidation.
   (c) tender offer. (d) spinoff.
7. Going-private transactions in which a large percentage of the money used to buy the outstanding stock is borrowed is called a: [d]
   (a) tender offer. (b) proxy contest.
   (c) merger. (d) leveraged buyout.
8. An agreement between firms to create a separate, co-owned entity established to pursue a joint goal is called a: [c]
   (a) consolidation. (b) strategic alliance.
   (c) joint venture. (d) merged alliance.
9. The sale of a portion of a firm's assets, operations, or divisions to a third party is referred to as a: [b]
   (a) liquidation. (b) divestiture.
   (c) merger. (d) allocation.
10. Which of the following Indian Conglomerates acquired the cosmetics company Yardley? [a]
   (a) Wipro (b) ITC
   (c) Emami (d) Dabur

Fill in the Blanks

1. _________ strategies derive their name from the action involved, that is, reversing a negative trend.
2. _________ refers to a friendly joining together of two organizations as in a corporate marriage, usually with the sanction of both firm's top strategic decision makers.
3. _________ is a process of acquiring a specific amount of equity capital of a company which helps the acquire to control the operations of the company.
4. A _________ is created when two companies agree to form a separate vehicle for a particular purpose, while the main unit continues to operate as before.
5. A _________ strategy is a means by which firms work together to achieve a shared objective.
6. A _________ alliance is a cooperative strategy in which firms combine some of their resources and capabilities to create a competitive advantage.
7. _________ is a form of corporate strategy for a company.
8. Companies pursue _________ diversification strategy remain relatively simple.
9. _________ Diversification is a form of diversification when the business adds new or unrelated product lines and penetrates new markets.
10. The _________ theory is the theory of strategy that prescribes actions to be taken by firms to achieve competitive advantage in the marketplace.

ANSWERS

1. Turnaround
2. Merger
3. Takeover
4. Joint venture
5. Co-operative
6. Strategic
7. Diversification
8. Concentric
9. Unrelated
10. Core competency

UNIT V	**Strategy Evaluation and control** – Establishing strategic controls for Measuring performance – appropriate measures- Role of the strategist – using qualitative and quantitative benchmarking to evaluate performance - strategic information systems – problems in measuring performance – Guidelines for proper control- Strategic surveillance -strategic audit - Strategy and Corporate Evaluation and feedback in the Indian and international context.

5.1 Strategy Evaluation and Control

Q1. Define the term Strategy Evaluation and Control. Write about its nature and importance.

Ans :

Meaning

Strategic evaluation and control constitutes the final phase of strategic management.

Strategic evaluation operates at two levels: strategic and operational. At the strategic level, we are concerned more with the consistency of strategy with the environment. At the operational level, the effort is directed at assessing how well the organization is pursuing a given strategy.

Nature

(i) The purpose of strategic evaluation is to evaluate the effectiveness of strategy in achieving organizational objectives.

(ii) Thus, strategic evaluation and control could be defined as the process of determining the effectiveness of a given strategy in achieve-ing the organizational objectives and taking corrective action wherever required.

(iii) From this definition, we can infer that the nature of the strategic evaluation and control process is to test the effectiveness of strategy. During the two preceding phases of the strategic management process, the strategists formulate the strategy to achieve a set of objectives and then implement the strategy.

(iv) Now there has to be a way of finding out whether the strategy being implemented will guide the organisation towards its intended objectives. Strategic evaluation and control, therefore, performs the crucial task of keeping the organisation on the right track.

Importance

A strategy may not yield the intended results for many different reasons like,

(i) The external factors may not be consistent with the strategy.

(ii) The unexpected activities undertaken by the competitors may create gaps in the strategy.

(iii) The strategy execution should not be done on chance basis.

The managers should continuously observe the things, initiate checks and balances and perform mid-course corrections in the initial stages for executing the strategies.

Q2. What are the barriers of strategic eva-luation and control?

(OR)

What types of barriers are commonly faced in evaluation?

Ans :

The following are the barriers of strategic evaluation and control:

(i) Limits of Controls

By its very nature, any control mechanism presents the di-lemma of too much versus too little control. It is never an easy task for strategists to decide the limits of control.

Too much control may impair the ability of managers, adversely affect initiative and creativity, and create unnecessary impediments to efficient performance. On the other hand, too less control may make the strategic evaluation process ineffective and redundant.

(ii) Difficulties in Measurement

The process of evaluation is fraught with the danger of difficulties in measurement. These mainly relate to the reliability and validity of the measurement techniques used for evaluation, lack of quantifiable objectives or performance standards, and the inability of the information system to provide timely and valid information.

The control system may be distorted and may not evaluate uniformly or may measure attributes which are not intended to be evaluated.

(iii) Resistance to evaluation

The evaluation process involves controlling the behaviour of individuals and, like any other similar organisational mechanism, is likely to be resisted by managers.

(iv) Short-termism

Managers often tend to rely on short-term implications of activities and try to measure the immediate results. Often, the long-term impact of performance on strategy and the extended effect of strategy on performance is ignored.

This is so as immediate assessment seems to be the easy way out and taking the long-term implications into account may be seen as too tedious.

(v) Relying on efficiency versus effective-ness

It is instructive to remember that efficiency is 'doing the things rightly' while effectiveness is 'doing the right things'. There is often a genuine confusion among managers as to what constitutes effective performance.

Measuring the wrong parameters may lead to a situation where the right type of performance does not get rewarded. In fact, sometimes performance that does not really contribute to the achievement of objectives may be rewarded if assessed on the basis of efficiency alone.

5.1.1 Strategic Control

Q3. What is Strategic Control? Explain different types of Strategic Control.

Ans :

Meaning

The process of strategic management makes it clear that a strategy is formulated on 'The basis of several assumptions. These relate to the environmental and organisational factors, which are dynamic and eventful. There is a considerable gap between the time when a strategy is formulated and the time when it is implemented.

The process of implementation is itself time-consuming. During this intervening period, there is a possibility that the assumptions made while formulating a strategy will not remain valid or, at least, are no longer so relevant.

Types

The four basic types of strategic controls are:

1. Premise control
2. Implementation control
3. Strategic surveillance
4. Special alert control

The following subsections address each of these four strategic controls.

1. Premise Control

Every strategy is based on certain assumptions about environmental and organisational factors. Some of these factors are highly significant and any change in them can affect the strategy to a large extent.

Premise control is neces-sary to identify the key assumptions, and keep track of any change in them so as to assess their impact on strategy and its implementation.

For instance, a company may base its strategy on important assumptions related to environmental factors (e.g. government policies), industrial factors (e.g. nature of competition), and organisational factors (e.g. breakthrough in R and D).

2. Implementation Control

The implementation of a strategy results in a series of plans, programmes, and projects . Resource allocation is done to implement these. Implementation control is aimed at evaluating whether the plans, programmes, and projects are actually guiding the organisation towards its predetermined objectives or not.

If, at any time, it is felt that the commitment of resources to a plan, programme or project would not benefit the organisation as envisaged, they have to be revised. In this manner, implementation control may lead to strategic rethinking.

3. Strategic Surveillance

The premise and implementation types of strategic controls are specific in nature. Strategic surveillance, on the other hand, is aimed at a more generalised and overarching control "designed to monitor a broad range of events inside and outside the company that are likely to threaten the course of a firm's strategy". Strategic surveillance can be done through a broad-based, general monitoring on the basis of selected information sources to uncover events that are likely to affect the strategy of an organisation.

4. Special Alert Control

The last of the strategic control systems is the special alert control, which is based on a trigger mechanism for rapid response and immediate reassessment of strategy in the light of sudden and unexpected events. Special alert control can be exercised through the formulation of contingency strategies and assigning the responsibility of handling unforeseen events to crisis management teams.

Examples of such events can be the sudden fall of a government at the central or state level, instant change in a competitor's posture, an unfortunate industrial disaster, or a natural catastrophe.

Q4. Explain the process of strategic control.

(OR)

Outline the various steps involved in strategic control.

(OR)

Explain the process of strategic evaluation and control in details.

Ans : **(Dec.19, May-19, Imp.)**

Step 1: Key Areas to be Monitored

(a) Macro-environment

One of the key areas to be monitored is the macro-environment of the company. This area should be focussed first. Normally, individual companies cannot influence the environment significantly. But, the external environmental forces must be continuously monitored as the changes in the environment influence the strategic implementation process of the company. Continuous strategic fit between the company and its external environment is necessary. Therefore, strategic control is essential.

(b) Strategic Monitoring and Control Includes

Modifying any one or more of the areas like company's mission, objectives, goals, strategy formulation and strategy implementation. The modification depends upon the nature and degree of changes and shifts in the environment.

(c) Industry Environment

The strategist also monitors and control the industry related environment. The environmental forces may not be as they were planned.

(d) Internal Operations

The strategist has to evaluate the internal operations continuously in view of the changes in the macro-environment and industry environment. The strategist has to, introduce changes in internal operations when the changes in the environment affect the strategy.

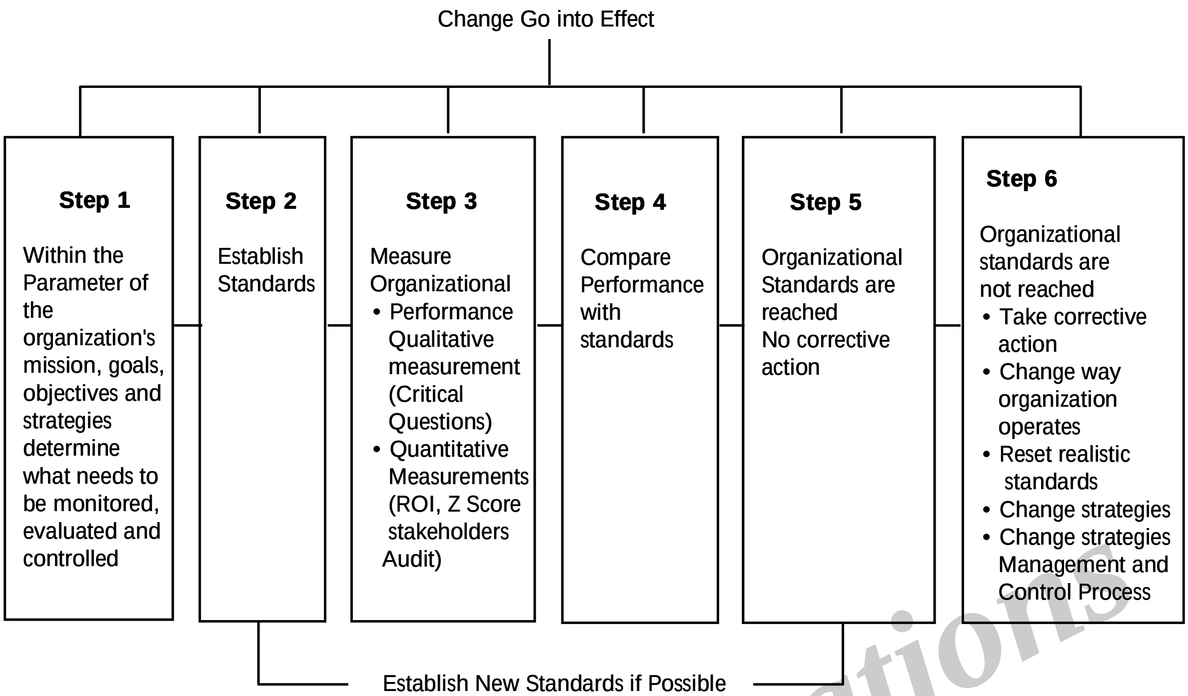


Fig.: Strategic control process

Step 2: Establishing Standards

(i) Evaluating an organisational performance is normally based on certain standards.

(ii) These standards may be the previous year's achievements or the competitor's records or the fresh standards established by the management.

(iii) Qualitative judgements like the qualitative features of the product of service in the last year may be used. Quantitative measures like return or investment, return on sales may also be used for judging the performance.

(iv) Companies should establish the standards for evaluating the performance of the strategies taking several factors into consideration.

Step 3: Measuring Performance

The strategist has to measure the performance of various areas of the organization before taking an action. Strategic audits and strategic audit measurement methods are useful to measure the organisational performance.

(i) Strategic Audit: A strategic audit is an execution and evaluation of organization's operations affected by the strategy implementation. Strategic audit may be very comprehensive, emphasising all facets of a strategic management process. It may also be narrowly focused, emphasising only on a single part of the process such as environmental process.

(ii) Strategic Audit Measurement Methods

The strategic audit measurement methods are classified into two types. They are,

(a) Qualitative Methods

Qualitative measurements deals with non- numerical data which are instinctively summarized. These measurements are sequentially arranged and helps the strategists to make decision and to control the strategic actions.

(b) Quantitative Organizational Measurements

In this method the performance of strategy implementation is expressed in the form of numerical data, which is summarized and arranged sequentially to arrive at the conclusions and to suggest strategic action. Quantitative measurements helps in analyzing. Production cost and marketing cost.

Step 4: Compare Performance with Stan-dards

Once the performance of the different aspects of the organization is measured, it should be compared with the predetermined standards. Standards are set to achieve the already formulated organisational goals and strategies.

Normally, the standards vary from one company to the other company. Further, they also vary from time to time in the same company. The standards developed by General Electric can be used as model standards. These standards include.

(i) **Profitability Standards:** These standards include how much gross profit, net profit, return - investment, earning per share, percentage of profit to sales the company should earn in a given me period.

(ii) **Market Position Standards:** These standards include total sales, sales-region-wise and product-wise, market share, marketing costs, customer service, customer satisfaction, price, customer loyalty shifts from other organizations' products etc.

(iii) **Productivity Standards:** These standards indicate the performance of the organization in terms of conversion of inputs into outputs. These standards include capital productivity, labour productivity, material productivity, etc.

(iv) **Product Leadership Standards:** These standards include the innovations and modifications products to increase the new uses of the existing product, developing new products with new uses, etc.

Step 5: Take No Action if Performance is in Harmony with Standards

If the performance of various organisational areas match with the standards, the strategist need not take any action. He should just allow the process to continue. However, he can try to improve the performance above the standards, if it would be possible, without having any negative impact on the existing process.

Step 6: Take Corrective Action, if necessary

Strategist should take necessary corrective action, if performance is not in harmony with standards.

The strategists compare the performance with standards. If they find any deviation between the standards and performance, they should take corrective action to bridge the gap between the standards and performance.

Corrective Action: Corrective action may be defined as change in a company's operations to ensure that it can more effectively and efficiently reach its goals and perform up to its established standards.

Q5. Discuss the significance of strategic controls in measuring firm performance.

Ans : **(Feb.-24, Imp.)**

Strategic controls are a critical aspect of measuring firm performance, as they help organizations to monitor and adjust their strategies to ensure that they are achieving their desired outcomes. Here are some of the significance of strategic controls in measuring firm performance:

1. Alignment with Goals

Strategic controls help to ensure that an organization's strategies and actions are aligned with its goals and objectives.

By monitoring key performance indicators (KPIs) and other metrics, organizations can determine whether their strategies are leading them towards their desired outcomes, and make adjustments as necessary.

2. Early Identification of Problems

Strategic controls enable organizations to identify problems and issues early on, before they become major issues. By regularly monitoring KPIs and other metrics, organizations can identify when things are not going as planned, and take corrective action to address the problem before it escalates.

3. Continuous Improvement

Strategic controls help organizations to continuously improve their performance by providing feedback on how well they are performing against their goals and objectives. By analysing performance data and making adjustments to their strategies, organizations can continuously improve their performance and achieve better outcomes over time.

4. Risk Management

Strategic controls also play a role in risk management by helping organizations to identify and mitigate risks. By monitoring key performance indicators and other metrics, organizations can identify potential risks and take steps to mitigate them before they become actual problems.

5. Competitive Advantage

Strategic controls can also provide organizations with a competitive advantage by helping them to identify opportunities and respond to changes in the market.

By monitoring the performance of competitors and other external factors, organizations can identify new opportunities and adjust their strategies to stay ahead of the competition.

5.1.2 Operational Control

Q6. What is Operational Control? Explain the evaluation techniques Operational Control.

Ans :

Meaning

Operational control is aimed at the allocation and use of organisational resources Though an evaluation of the performance of organisational units, such as, divisions, SBUs, and so on, to assess their contribution to the achievement of organisational objectives. Operational control is concerned with action or performance, and this is probably the reason why it is used so extensively in organisations.

Techniques

The techniques used for evaluating operational control is divided into three categories. They are as follows,

1. Comparative analysis
2. Internal analysis and
3. Comprehensive analysis.

1. Comparative Analysis

In comparative analysis technique of evaluation, the organizational performance is compared against its previous performance or with the performance of the competitors. Comparative analysis includes industry norm, historical analysis and benchmarking.

(a) Industry Norm: Industry norm is a compara-tive method wherein the performance of the firm is evaluated based on the industry norms.

This type of evaluation assists the organization in matching its performance with the competitors' performance and helps in striving to exceed the competitor's performance level.

(b) Historical Analysis: In historical analysis method, the performance of the organi-zation in the present year is compared with its past performances. One advantage of this method is that the organization will become aware of its performances in the specific time period through historical analysis. The organization can also become aware of the changes in its performance during the specified time horizon.

(c) **Benchmarking:** Benchmarking is a comparative method wherein the organiza-tion identifies the best practices in a particular area and set these best practices as standards for measuring its perfor-mances.

Best practices acts as benchmarks. After setting the best practices as benchmarks, the Organization strives to meet such benchmarks.

2. Internal Analysis

Internal analysis is concerned with finding out the strengths and weaknesses of the organization in a definite form. Internal analysis includes.

(a) **Value Chain Analysis:** Value chain analysis emphasizes on a group of inter-connected activities which are carried out in a systematic manner for manu-facturing and marketing products or services.

The value chain analysis is useful for operational control as it divides the whole organizational task into recogni-zable activities and this division assists in the successful evaluation of operational control.

(b) **Qualitative Analysis:** Qualitative analysis is an extension of quantitative analysis technique. Qualitative analysis is applied for evaluating those aspects which cannot be measured in terms of numbers and figures.

(c) **VRIO Framework:** VRIO stands for Valuable, Rare, Inimitable and organized. VRIO framework is based on an idea that an organization can achieve sustainable strategic advantage if it uses the capabilities which are valuable, rare, inimitable and organized for usage. VRIO framework can be used for evaluation as it helps in determining whether the valuable, rare, inimitable and organized capabilities are present or not.

(d) **Quantitative Analysis:** Quantitative analysis makes use of financial as well as non-financial quantitative aspects like tangible units or time for evaluating the performance. The main advantage behind using financial and non-financial aspects is that the use of these aspects makes the task performance evaluation easy and helps in checking the evaluation.

3. Comprehensive Analysis

Comprehensive analysis makes use of complete approach instead of emphasizing just on one area of activity or department or function. The comprehensive analysis consists of,

(a) **Key Factor Rating:** Key factor rating method takes into consideration key factors in many areas. These key factors are set as standards for evaluating the performance. As the performance areas of the organization is seen from the broader perspective in key factor rating method, it is considered as a comprehensive method.

(b) **Balanced Scorecard:** Balanced scorecard method focuses on finding out four key performance measures relating to internal business perspective, financial perspective, customer perspective and innovation and learning perspective. Balanced scorecard method is a balanced approach to performance evaluation as it considers different parameters for evaluating the performance. Balanced scorecard method is used for evaluating the performances concerned with internal business processes, customers, human resources and finance.

(c) **Business Intelligence Systems:** The organization is facilitated with various internal and external data sources which assists in taking effective decisions. Business intelligence system is used to grab knowledge from all these internal and external sources. Even though, business intelligence systems are not designed for operational control, they provides the information needed for operational control. Business intelligence systems are. mainly used in corporate performance management.

Q7. Compare and contrast strategic control and operational control.

Ans :

S.No.	Nature	Strategic control	Operational control
1.	Aim	Proactive, continuous questioning of the basic direction of strategy	Allocation and use of organisational resources
2.	Main concern	'Steering' the organisation's future direction	Action control
3.	Focus	External environment	Internal organisation
4.	Time horizon	Long-term	Short-term
5.	Exercise of control	Exclusively by top management, may be through lower-level support	Mainly by executive or middle-level management on the direction of the top management
6.	Main techniques	Environmental scanning, information gathering, questioning and review	Budgets, schedules, and MBO

5.2 Establishing Strategic Controls for Measuring Performance - Appropriate Measures

Q8. Describe strategic control for measuring performance of an organization.

(OR)

What are the measures for establishing strategic controls.

Ans : **(May-19, Imp.)**

(a) Performance measures indicating excess revenues generated from research and development department. This excessive revenue shows organisations capability to invest in productive activities to attain organisational excellence.

(b) Performance measures related to financial aspects like-market value of shares, Return On Investments (ROI), return on equity shares and so on.

(c) Performance measures indicating the degree of satisfaction of various stakeholders i.e., internal customers (employees), external customers, shareholders and locality members.

Usually, most of the authors prefer corporate performance measurement paradigm for measuring corporate performance. The actual supporters of this paradigm used performance measures as a tool to determine the excellent organisations in America. In the recent past, Kanji has introduced "Business Excellence index" on the basis of corporate performance measurement paradigm. This index failed in describing the corrective activities to be undertaken to achieve organisational excellence. Thus, corporate performance measures identified in this paradigm indicates organisational excellence.

1. Behaviour Controls

It refers to the act of controlling the performance of the activities by using policies, rules, standard operating procedures and orders from a superior.

2. Output Controls

These controls depict the actual tasks of accomplishments by focussing on the ultimate outcome/result of the behaviours. This can be done by using the existing objectives and performance targets or milestones.

3. Input Controls

These controls mainly concentrate on resources like skills, abilities, knowledge, values and motives of the employees.

Q9. Summarize the various qualitative and quantitative criteria for strategy evaluation and control.

(OR)

Explain qualitative and quantitative benchmark to evaluate organizational performance.

Ans : **(April-23, May-19, Imp.)**

Criteria are nothing but standards based on which the strategies are evaluated and controlled. The two types of criteria to control the strategy are,

1. Qualitative criteria
2. Quantitative criteria.

1. Qualitative Criteria

Qualitative criteria plays an important role in evaluating the strategies. To evaluate strategies, one needs to consider the six qualitative questions identified by Seymour Tilles,

(i) Is the strategy internally consistency?

(ii) Does the strategy suits environment?

(iii) Is the strategy suitable for the available resources?

(iv) Does the strategy have a proper time framework?

(v) Is the strategy practical?

(vi) Is there any risk involved in strategy?

Qualitative criteria is used to conduct a subjective evaluation of various factors like core competencies, strategic clarity, capabilities, risk-bearing capacity, workability and flexibility. Qualitative criteria plays a significant role in strategic control. In strategic control, qualitative criteria is used to evaluate strategy prior to its execution.

2. Quantitative Criteria

Financial ratios are the commonly employed qualitative criteria used to evaluate strategies. Some of the financial rations are,

(i) Return on equity

(ii) Return on Investment

(iii) Debt to equity

(iv) Asset growth

(v) Earnings per share

(vi) Market share

(vii) Sales growth

(viii) Profit margin

These ratios are used to make three important comparisons,

(a) Comparison of organizations present performance with its past performance.

(b) Comparison or organizations performances with the performance of competing firms.

(c) Comparison of organizations performance with the industry averages.

5.2.1 Balanced Score Card

Q10. Define Balanced Score Card. State the various perspectives of Balanced Score Card.

Ans :

Meaning

Robert Kaplan and David Norton developed the balanced scorecard in the early 1990s as a performance measurement system. The balanced scorecard evaluates organizational performance from various perspectives.

This is so because managers who used to focus their attention primarily on measuring and controlling financial performance, are increasingly recognizing the need to evaluate other aspects of organizational performance to assess the value-creating activities.

The balanced scorecard is a framework that firms can use to verily that they have established both strategic and financial controls to assess their performance. This technique is most appropriate for use when dealing with business-level strategies, but can also apply to corporate-level strategies.

Perspectives

Four perspectives are integrated to form the balanced scorecard framework: financial, customer, business process, and learning and growth.

(a) Financial Perspective

Kaplan and Norton do not disregard the traditional need for financial data. Timely and accurate funding data will always be a priority, and managers will do whatever necessary to provide it. In fact, often there is more than enough handling and processing of financial data. With the implementation of a corporate database, it is hoped that more of the processing can be centralized and automated.

(b) Customer Perspective

Recent management philosophy has shown an increasing realization of the importance of customer focus and customer satisfaction in any business. These are leading indicators: if customers are not satisfied, they will eventually other suppliers that will meet their needs. Poor performance from this perspective is thus a leading indicator of future decline, even though the current financial picture may look good.

(c) Business Process Perspective

This perspective refers to internal business processes. Metrics based on this perspective allow the managers to know how well their business is running, and whether its products and services conform to customer requirements (the mission). These metrics have to be carefully designed by those who know these processes most intimately.

(d) Learning and Growth Perspective

This perspective includes employee training and corporate cultural attitudes related to both individual and corporate self-improvement. In a knowledge-worker organization, people - the only repository of knowledge - are the main resource. In the current climate of rapid technological change, it is becoming necessary for knowledge workers to be in a continuous learning mode.

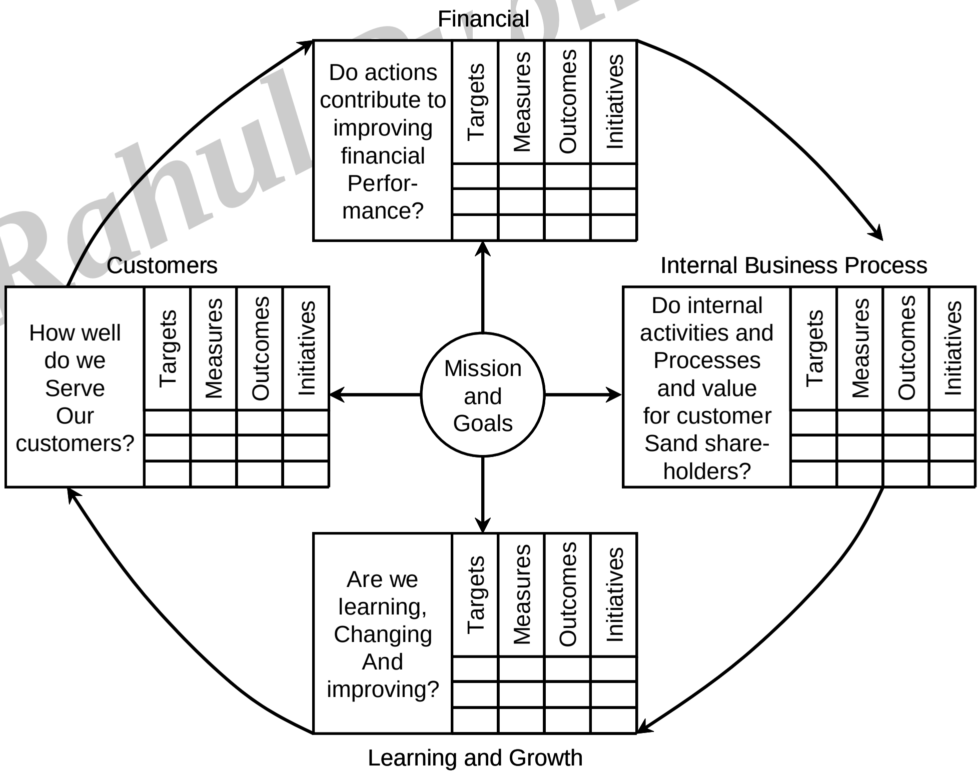


Fig.: Balanced Scorecard

Extended Perspectives to Balanced Scorecard

1. **Workforce Perspective**

   How prepare is our workforce? User's criteria related to the skills, attitudes, psychology, and sociology of workforce, such as empowerment, team functioning, and diversity.

2. **Networking Perspective**

   How dynamic are our network partners, suppliers, and collaborators? User's criteria related to the breadth, resources, capabilities, positions, and commitment of network partners, such as joint development projects.

3. **Social Capital Perspective**

   How supportive is the community of our initiatives? User's criteria related to social and ecological performance and quality of exchange with the community, such as positive view of the company in the media.

5.2.2 Activity Based Costing

Q11. Define activity based costing. What are the characteristics and benefits of ABC?

Ans :

Definition

Activity-Based Costing (ABC) is a method for estimating the resources required to operate an organization's business processes, produce its products and serve its customers.

In a business organization, the ABC methodology assigns an organization's resource costs through activities to the products and services provided to its customers. It is generally used as a tool for understanding product and customer cost and profitability.

As such, ABC has predominantly been used to support strategic decisions such as pricing, outsourcing and identification and measurement of process improvement initiatives.

Activity-based Costing (ABC) is an alternative to the traditional way of accounting. ABC is a costing model that identifies the cost pools, or activity centers, in an organization. It assigns costs to products and services (cost drivers), based on the number of events or transactions that are taking place in the process of providing a product or service.

As a result, Activity-based Management can support managers to see how shareholder value can be maximized and how corporate performance can be improved.

Characteristics

Simple traditional distinction made between fixed and variable cost is not enough guide to provide quality information to design a cost system/

The more appropriate distinction between cost behaviour patterns are volume related, diversity related, events related and time related.

Cost drivers need to be identified.

Benefits

(i) Identify the most profitable customers, products and channels.

(ii) Identify the least profitable customers, products and channels.

(iii) Determine the true contributors to- and detractors from- financial performance.

(iv) Accurately predict costs, profits and resources requirements associated with changes in production volumes, organizational structure and costs of resources.

(v) Easily identify the root causes of poor financial performance.

(vi) Track costs of activities and work processes.

(vii) Equip managers with cost intelligence to stimulate improvements.

(viii) Facilitate a better Marketing Mix

(ix) Enhance the bargaining power with the customer.

(x) Achieve better Positioning of products.

Q12. What are the Limitations of Activity – based Costing?

Ans :

The following are the limitations of ABC :

(a) Allocation

Not all costs have appropriate or unambiguous activity or resource consumption cost drivers. Some costs require allocations to department and precuts based on arbitrary volume measures because finding the activity that causes the cost is impractical.

(b) Omission of Costs

Product or service costs identified by an ABC system are likely to not include all costs associated with the product or service. Product or service costs typically do not include costs for such activities as marketing, advertising, research and development, and product engineering even though some of these costs can be traced to individual products or services.

(c) Expense and Time

An ABC system is not cost free and is time-consuming to develop and implement. For firms or organizations that have been using a traditional volume-based costing system, installing a new ABC system is likely to be very expensive.

5.2.3 Primary Measures of Corporate Performance

Q13. What are the Primary measures of corporate performance?

Ans: **(Imp.)**

Traditionally, the following financial measures such as ROI and EPS were quite popular and were used as measures to evaluate the overall corporate performance. In the present scenario analysts have suggested greater range of methods for accessing the success or failure of a strategy.

The measures such as stakeholder measures shareholder value and the balanced score card approach are being used. All these methods holds its supporters as well as detractions and the present trend greatly focuses upon the difficult financial measures and an increase in the use of non-financial measures of corporate performance.

For instance, research shows that companies who implement the strategies proposed for the purpose of innovation and new product development presently focuses more on the use of nonfinancial measures when compared to the financial measures.

1. Traditional Financial Measures

Return on Investment (ROI) is one of the invest commonly used measure of corporate performance with respect to profits. ROI is obtained simply by dividing the net income before taxes by total assets.

$$\boxed{\text{ROI} = \frac{\text{Net Income before taxes}}{\text{Total Assets}}}$$

Earnings per Share (EPS)

It is calculated by dividing net earnings by the number of shares of common stock issued. This EPS possess different but equally acceptable values based on the principle selected for its calculation.

EPS also has different deficiencies like an evaluation of past and future performance since there is an availability of alternatives i.e., accounting principles. EPS does not take into consideration the time value of money as it is normally based on accrual income wherein the conversion of income to cash is usually delayed.

Return on Equity (ROE)

This is computed by dividing net income by total equity. ROE also suffers from certain limitations as it is initiated resulted out from accounting based data.

ROI also suffers certain limitations due to which these three measures are regarded as in adequate measures of corporate performance.

2. Stakeholder Measures

Every stakeholder has there own set of reasons ascertaining as to the level of organization performance. These factors usually comprises direct and indirect effect on the corporate activities on stakeholders interests.

Usually in many corporations top management must develop more simple stakeholder measures especially for every category of stakeholder then, it keeps the record of stakeholder concerns.

3. Shareholder Value

Shareholders value acts as a better measure (in lace of ROI, ROE and EPS) of corporate performance and a measure of strategic management's measuring efficiency.

Shareholder value means the present value of the anticipated future stream of cash flows from the business including the value of a company when liquidated.

The value of a corporation is therefore, is equals to the value of its cash flows discounted back to its present value and makes use of the business cost of capital as the discount rate and if returns is more than the cost of capital then, business will create value which is worth more than when compared with the capital invested in the business.

The New York consulting firm Stern Stewart and company introduced two types of shareholder value measures. They are,

(a) Economic Value Added [EVA].

(b) Market Value Added [MVA].

Number of companies like Coca-cola, General Electric, AT & T, Whirlphool, Quaker Oats, Eli Lilly, Georgria-Pacific, Polaroid, Sprient, Teledyne and Tenneco have introduced this EVA and MVA as the best standards for corporate performance.

(a) Economic Value Added [EVA]

Economic Value Added (EVA) approach was developed by Stern Stewart and company. In present scenario, it is very popular and many persons refer it with different names like Peter Drucker referred it as measure of total factor productivity and feature magazine referred it as "today's hottest financial idea and getting hotter".

EVA is basically the excess amount left on after making a proper charge for the capital invested in the business. EVA can be evaluated in different ways. They are,

EVA = NOPAT - C* × CAPITAL

EVA = CAPITAL (r – C*)

EVA = [PAT + INT (1 – t)] - C* CAPITAL

EVA = PAT - K_e EQUITY

Where,

EVA = Economic Value Added

NOPAT = Net Operating Profit After Tax

C* = Cost of Capital

CAPITAL = Economic book value of the capital invested in the firm.

r = Return on Capital

= NOPAT/CAPITAL

PAT = Profit After Tax

INT = Interest expense of the firm

t = Marginal tax rate of the firm

K = Cost of equity

EQUITY = Equity utilized in the firm.

(b) Market Value Added

MVA is the variation among the market value of i corporation and the capital invested by shareholders ar.: lenders. MVA evaluates the estimates of stock market as the net present value of a firms past as well as expected capital investment projects. Thus, MVA is the present value of th; future. MVA can be calculated by following,

Step 1: In the first step all the capital which is being investe; in the company through share holders, bond holders an; retained earnings must be added together.

Step 2: Few accounting expenses like R&D which show th;- they are actually investments in future earnings. This in tun- gives total capital of a firm.

Step 3: With the help of current stock price, summarise all the outstanding stock and then, add it to the company's debt Then company's market value is derived. When this marke: value is more than all the capital invested in it, it means the firm has a positive which implies management has created wealth.

Sometimes the market value of the company may be less than the capital kept into it, shareholder wealth is being demolished.

5.3 Role of the Strategist

Q14. Explain the role of strategist in strategic control.

(OR)

Explain the role of strategist in an organization.

(OR)

Discuss about role of strategist.

(OR)

Explain the role of a Strategist in strategy execution.

Ans : **(Feb.-24, Sep.-20, Dec.-19, Imp.)**

The various participants in strategic evaluation and control and their respective roles are as follows:

1. Shareholder

Every organization is ultimately responsible to its shareholders - lenders and the public in the case of private companies, and the government in the public sector companies.

The role of shareholders, in practice however, is limited. This is especially true of the general public where the individual holding is too small to be of any effective value in strategic evaluation.

2. Board of Directors

The Board of Directors enacts the formal role of reviewing and screening executive decisions in the light of their environmental, business and organizational implications. In this way the Board is required to perform the functions of strategic evaluation in more generalized terms.

3. Chief Executives

Chief executives are ultimately responsible for all the administrative aspects of strategic evaluation and control. Ideally, a chief executive should not sit in judgment over the performance of the organization under his or her control. Rather, the chief executive should be evaluated on the basis of his/her performance.

This leads to the question that who should evaluate the chief executive. In case where the chief executive is accountable to no one in particular (this is possible in the case of an entrepreneurial organization), it is difficult to allocate this responsibility apart from relying on self-evaluation.

4. Role of the Managers

(i) **SBU or Profit Centre Heads:** The SBU or profit centre heads may be involved in performance evaluation at their levels and may facilitate evaluation by corporate-level executive.

(ii) **Financial Controllers, Company Secretaries, and External and Internal Auditors:** Financial controllers, company secretaries, and external and internal auditors form the group of persons who are primarily responsible for operational control based on financial analysis, budgeting, and reporting.

(iii) **Audit and Executive Committees:** Audit and executive committees, set up by the Board or the chief executive, may be charged with the responsibility of continuous screening of performance. The corporate planning staff or department may also be involved in strategic evaluation.

(iv) **Middle- level managers:** Middle- level managers may participate in strategic evaluation and control as providers of information and feedback, and as the recipients of directions from above, to take corrective actions.

5. Financial Controllers, Company Secretaries and Auditors

In corporate organization, it is the financial controllers, company secretaries and auditors both internal and external, are basically responsible for operational control based on financial analysis, budgeting and budgetary control and reporting.

6. Audit and Executive Committees

Audit and executive committees that are setup by the Board of Directors or the CEO are charged with the responsibility of continuous or perpetual monitoring and screening of performance.

The corporate planning staff or the entire department is involved in this process of strategic evaluation and control as they have designed the strategy or strategic plan.

7. Strategic Business Unit

In case of large organizations there are strategic business units, each act as a profit centre and, therefore, the heads of these SBUs are to evaluate the departmental or unit level performance. This performance evaluation helps the performance evaluation by the corporate level executives.

5.4 Benchmarking

Q15. Define benchmarking. Explain the features of benchmarking.

Ans : **(Aug.-21, May-19)**

Meaning

Benchmarking is an analytical tool used to determine whether a firm's value chain Activities are competitive compared to rivals and thus conducive to winning in the marketplace. Benchmarking entails measuring costs of value chain activities across an industry to determine "best practices" among competing firms for the purpose of duplicating or improving upon those best practices.

Definitions

(i) According to Camp, "Benchmarking is finding and implementing best practices in the business".

(ii) According to Prescott "Benchmarking which is an objective, ongoing search for best practices and processes, is an essential tool for organizations committed to achieving world class standards of performance".

Features

(i) It enables the best practices from any industry to be creatively incorporated into the processes of the benchmarked function.

(ii) It can provide stimulation and motivation to the professional whose creativity is required to perform and implement benchmark findings.

(iii) Benchmarking breaks down ingrained reluctance of operations to change. It has been found that people are more receptive to new ideas and their creative adoption when those ideas did not necessarily originate in their own industry.

(iv) Bench marking may also identify technological breakthrough that would not have been recognized, and thus not applied, in one's own industry for some time to come, such as bar coding, originally adopted and proven in the grocery industry.

(v) It helps to encourage improved performance of supply chain.

(vi) It helps to plan improvement in supply chain processes.

(vii) It helps to re-engineer business processes in supply line.

(viii) It helps to gain a competitive advantage for a chain in the industry.

(ix) It is used for performance comparisons and to set targets.

Q16. Explain the Objectives of Bench-marking.

Ans :

Benchmarking is a continuous formal process of measuring, understanding and adapting more effective practices from best-in-class organizations that lead to superior performance. Benchmarking is essential to provide the best service to the customers. The objective of benchmarking is to understand and evaluate the current position of a business or organization in relation to "best practice", and to identify areas and means of performance improvement. Other objectives of benchmarking are as follows:

(i) Improve employee performance and their organization,

(ii) Help to know about industry leaders and competitors,

(iii) Help to determine world-class performance,

(iv) Accelerate and manage change,

(v) Achieve breakthrough results,

(vi) Improve customer satisfaction,

(vii) Become the best in the business.

Q17. Explain the Classification of Bench-marking.

Ans :

When one is interested in finding out what is to be compared then there are three types of benchmarking.

(i) Performance Benchmarking : It is to compare one's own performance with that of some other organization for the purpose of determining how good one's own organization is.

(ii) Process Benchmarking : It is to compare the methods and practices for performing processes.

(iii) Strategic Benchmarking : It is to compare the long-term, significant decisions and actions undertaken by other organizations to achieve their objectives.

When one is interested in finding out against whom to compare oneself then there are four types of benchmarking.

(i) Internal Benchmarking : It is comparison between units or departments of the same organization.

(ii) Competitive Benchmarking : It is a direct comparison of one' own performance against the best competitors.

(iii) Functional Benchmarking: It is a compari-son of processes of functions against noncompetitive organizations within the same sector or technological area.

(iv) Generic Benchmarking : It is a comparison of one's own processes against the best practices anywhere in any type of organization.

5.4.1 Using Qualitative and Quantitative Benchmarking to Evaluate Performance

Q18. Explain the Quantitative and Qualitative Benchmarking to Evaluate Performance.

(OR)

Discuss the qualitative and quantitative benchmarks used in strategy evaluation and control.

(OR)

Summarize the various qualitative and quantitative criteria for strategy evaluation and control.

Ans : **(April-22, Aug.-21, Dec.19, May-19, Imp.)**

Benchmarking, an increasingly popular program, is based on the concept that it makes no sense to reinvent something that someone else is already using. It involves openly learning how others do something better than one's own company so that one not only can imitate, but perhaps even improve on their current techniques. The benchmarking process usually involves the following steps :

1. Identify the area or process to be examined. It should be an activity that has the potential to determine a business unit's competitive advantage.
2. Find behavioral and output measures of the area or process and obtain measurements.
3. Select an accessible set of competitors and best-in-class companies against which to benchmark. These may very often be companies that are in completely different industries, but perform similar activities.
4. Calculate the differences among the company's performance measurements and those of the best-in-class and determine why the differences exist.
5. Develop tactical programs for closing performance gaps.
6. Implement the programs and then compare the resulting new measurements with those of the best-in-class companies.

Benchmarking has been found to produce best results in companies that are already well managed.

Performance can be evaluated by using qualitative and quantitative benchmarking:

1. Quantitative Criteria

On the basis of quantitative criteria perfor-mance evaluation can be done in two ways: an organization can assess how it has performed as compared to its past achievements, and it can also compare its performance with the industry average or that of major competitors. There are several criteria.

Quantitative Techniques for Measuring Organizational Performance

(i) Return on Investment (ROI),

(ii) Z Score Model, and

(iii) Stakeholder Measures.

2. Qualitative Criteria

The quantitative criteria, with all their characteristic objectivity and sophistication, cannot be sufficient for an overall assessment of performance.

There has to be a special set of qualitative criteria for a subjective assessment of the factors like capabilities, core competencies, risk-bearing capacity, strategic clarity, flexibility, and workability.

Qualitative Techniques for Measuring Organizational Performance

(i) Internally Consistency: Internal consistency is concerned to the cumulative impact of various strategies on organization. Are strategies conflicting with each other? Strategies should also be judged by their relationship with other organizational initiatives.

(ii) Consistency with its Environment: Normally, organizational strategies are formulated based on the industry's environment and general environment.

(iii) Proper Allocation of Organizational Resources: Strategy implementation invariably requires the allocation of sufficient resources. Therefore, the strategist should enquire, whether the existing organizational resources are sufficient to carryout a proposed strategy. The strategist should not implement the strategy, without the allocation of sufficient money, material, machines/technology and human resources.

(iv) Time Horizon: Organizational strategies are formulated to achieve specific goals within a time framework. The strategist should require whether the time framework, under the existing circumstances, is realistic and acceptable or not?

Two types of goal displacement are behavior substitution and sub-optimization:

(i) Behavior Substitution

Behavior substitution refers to a phenomenon when people substitute activities that do not lead to goal accomplishment for activities that do lead to goal accomplishment because the wrong activities are being rewarded.

Managers, like most people, tend to focus more of their attention on those behaviors that are clearly measurable than on those that are not. Employees often receive little to no reward for engaging in hard-to-measure activities such as cooperation and initiative.

(ii) Sub-Optimization

Sub-optimization refers to the phenomenon when a unit optimizes its goal accomplish-ment to the detriment of the organization as a whole. The emphasis in large corporations on developing separate responsibility centers can create some problems for the corporation as a whole.

To the extent that a division or functional unit views itself as a separate entity, it might refuse to co-operate with other units or divisions in the same corporation if co-operation could in some way negatively affect its performance evaluation.

5.5 Strategic Information Systems

Q19. What is Strategic Information Systems?

(OR)

Define the term Strategic Information Systems. State the features of Strategic Information Systems.

(OR)

What is strategic information system? How does it helps the management to make decisions?

Ans : **(Feb.-24, April-23, Aug.-21, Dec.-19, Imp.)**

Meaning

Strategic Information System (SIS) is a system that helps companies change or otherwise alter their business strategy and/or structure. It is typically utilized to streamline and quicken the reaction time to environmental changes and aid it in achieving a competitive advantage.

Features

Key features of the Strategic Information Systems are the following :

1. Decision Support Systems

Decision support systems that enable to develop a strategic approach to align Information Systems (IS) or Information Technologies (IT) with an organization's business strategies

2. Enterprise Resource Planning

Enterprise resource planning solutions that integrate/link the business processes to meet the enterprise objectives for the optimization of the enterprise resources

3. Database Systems

Database systems with the "data mining" capabilities to make the best use of available corporate information for marketing, production, promotion and innovation.

The SIS systems also facilitate identification of the data collection strategies to help optimize database marketing opportunities.

4. Real-time Information Systems

The real-time information systems that intend to maintain a rapid-response and the quality indicators.

Benefits

1. It pinpoints ways to achieve competitive advantage of using information systems as a strategic weapon.
2. It stimulates the creative use of information systems technology and encourages innovation in applying it to the needs of the organization.
3. It redeploys financial and human resources to the most important and strategic information systems projects for the business.

4. It encourages the integration of existing and future information systems to eliminate information redundancies and inconsistencies and inefficient use of information system resources.
5. It establishes priorities and time-frame for the development of information systems in the future.

Q20. What are the challenges in acquiring strategic information? What are the sources to look for?

Ans : **(Oct.-22, Imp.)**

Challenges Posed by Strategic Information Systems

(i) Sustaining competitive advantage
- Competitors can retaliate any copy strategic systems
- Systems may become tools for survival

(ii) Aliging IT with business objectives
- Performing strategic systems analysis
- Structure of industry
- Film value chains

(iii) Managing strategic transitions
- Adopting strategic systems requires changes in business goals, relationships with customers and suppliers, and business processes

5.6 Problems in Measuring Performance

Q21. What are the various problems in measuring performance?

(OR)

Explain the various hurdles involved in measuring performance.

(OR)

Discuss the various problems in measuring performance of an organi-zation.

(OR)

Ans : **(Sep.23, April-23)**

The measurement Performance is a crucial part of evaluation and control. The lack of quantifiable objectives or performance standards and inability of the information system to provide timely and valid information are two obvious control problems. Without objective and timely measurements, it would be extremely difficult to make operational, let alone strategic, decisions. Nevertheless, the use of timely, quantifiable standards does not guarantee good performance.

The very act of monitoring and measuring performance can cause side effects that interfere with overall corporate performance. Among the most frequent negative side effects are a short-term orientation and goal displacement.

1. Short-term Orientation

Top executives report that in many situations they analyze neither the long-term implications of present operations on the strategy they have adopted nor the operational impact of a strategy on the corporate mission. Long-run evaluations are often not conducted because executives

(i) Don't realize their importance,

(ii) Believe that short-run considerations are more important than long-run conside-rations,

(iii) Aren't personally evaluated on a long-term basis, or

(iv) Don't have the time to make a long-run analysis.

2. Goal Displacement

Monitoring and measuring performance (if not carefully done) can actually result in a decline in overall corporate performance, Goal displace-ment in the confusion of means with ends and occurs when activities originally intended to help managers attain corporate objectives become ends in themselves-or are adapted to meet ends other than those for which they were intended. Two types of goal displacement are behavior substitution sub-optimization.

(a) **Behavior Substitution:** Behavior Substitu-tion refers to a phenomenon when people substitute activities that do not lead to goal accomplishment for activities that do lead to goal accomplishment because the wrong activities are being rewarded.

Managers, like most people tend to focus more or their attention on those behaviors that are clearly measurable than on those behaviors that are clearly measurable than on those that are not.

Employees often receive little to no reward for engaging in hard-to –measure activities such as cooperation and initiative.

(**b)** **Sub-optimization :** Sub-optimization refers to that the phenomenon when a unit optimizes its goal accomplishment to the detriment of the organizations as a whole. The emphasis in large corporations on developing separate responsibility centers can create some problems for the corporation as a whole.

To the extent that a division or functional unit views itself as a separate entity, it might refuse to cooperate with other units or divisions in the same corporation could in some way negatively affect its performance evaluation.

The competition between divisions to achieve a high ROI can result in one division's refusal to share its new technology or work process improvements. One divisions to fall behind and thus negatively effect overall corporate performance.

5.7 Guidelines for Proper Control

Q22. Enlist the different guide lines that needed to be followed in ensuring proper control.

(OR)

Explain the guidelines for Proper Control.

Ans : **(Imp.)**

1. Involving Minimum Amount of Information

Control should involve only the minimum amount of information needed to give a reliable picture of events. Too many controls create confusion. Focus on the strategic factors by following the 80/20 rule i.e., monitor those 20% of the factors that determine 80% of the results.

2. Monitor Only Meaningful Activities and Results

Controls should monitor only meaningful activities and results, regardless of measurement difficulty. If co-operation between divisions is important to corporate performance, some form of qualitative or quantitative measures should be established to monitor co-operation.

3. Timely Control

Controls should be timely so that corrective action can be taken before it is too late. Steering controls, controls that monitor or measure the factors influencing performance, should be stressed so that advance notice of problems is given.

4. Both Long-term and Short-term Controls Should be Used

If only short-term measures are emphasised, a short-term managerial orientation is likely.

5. Pinpointing Exceptions

Controls should aim at pinpointing exceptions; only those activities or results that fall outside a predetermined tolerance range should call for action.

6. Emphasising Reward of Meeting of Exceeding Standards

Emphasise the reward of meeting of exceeding standards rather than punishment for failing to meet standards. Heavy punish-ment of failure typically results in goal displacement. Managers will "fudge" reports and lobby for lower standards.

5.8 Strategic Surveillance

Q23. Define the term Strategic surveillance. Explain the steps involved in Strategic surveillance.

(OR)

Discuss about strategic surveillance.

(OR)

What is meant by Strategic Surveill-ance?

Ans : **(Feb.-24, Sep.-23, April-23, Sep.-20)**

Meaning

The premise and implementation types of strategic control and specific in nature. Strategic surveillance, on the other hand, is aimed at a more generalized and over arching control "designed to monitor a broad rage of events inside and outside the company that are likely to threaten the course of firm's strategy".

Strategic surveillance can be done through a broad-based, general monitoring on the basis of selected information sources to uncover events that are likely to affect the strategy of an organization.

Definition

According to Olsen, "Strategic surveillance systems refers to the management systems with the purpose making a corporation capable of reacting quickly and competently to changes in its environment".

Steps

According to Ansoff, strategic surveillance consists of the following steps:

1. Environmental, business, techno-logical, economic and political trends are continuously monitored.
2. The impact and urgency of these trends are estimated and presented to top management at free . Meetings and whenever a new major threat or opportunity is perceived.
3. Together with the planning staff, top management then sorts issues into categories according to their urgency and potential impact.
4. The most urgent issues of far-reaching effect are assigned for study and resolution, either to exist - organizational units or to special task forces (when rapid cross-organizational response is essential!)
5. The resolution of issues is monitored by top management for both strategic and tactical implications.

The list of the issues and their priorities is kept up-to-date through periodic review by top management and in the normal strategic planning.

Q24. What are the Functions of Strategic Surveillance.

Ans :

Following are the Functions of Strategic Surveillance.

1. Advance Function

The first watch function, its raison entre, is to anticipate threats and opportunities occurring in the environment of companies. Watch must anticipate the evolution of markets, competition and legislation, etc.

Threat and opportunity sources are many and varied. For example, threats can come from competitors or from a new upcoming rule or the obsolescence of the corporate scientific and technical capital - a well-known threat, especially for technological watch managers.

2. Information Function

The other purpose of watch is to provide information. The information that watch searches for, and collects by different methods and techniques, must be relevant, i.e., have value, and must correspond to user needs.

The objective is to satisfy the requirements of users, giving information of value. It can be by putting together an information file on a country or competitor from studies, monographs, etc.

3. Analytical and Synthetic Function

Another mission of watch is to analyses information collected, i.e., to break it down and highlight vital elements.

The summary is inseparable from the analysis - it helps in relating and correlating pieces of information that are fragmented, scattered and heterogeneous in order to reconstruct a meaningful puzzle. In other words, the summary assembles knowledge elements into a coherent set intended for facilitating decision-making.

4. Formatting Function

The mission of watch is also to format the analysed and summarised information. The quality of this formatting can play an important role in understanding displayed knowledge.

5. Coordination and Communication Function

Watch must communicate to the right recipients the information that it has collected, analysed and summarised. Its function is also to coordinate its watch networks to favour the information flows passing through.

6. Identification of Information Needs Function

The literature sometimes implies that the identification of information needs is one of the functions of watch. It must respond to requirements formulated by users as well as to guess and satisfy implicit expectations.

5.9 Strategic Audit

Q25. Define the term Strategic Audit. Explain the process of Strategic Audit.

(OR)

Brief on strategic audit.

Ans : **(April-23, Imp.)**

Meaning

A strategic audit is an examination and evaluation of areas affected by the operation of a strategic management process within an organization. A strategy audit may be needed under the following conditions:

- Performance indicators show that a strategy is not working or is producing negative side effects.
- High-priority items in the strategic plan are not being accomplished.
- A shift or change occurs in the external environment.

Process

The process of conducting a strategic audit can be summarised into the following stages:

1. **Resource Audit**

   The resource audit identifies the resources available to a business. Some of these can be owned (e.g. plant and machinery, trade-marks, retail outlets) whereas other resources can be obtained through partnerships, joint ventures or simply supplier arrangements with other businesses.

2. **Value Chain Analysis**

   Value Chain Analysis describes the activities that take place in a business and relates them to an analysis of the competitive strength of the business. Influential work by Michael Porter suggested that the activities of a business could be grouped under two headings:

   (i) Primary Activities - those that are directly concerned with creating and delivering a product (e.g. component assembly)

   (ii) Support Activities, which whilst they are not directly involved in production, may increase effectiveness or efficiency (e.g. human resource management). It is for a business to undertake all primary and support activities.

3. **Core Competence Analysis**

   Core competencies are those capabilities that are critical to a business achieving competitive advantage. The starting point for analysing core competencies is recognising that competition between businesses is as much a race for competence mastery as it is for market position and market power.

4. **Performance Analysis**

   The resource audit, value chain analysis and core competence analysis help to define the strategic capabilities of a business. After completing such analysis, questions that can be asked that evaluate the overall performance of the business.

5. **Portfolio Analysis**

   Portfolio Analysis analyses the overall balance of the strategic business units of a business. Most large businesses have operations in more than one market segment, and often in different geographical markets. Larger, diversified groups often have several divisions (each containing many business units) operating in quite distinct industries.

5.10 Strategy and Corporate Evaluation and Feedback in the Indian and International Context

Q26. Explain briefly about strategy and corporate evaluation.

Ans :

Corporate evaluation is of vital importance for the success of any international firm. In simple words, strategic evaluation of a corporation may be defined as the activities that examine and determine the extent to which the corporate strategy has been implemented and acted upon, throughout the organization.

Thus, it can be said that strategic evaluation of a corporation helps to co-ordinate and align the tasks performed by the managers at different levels, teams, divisions and various strategic business units of the organization and focus them towards the common, strategic organizational goal.

Corporate Evaluation in Indian/Industries

Refer to Unit-V, Q.No. 27

Corporate Evaluation at International Content

Refer to Unit-V, Q.No. 28

Q27. What are the various approaches used by the Indian firms in evaluating corporate strategies?

Ans : **(Imp.)**

There exists four approaches for taking decisions regarding the strategic planning of corporations. They are,

(a) Top-down approach

(b) Bottom-up approach

(c) Hybrid approach and

(d) Team approach

(a) Top-down Approach

Top-down approach is appropriate in the firms whose size is small and are most centralised. In these firms the decisions regarding strategic planning and implemen-tation will be taken by the top management without involving the other levels.

Middle level and lower level manage-ments are concerned with implementing the strategies decided by top management, according to their instructions.

(b) Bottom-up Approach

As the firms are moving towards decentralisa-tion through diversification, it is not possible to optimise the selection of goals and objectives by the top management. In such conditions, bottom-up approach works best in strategy planning.

(c) Hybrid Approach

In order to avoid the limitations of bottom-up and top-down approaches, top manage-ment can follow a hybrid approach which is a combination of both top-down and bottom-up approaches. This approach is best suitable for large decentralised firms.

(d) Team Approach

Team approach works best for small centralised and sometimes large centralised firms. These firms require teams of executives along with a chief executive who deals with the organisation problems and strategic planning.

Q28. What are the various approaches used by the international firms in evaluating corporate strategies?

Ans :

Business organizations that work in international markets make use of the following three levels of strategy for the purpose of evaluating corporate strategy:

(a) Corporate level strategy

(b) Business level strategy

(c) Functional level strategy.

(a) Corporate Level Strategy

Corporate level strategy may be defined as an organization's overall direction with respect to its various business units. It explains in detail about the type of businesses, a firm intends to operate.

(b) Business Level Strategy

The term business level strategy refers to the managerial decisions and actions pertaining to a single business unit. In other words, it is the managements gameplan for a single business unit.

(c) Functional Level Strategy

This strategy pertains to the functional areas of a business unit such as research and development, production, marketing, finance etc. The main aim of this strategy is to support the organization's business and corporate level strategy.

Q29. Explain the importance of strategic audit.

Ans:

1. Provides Insight into Efficacy And Effectiveness of Plan

Strategic audit of an enterprise is as important V/ as strategic making because it provides an insight into the efficacy and effectiveness of the overall plan as well as sub-plans in attaining the desired results.

2. Helps in Attaining Objectives

On the basis of periodic strategic audit, the central management can determine precisely whether programmes are being carried-out in such a way that the corporate objectives will be attained satisfactorily.

3. Help to Spot Weakness

Very often companies run into trouble because quality of their strategy has deteriorated. The top management in that event has to struggle hard, no matter how much effort they put into improving short-term financial performance. A strategic audit can help the management to spot weaknesses before they become critical.

Short Questions and Answers

1. What are the measures for establishing strategic controls.

Ans :

(a) Performance measures indicating excess revenues generated from research and development department. This excessive revenue shows organisations capability to invest in productive activities to attain organisational excellence.

(b) Performance measures related to financial aspects like-market value of shares, Return On Investments (ROI), return on equity shares and so on.

(c) Performance measures indicating the degree of satisfaction of various stakeholders i.e., internal customers (employees), external customers, shareholders and locality members.

2. Explain the role of strategist in strategic control.

Ans :

The various participants in strategic evaluation and control and their respective roles are as follows:

(i) Shareholder

Every organization is ultimately responsible to its shareholders - lenders and the public in the case of private companies, and the government in the public sector companies. The role of shareholders, in practice however, is limited.

(ii) Board of Directors

The Board of Directors enacts the formal role of reviewing and screening executive decisions in the light of their environmental, business and organizational implications.

(iii) Chief Executives

Chief executives are ultimately responsible for all the administrative aspects of strategic evaluation and control. Ideally, a chief executive should not sit in judgment over the performance of the organization under his or her control. Rather, the chief executive should be evaluated on the basis of his/her performance.

3. Define the term Strategy Evaluation and Control.

Ans :

Strategic evaluation and control constitutes the final phase of strategic management.

Strategic evaluation operates at two levels: strategic and operational. At the strategic level, we are concerned more with the consistency of strategy with the environment. At the operational level, the effort is directed at assessing how well the organization is pursuing a given strategy.

4. What is Strategic Control?

Ans :

The process of strategic management makes it clear that a strategy is formulated on 'The basis of several assumptions. These relate to the environmental and organisational factors, which are dynamic and eventful. There is a considerable gap between the time when a strategy is formulated and the time when it is implemented.

5. What is Operational Control.

Ans :

Operational control is aimed at the allocation and use of organisational resources Though an evaluation of the performance of organisational units, such as, divisions, SBUs, and so on, to assess their contribution to the achievement of organisational objectives. Operational control is concerned with action or performance, and this is probably the reason why it is used so extensively in organisations.

6. Balanced Score Card

Ans :

Robert Kaplan and David Norton developed the balanced scorecard in the early 1990s as a performance measurement system. The balanced scorecard evaluates organizational performance from various perspectives.

This is so because managers who used to focus their attention primarily on measuring and controlling financial performance, are increasingly recognizing the need to evaluate other aspects of organizational performance to assess the value-creating activities. Now the balanced scorecard provides a fresh approach. It is a comprehensive performance measurement system that balances traditional financial measures with operational measures.

7. Activity based costing.

Ans :

Activity-Based Costing (ABC) is a method for estimating the resources required to operate an organization's business processes, produce its products and serve its customers.

8. What are the Limitations of Activity – based Costing?

Ans :

The following are the limitations of ABC :

(a) Allocation : Not all costs have appropriate or unambiguous activity or resource consumption cost drivers. Some costs require allocations to department and precuts based on arbitrary volume measures because finding the activity that causes the cost is impractical.

(b) Omission of Costs : Product or service costs identified by an ABC system are likely to not include all costs associated with the product or service. Product or service costs typically do not include costs for such activities as marketing, advertising, research and development, and product engineering even though some of these costs can be traced to individual products or services. Product costs do not include these costs because generally accepted accounting principles (GAAP) for financial reporting require them to be treated as period costs.

(c) Expense and Time : An ABC system is not cost free and is time-consuming to develop and implement. For firms or organizations that have been using a traditional volume-based costing system, installing a new ABC system is likely to be very expensive. Furthermore, like most innovative management or accounting systems, ABC usually requires a year or longer for successful development and implementation.

9. Define Benchmarking.

Ans :

Benchmarking is an analytical tool used to determine whether a firm's value chain Activities are competitive compared to rivals and thus conducive to winning in the marketplace. Benchmarking entails measuring costs of value chain activities across an industry to determine "best practices" among competing firms for the purpose of duplicating or improving upon those best practices. Benchmarking enables a firm to take action to improve its competitiveness by identifying (and improving upon) value chain activities where rival firms have comparative advantages in cost, service, reputation, or operation.

10. State the features of Strategic Information Systems.

Ans :

(i) Decision Support Systems: Decision support systems that enable to develop a strategic approach to align Information Systems (IS) or Information Technologies (IT) with an organization's business strategies

(ii) Enterprise Resource Planning: Enterprise resource planning solutions that integrate/link the business processes to meet the enterprise objectives for the optimization of the enterprise resources

(iii) Database Systems: Database systems with the "data mining" capabilities to make the best use of available corporate information for marketing, production, promotion and innovation. The SIS systems also facilitate identification of the data collection strategies to help optimize database marketing opportunities.

11. Define the term Strategic surveillance.

Ans :

Meaning

The premise and implementation types of strategic control and specific in nature. Strategic surveillance, on the other hand, is aimed at a more generalized and over arching control "designed to monitor a broad rage of events inside and outside the company that are likely to threaten the course of firm's strategy". Strategic surveillance can be done through a broad-based, general monitoring on the basis of selected information sources to uncover events that are likely to affect the strategy of an organization.

Definition

According to Olsen, "Strategic surveillance systems refers to the management systems with the purpose making a corporation capable of reacting quickly and competently to changes in its environment".

12. Define the term Strategic Audit.

Ans :

A strategic audit is an examination and evaluation of areas affected by the operation of a strategic management process within an organization. A strategy audit may be needed under the following conditions:

- Performance indicators show that a strategy is not working or is producing negative side effects.
- High-priority items in the strategic plan are not being accomplished.
- A shift or change occurs in the external environment.

Choose the Correct Answers

1. ________ is concerned with tracking a strategy as it is being implemented, detecting problems or changes in its underlying premises and making necessary adjustments. [c]

   (a) Strategy evaluation (b) Strategic implementation

   (c) Strategic control (d) Strategic decision-making

2. Which of the following is typically not a question asked by managers who are responsible for the success of their strategy? [c]

   (a) Are we moving in the proper direction? (b) Are key things falling in place?

   (c) Is our portfolio balanced? (d) How are we performing?

3. The rapid, accelerating change of the global marketplace has made the need for ________ key in managing a company. [a]

   (a) strategic control (b) mission clarification

   (c) long-term performance (d) alternative structures

4. The control of strategy can be characterized as a form of: ________. [d]

   (a) "Performance control" (b) "Mission control"

   (c) "Vision control" (d) "Steering control"

5. Which of the following is NOT one of the basic types of strategic control? [b]

   (a) Premise control (c) Performance control

   (c) Special alert control (d) Implementation control

6. Which of the following types of strategic control has a low degree of focusing? [c]

   (a) Special alert control (b) Implementation control

   (c) Strategic surveillance (d) Premise control

7. Which of the following types of strategic control has a low degree of formalization? [c]

   (a) Special alert control (b) Implementation control

   (c) Strategic surveillance (d) Premise control

8. Which of the following types of strategic control has a low degree of centralization? [c]

   (a) Special alert control (b) Implementation control

   (c) Strategic surveillance (d) Premise control

9. Which of the following types of strategic control seldom is used with environmental factors? [d]

   (a) Strategic surveillance (b) Special alert control

   (c) Premise control (d) Implementation control

10. ________ is designed to check systematically and continuously whether the premises on which the strategy is based are still valid. [d]

    (a) Strategic surveillance (b) Implementation control

    (c) Special alert control (d) Premise control

Fill in the Blanks

1. Strategic ________ and ________ constitutes the final phase of strategic management.
2. ________ control is aimed at the allocation and use of organisational resources.
3. ________ criteria plays an important role in evaluating the strategies.
4. ________ ratios are the commonly employed qualitative criteria used to evaluate strategies.
5. ________ is a method for estimating the resources required to operate an organization's business processes, produce its products and serve its customers.
6. ________ is the end result of activity. Which measures to select to assess performance depends on the organizational unit to be appraised and the objectives to be achieved.
7. ________ is an analytical tool used to determine whether a firm's value chain Activities are competitive compared to rivals and thus conducive to winning in the marketplace.
8. The measurement ________ is a crucial part of evaluation and control.
9. ________ systems refers to the management systems with the purpose making a corporation capable of reacting quickly and competently to changes in its environment
10. A ________ audit is an examination and evaluation of areas affected by the operation of a strategic management process within an organization.

ANSWERS

1. Evaluation, Control
2. Operational
3. Qualitative
4. Financial
5. Activity-Based Costing
6. Performance
7. Benchmarking
8. Performance
9. Strategic Surveillance
10. Strategic

Internal Assessment (Mid Examinations)

In CIE, for theory subjects, during a semester, there shall be two mid-term examinations. Each MidTerm examination consists of two parts i) Part – A for 10 marks, ii) Part – B for 20 marks with a total duration of 2 hours as follows:

1. Mid-Term Examination for 30 marks:

   (a) Part - A: Objective/quiz paper/Short Note questions for 10 marks.

   (b) Part - B: Descriptive paper for 20 marks.

   The objective/quiz paper is set with multiple choice, fill-in the blanks and match the following type of questions for a total of 10 marks. The descriptive paper shall contain 6 full questions out of which, the student has to answer 4 questions, each carrying 5 marks. The average of the two Mid Term Examinations shall be taken as the final marks for Mid Term Examination (for 30 marks). The remaining 10 marks of Continuous Internal Evaluation are distributed as:

2. Assignment for 5 marks. (Average of 2 Assignments each for 5 marks)

3. PPT/Poster Presentation/ Case Study/Video presentation/Survey/Field Study/Group discussion /Role Play on a topic in the concerned subject for 5 marks before II Mid-Term Examination.

   While the first mid-term examination shall be conducted on 50% of the syllabus, the second mid-term examination shall be conducted on the remaining 50% of the syllabus.

   Five (5) marks are allocated for assignments (as specified by the subject teacher concerned). The first assignment should be submitted before the conduct of the first mid-term examination, and the second assignment should be submitted before the conduct of the second mid-term examination. The average of the two assignments shall be taken as the final marks for assignment (for 5 marks).

   PPT/Poster Presentation/ Case Study/Video presentation/Survey/Field Study/Group discussion /Role Play on a topic in the concerned subject for 5 marks before II Mid-Term Examination.

UNIT - I

Part - A

Multiple Choice Questions

1. What is the starting point of Strategic Intent? [c]

   (a) Goal (b) Objective

   (c) Vision (d) Mission

2. Hierarchy of Strategic Intent: [c]

   i. Vision > Mission > Goals > Objectives > Plans

   ii. Mission > Vision > Goals > Objectives > Plans

   iii. Plans > Vision > Mission > Goals > Objectives

   iv. Goals > Vision > Mission > Objectives > Plans

   (a) i. (b) iii.

   (c) iv. (d) ii.

3. Which of the following is not a major element of the strategic management process? [d]

   (a) Formulation strategy (b) Implementing strategy

   (c) Evaluating strategy (d) Assigning administrative tasks

Fill in the Blanks

4. _________ scanning is the process by which corporate planners monitor the economic, governmental, supplier, technological and market settings to determine the opportunities for and threats to their enterprise. **(Environmental)**

5. _________ is what an organization is and why it exists. **(Mission)**

6. _________ refers to an outcome which an organization aims at achieving in the long-run. **(Objective)**

Short Notes

7. Define vision **(Unit-I, SQA-2)**

8. Define mission ? Explain the characteristics of a effective mission statement. **(Unit-I, SQA-4)**

9. Define Industry Analysis. **(Unit-I, SQA-6)**

10. What are organization Resources ? **(Unit-I, SQA-8)**

Part - B

1. What are the major elements of a value chain of a marketing concern? **(Unit-I, Q.No. 8)**

2. Define Vision ? Explain the benefits of vision. **(Unit-I, Q.No. 9)**

3. Mention some of the important characteristics of the environment. **(Unit-I, Q.No. 22)**

4. Discuss the importance of SWOT analysis in strategic management. **(Unit-I, Q.No. 37)**

5. What is value chain analysis ? State the various elements of Value Chain Analysis. **(Unit-I, Q.No. 39)**

6. What arc the signs of strength and weakness to look for while assessing the competitive strength of a company? **(Unit-I, Q.No. 45)**

UNIT - II

Part - A

Multiple Choice Questions

1. Resources, activities and processes some will be unique and provide competitive advantage is known as ________ [d]

   (a) Strategic control (b) Business model
   (c) Strategic intent (d) Strategic capability

2. According to BCG matrix SBU's with low market share and high market growth is called ________ [b]

   (a) Cash cosw (b) Question marks
   (c) Stars (d) Dogs

3. According to BCG matrix SBU's with high market share and high market growth is called ________ [c]

   (a) Cash cows (b) Question marks
   (c) Stars (d) Dogs

Fill in the Blanks

4. A scan of the ________ and ________ environment is an important part of the strategic planning process. **(Internal, External)**
5. An industry is a group of firms producing products that are close substitutes. **(Industry)**
6. ________ business units generate substantial cash surpluses than what it needs for reinvestment and expansion. **(Cash Cow)**

Short Notes

7. GE Model. **(Unit-II, SQA-5)**
8. Define Organizational Learning. **(Unit-II, SQA-6)**
9. Offensive Strategies. **(Unit-II, SQA-8)**
10. Stengths and Weaknesses of GE Matrix. **(Unit-II, SQA-9)**

Part - B

1. How do you evaluate the strategic alternatives using the BCG Matrix. **(Unit-II, Q.No. 4)**
2. How to you evaluate the strategic alternatives using the GE Nine Cell Matrix. **(Unit-II, Q.No. 5)**
3. What is the internal and external matrix? Explain its strengths over other criteria. **(Unit-II, Q.No. 7)**
4. What are exit barriers? Specifically point of a few the country specific exit barriers. **(Unit-II, Q.No. 20)**
5. Describe briefly about Impact Matrix. **(Unit-II, Q.No. 12)**
6. Grand Strategy Matrix has become a popular tool formulating the corporate strategy. Discuss. **(Unit-II, Q.No. 8)**

UNIT - III

Part - A

Multiple Choice Questions

1. When it comes to identifying problem areas and correct the strategic approaches that have not been effective so far, what should a strategic manager choose to do out of the following: [d]
   (a) BPR (b) Benchmarking
   (c) Strategic Change (d) Strategic Audit
2. With reference to Richard Rumelt's criteria for Strategic Audit, what out of the following is the first limitation against which strategy is audited? [a]
   (a) Financial Resource (b) Human Resource
   (c) Physical Resource (d) All of the above
3. Compliance, Identification and Internalization are the three processes involved in: [c]
   (a) Refreezing (b) Defreezing
   (c) Changing behavior patterns (d) Breaking down old attitudes

Fill in the Blanks

4. _________ implementation is the process of chosen to strategy to action. **(Strategy)**
5. _________ leadership refers to a manager's potential to express a strategic vision for the organization, or a part of the organization, and to motivate and persuade others to acquire that vision. **(Strategic)**
6. _________ strategies are one of the significant type of expansion strategies adapted by the organization that are willing market their products across the world. **(International)**

Short Notes

7. What is organizational structure? **(Unit-III, SQA-4)**
8. What is Operationalizing strategy? **(Unit-III, SQA-6)**
9. What are values? **(Unit-III, SQA-8)**
10. What is meant by resource allocation? **(Unit-III, SQA-9)**

Part - B

1. Explain the Issues involved in Strategy Implementation. **(Unit-III, Q.No. 4)**
2. Enumerate the different structural mechanism required to implement a strategy. **(Unit-III, Q.No. 6)**
3. What is corporate culture? Write the impact of culture on corporate life. **(Unit-III, Q.No. 11)**
4. Discuss with examples what strategies of a company can make it compete with its rivals in the globalization era. **(Unit-III, Q.No. 18)**
5. Explan are the different types of inter- national entry modes? **(Unit-III, Q.No. 19)**
6. What are values? Explain different types of values. **(Unit-III, Q.No. 21)**

UNIT - IV

Part - A

Multiple Choice Questions

1. Company, part of whose assets and liabilities are transferred in parts to two or more companies is known as [b]
   (a) Resulting company (b) Demerged Company
   (c) Reverse merged company (d) Amalgmated Company
2. The date from which the assets and liabilities shall retrospectively be transferred from the books of the transferor company to the books of transferee company is known as [b]
   (a) Effective date (b) Appointed date
   (c) Active date (d) None of the above
3. A public offer by one firm to directly buy the shares of another firm is called a: [c]
   (a) merger. (b) consolidation.
   (c) tender offer. (d) spinoff.

Fill in the Blanks

4. ________ strategies derive their name from the action involved, that is, reversing a negative trend. **(Turnaround)**

5. A ________ strategy is a means by which firms work together to achieve a shared objective. **(Co-operative)**

6. A ________ alliance is a cooperative strategy in which firms combine some of their resources and capabilities to create a competitive advantage. **(Strategic)**

Short Notes

7. Define Mergers. **(Unit-IV, SQA-4)**

8. What are joint ventures? **(Unit-IV, SQA-7)**

9. What is diversification strategy? **(Unit-IV, SQA-8)**

10. Concentric Diversification **(Unit-IV, SQA-9)**

Part - B

1. Discuss the steps involved in Merger Process. **(Unit-IV, Q.No. 8)**

2. What are the advantages and disadvantages of mergers? **(Unit-IV, Q.No. 9)**

3. Explain the motives of the joint ventures. **(Unit-IV, Q.No. 14)**

4. What are the differences between mergers, acquisitions and joint ventures? **(Unit-IV, Q.No. 16)**

5. Compare and contrast related and unrelated diversification strategy with suitable examples. **(Unit-IV, Q.No. 26)**

6. What is unrelated (or) conglomerate diversification? State the advantages and disadvantages of conglomerate diversification. **(Unit-IV, Q.No. 28)**

UNIT - V

Part - A

Multiple Choice Questions

1. ________ is concerned with tracking a strategy as it is being implemented, detecting problems or changes in its underlying premises and making necessary adjustments. [c]

   (a) Strategy evaluation (b) Strategic implementation

   (c) Strategic control (d) Strategic decision-making

2. Which of the following types of strategic control has a low degree of centralization? [c]

   (a) Special alert control (b) Implementation control

   (c) Strategic surveillance (d) Premise control

3. Which of the following types of strategic control seldom is used with environmental factors? [d]

   (a) Strategic surveillance (b) Special alert control

   (c) Premise control (d) Implementation control

Fill in the Blanks

4. ________ control is aimed at the allocation and use of organisational resources. **(Operational)**

5. ________ criteria plays an important role in evaluating the strategies. **(Qualitative)**

6. ________ is a method for estimating the resources required to operate an organization's business processes, produce its products and serve its customers. **(Activity-Based Costing)**

Short Notes

7. Explain the role of strategist in strategic control. **(Unit-V, SQA-2)**

8. What is Strategic Control? **(Unit-V, SQA-4)**

9. Balanced Score Card **(Unit-V, SQA-6)**

10. What are the Limitations of Activity – based Costing? **(Unit-V, SQA-8)**

Part - B

1. Discuss the significance of strategic controls in measuring firm performance. **(Unit-V, Q.No. 5)**

2. Describe strategic control for measuring performance of an organization. **(Unit-V, Q.No. 8)**

3. Summarize the various qualitative and quantitative criteria for strategy evaluation and control. **(Unit-V, Q.No. 9)**

4. Explain the role of strategist in strategic control. **(Unit-V, Q.No. 14)**

5. Define the term Strategic Information Systems. State the features of Strategic Information Systems. **(Unit-V, Q.No. 19)**

6. What are the challenges in acquiring strategic information? What are the sources to look for? **(Unit-V, Q.No. 20)**

JAWAHARLAL NEHRU TECHNOLOGICAL UNIVERSITY HYDERABAD

MBA IV - Semester Examinations

R22

Model Paper - I

STRATEGIC MANAGEMENT

Time : 3 Hours] **[Max. Marks : 60**

Note : This question paper contains two parts **A** and **B**.

Part A is compulsory which carries 10 marks. Answer all questions in **Part A.**

Part B consists of 5 Units. Answer any **One** full question from each unit.

Each question carries 10 marks and may have a, b, c as sub questions.

PART - A (10 × 1 = 10 Marks)

ANSWERS

1. (a) Define vision **(Unit-I, SQA-2)**

(b) Define Environmental Scanning. **(Unit-I, SQA-1)**

(c) Define Organizational Learning. **(Unit-II, SQA-6)**

(d) IE Matrix **(Unit-II, SQA-10)**

(e) What is Institutionalizing strategy? **(Unit-III, SQA-7)**

(f) What is organizational structure? **(Unit-III, SQA-4)**

(g) Turnaround Strategy. **(Unit-IV, SQA-3)**

(h) What are joint ventures? **(Unit-IV, SQA-7)**

(i) Activity based costing. **(Unit-V, SQA-7)**

(j) What is Operational Control. **(Unit-V, SQA-5)**

PART - B (5 × 10 = 50 Marks)

2. Explain the need for Strategic Management. **(Unit-I, Q.No. 5)**

OR

3. List the environmentals factors that can affect an organization's strategy. **(Unit-I, Q.No. 23)**

4. Explain the cases for bargaining power of buyers and suppliers of Porter's Five force model. **(Unit-II, Q.No. 3)**

OR

5. What are generic strategies and discuss the types of strategies? **(Unit-II, Q.No. 14)**

6. Explain the Issues involved in Strategy Implementation. **(Unit-III, Q.No. 4)**

OR

7. Explain pros and cons of Barrier free structure. **(Unit-III, Q.No. 28)**

8. Discuss about Turnaround Strategy. **(Unit-IV, Q.No. 1)**

OR

9. What are the differences between mergers, acquisitions and joint ventures? **(Unit-IV, Q.No. 16)**

10. Define the term Strategic Information Systems. State the features of Strategic Information Systems. **(Unit-V, Q.No. 19)**

OR

11. Explain the process of strategic evaluation and control in details. **(Unit-V, Q.No. 4)**

JAWAHARLAL NEHRU TECHNOLOGICAL UNIVERSITY HYDERABAD

MBA IV - Semester Examinations

R22

Model Paper - II

STRATEGIC MANAGEMENT

Time : 3 Hours] **[Max. Marks : 60**

Note : This question paper contains two parts **A** and **B**.

Part A is compulsory which carries 10 marks. Answer all questions in **Part A.**

Part B consists of 5 Units. Answer any **One** full question from each unit.

Each question carries 10 marks and may have a, b, c as sub questions.

PART - A (10 × 1 = 10 Marks)

ANSWERS

1. (a) What are organization Resources ? **(Unit-I, SQA-8)**

   (b) Define Industry Analysis. **(Unit-I, SQA-6)**

   (c) What is Strategic Analysis? **(Unit-II, SQA-3)**

   (d) Stengths and Weaknesses of GE Matrix. **(Unit-II, SQA-9)**

   (e) What is meant by resource allocation? **(Unit-III, SQA-9)**

   (f) Discuss strategic leadership. **(Unit-III, SQA-2)**

   (g) Define Mergers. **(Unit-IV, SQA-4)**

   (h) What is diversification strategy? **(Unit-IV, SQA-8)**

   (i) Define Benchmarking. **(Unit-V, SQA-9)**

   (j) What is Strategic Control? **(Unit-V, SQA-4)**

PART - B (5 × 10 = 50 Marks)

2. What are the major elements of a value chain of a marketing concern? **(Unit-I, Q.No. 8)**

OR

3. Brief on competitive advantage of value chain analysis. **(Unit-I, Q.No. 39)**

4. Explain strategic implications of BCG Matrix Model. **(Unit-II, Q.No. 4)**

OR

5. What are the different types of strategies? **(Unit-II, Q.No. 18)**

6. Enumerate the different structural mechanism required to implement a strategy. **(Unit-III, Q.No. 6)**

OR

7. Explain how leadership plays an important in the strategy implementation with a suitable case. **(Unit-III, Q.No. 29)**

8. Explain mergers as a strategy. Explain the types of mergers. **(Unit-IV, Q.No. 7)**

OR

9. How core competences play an important role in organizational Turnaround Strategy? Explain. **(Unit-IV, Q.No. 29)**

10. Explain the role of strategist in an organization. **(Unit-V, Q.No. 14)**

OR

11. Explain qualitative and quantitative benchmark to evaluate organizational performance. **(Unit-V, Q.No. 9)**

JAWAHARLAL NEHRU TECHNOLOGICAL UNIVERSITY HYDERABAD

MBA IV - Semester Examinations

R22

Model Paper - III

STRATEGIC MANAGEMENT

Time : 3 Hours] **[Max. Marks : 60**

Note : This question paper contains two parts **A** and **B**.

Part A is compulsory which carries 10 marks. Answer all questions in **Part A.**

Part B consists of 5 Units. Answer any **One** full question from each unit.

Each question carries 10 marks and may have a, b, c as sub questions.

PART - A (10 × 1 = 10 Marks)

ANSWERS

1. (a) SWOT Analysis. **(Unit-I, SQA-9)**

   (b) What is value chain analysis ? **(Unit-I, SQA-10)**

   (c) Briefly explain about Market Life Cycle Model. **(Unit-II, SQA-1)**

   (d) Offensive Strategies. **(Unit-II, SQA-8)**

   (e) Define Strategy Implementation. **(Unit-III, SQA-3)**

   (f) What are the tools for allocating resources? **(Unit-III, SQA-10)**

   (g) Define the term acquisition. **(Unit-IV, SQA-6)**

   (h) Horizontal Diversification **(Unit-IV, SQA-10)**

   (i) Define the term Strategic surveillance. **(Unit-V, SQA-11)**

   (j) Balanced Score Card **(Unit-V, SQA-6)**

PART - B (5 × 10 = 50 Marks)

2. Discuss the importance of SWOT analysis in strategic management. **(Unit-I, Q.No. 37)**

OR

3. Explain about Competitive Analysis in an industry. **(Unit-I, Q.No. 32)**

4. Briefly explain about Market Life Cycle Model. **(Unit-II, Q.No. 9)**

OR

5. What are exit barriers? Specifically point of a few the country specific exit barriers. **(Unit-II, Q.No. 20)**

6. Explain briefly about Global Marketing Strategy. **(Unit-III, Q.No. 18)**

OR

7. Does organizational culture impacts Strategy. Explain. **(Unit-III, Q.No. 30)**

8. What are the Different Types of Diversi-fication Strategies? **(Unit-IV, Q.No. 25)**

OR

9. How do establishment of core competence enable; organizations to compete better? **(Unit-IV, Q.No. 37)**

10. What are the measures for establishing strategic controls. **(Unit-V, Q.No. 8)**

OR

11. Enlist the different guide lines that needed to be followed in ensuring proper control. **(Unit-V, Q.No. 22)**

JAWAHARLAL NEHRU TECHNOLOGICAL UNIVERSITY HYDERABAD

M.B.A. II Year IV Semester Examination **R17**

April / May - 2019

STRATEGIC MANAGEMENT

Time : 3 Hours] [Max. Marks : 75

Note : This question paper contains two parts A and B.
Part A is compulsory which carries 25 marks. Answers all questions in Part A.
Part B consists of 5 Units. Answer any one full question from each unit.
Each question carries 10 marks and may have a, b, c as sub questions.

PART - A (5 × 5 = 25 Marks)

(Short Answer Questions)

ANSWERS

1. (a) What is environment scanning ? **(Unit-I, SQA-1)**
   (b) Briefly explain about Market Life Cycle model. **(Unit-II, SQA-1)**
   (c) Explain the planning systems for strategy implementation. **(Unit-III, SQA-1)**
   (d) Describe concept of core competence and distinctive competence with examples. **(Unit-IV, SQA-1)**
   (e) What are the measures for establishing strategic controls ? **(Unit-V, SQA-1)**

PART - B (5 × 10 = 50 Marks)

(Essay Type Questions)

2. List the environmentals factors that can affect an organization's strategy. **(Unit-I, Q.No. 23)**

OR

3. Critically examine the growth strategy of OLA Cabs. **(Unit-I, Q.No. 43)**
4. Explain strategic implications of BCG matrix model. **(Unit-II, Q.No. 4)**

OR

5. Define Porter's five force framework. Explain how it can be used for defining the strategy of an organization. **(Unit-II, Q.No. 3)**
6. Explain the various phases of strategic formulation with an illustration. **(Unit-II, Q.No. 15)**

OR

7. Give a detailed account on new strategies adopted by Indian organizations in the Internet economy. **(Unit-III, Q.No. 20)**
8. Differentiate between related and unrelated diversification strategy, with suitable examples. **(Unit-IV, Q.No. 26)**

OR

9. Explain Merger as a Strategy. Explain the types of merger, merger processes and advantages of mergers. **(Unit-IV, Q.No. 7, 8, 9)**
10. Describe Benchmarking as strategic management tool with suitable examples. **(Unit-V, Q.No. 15)**

OR

11. Explain the process of strategic evaluation and control in details. **(Unit-V, Q.No. 4)**

JAWAHARLAL NEHRU TECHNOLOGICAL UNIVERSITY HYDERABAD

M.B.A. II Year IV Semester Examination

December - 2019

R17

STRATEGIC MANAGEMENT

Time : 3 Hours] [Max. Marks : 75

Note : This question paper contains two parts A and B.
Part A is compulsory which carries 25 marks. Answers all questions in Part A.
Part B consists of 5 Units. Answer any one full question from each unit.
Each question carries 10 marks and may have a, b, c as sub questions.

PART - A (5 × 5 = 25 Marks)

(Short Answer Questions)

ANSWERS

1. (a) Explain strategic vision with an example. **(Unit-I, SQA-2)**
   (b) Define the role of TOWS matrix in an organization. **(Unit-II, SQA-2)**
   (c) Discuss strategic leadership. **(Unit-III, SQA-2)**
   (d) Distinguish between mergers and acquisitions. **(Unit-IV, SQA-2)**
   (e) Explain the role of strategist in an organization. **(Unit-V, SQA-2)**

PART - B (5 × 10 = 50 Marks)

(Essay Type Questions)

2. Define strategic management and explain strategic management process. **(Unit-I, Q.No. 2, 8)**

OR

3. Illustrate industry and competitive analysis. **(Unit-I, Q.No. 29, 32)**
4. Elucidate Porter's five force model. **(Unit-II, Q.No. 3)**

OR

5. Explain the process involved in strategy formulation. **(Unit-II, Q.No. 15)**
6. What is meant by resource allocation ? Explain techniques generally employed for allocating resources. **(Unit-III, Q.No. 23, 25)**

OR

7. Discuss the various challenges faced during the strategy implementation. **(Unit-III, Q.No. 27)**
8. Describe the role of core competence while framing competitive strategies. **(Unit-IV, Q.No. 29)**

OR

9. What is Diversification ? List out types of diversification with examples. **(Unit-IV, Q.No. 23, 25)**
10. Summarize the various qualitative and quantitative criteria for strategy evaluation and control. **(Unit-V, Q.No. 18)**

OR

11. What is strategic information system ? How does it help the management to make decisions ? **(Unit-V, Q.No. 19)**

JAWAHARLAL NEHRU TECHNOLOGICAL UNIVERSITY HYDERABAD

MBA IV - Semester Examination

September - 2020

R17

STRATEGIC MANAGEMENT

Time : 2 Hours] [Max. Marks : 75

Answer any Five Questions

All Question Carry Equal Marks

ANSWERS

1. Discuss about :

(a) Value Chain Analysis **(Unit-I, Q.No. 39)**

(b) Factors that shape a company's strategy. **(Unit-I, Q.No. 21)**

2. (a) Explain GE Model **(Unit-II, Q.No. 5)**

(b) Explain BCG Matrix **(Unit-II, Q.No. 4)**

3. Discuss with examples with strategies of a company can make it complete with its rivals in this Globalization era. **(Unit-III, Q.No. 18)**

4. What is Organizational Structure? Is that the strategies need to be framed based on structures or structure to be changed according to strategy? Substantiate your answer. **(Unit-III, Q.No. 5)**

5. (a) Discuss about Turnaround Strategy. **(Unit-IV, Q.No. 1)**

(b) Explain different types of diversification strategies. **(Unit-IV, Q.No. 25)**

6. Explain the concept of Competitive Advantage in diversified companies. How do we evaluate it? **(Unit-IV, Q.No. 31)**

7. Explain the quantitative and qualitative techniques used to evaluate the strategic performance. **(Unit-V, Q.No. 18)**

8. Discuss about

(a) Strategic Surveillance **(Unit-V, Q.No. 23)**

(b) Role of strategist **(Unit-V, Q.No. 14)**

JAWAHARLAL NEHRU TECHNOLOGICAL UNIVERSITY HYDERABAD

MBA IV - Semester Examination

July / August - 2021

R19

STRATEGIC MANAGEMENT

Time : 3 Hours] [Max. Marks : 75

Answer any Five Questions

All Question Carry Equal Marks

ANSWERS

1. What do you understand by Industry and competitive analysis? What is its relevance to strategic management? **(Unit-I, Q.No. 29, 32)**
2. Discuss in detail Porter's five force model. **(Unit-II, Q.No. 3)**
3. Distinguish between offensive strategy and defensive strategy. Explain with example offensive and defensive strategy. **(Unit-II, Q.No. 19)**
4. What is meant by resource allocation? Explain techniques generally employed for allocating resources. **(Unit-III, Q.No. 23, 25)**
5. What are the challenges of entering into Global market? What is the strategy for successful marketing at global scale? **(Unit-III, Q.No. 18)**
6. Define diversification and explain types of diversification with examples. **(Unit-IV, Q.No. 23, 25)**
7. What is Benchmarking? Explain the role of a strategist in evaluating the performance using benchmarking. **(Unit-V, Q.No. 18)**
8. Discuss how strategic information system helps management to make decisions. **(Unit-V, Q.No. 19)**

JAWAHARLAL NEHRU TECHNOLOGICAL UNIVERSITY HYDERABAD

MBA IV - Semester Examination

March / April - 2022

R19

STRATEGIC MANAGEMENT

Time : 2 Hours] [Max. Marks : 75

Answer any Five Questions

All Question Carry Equal Marks

ANSWERS

1. Appraise the importance of Environmental, Industry and Company analysis, for the strategic management of a company. **(Unit-I, Q.No. 22, 29, 32)**

2. Explain the following :

   (a) SWOT Analysis **(Unit-I, Q.No. 37)**

   (b) Value Chain Analysis **(Unit-I, Q.No. 39)**

3. Define the term "Strategy"? State the different types of strategies? How do companies, tailor suitable strategies to fit company specific situations? **(Unit-I, Q.No. 1, Unit-II, Q.No. 21)**

4. Draw BCG and GE matrices, examine these models as tools and techniques for strategic analysis of a company. **(Unit-II, Q.No. 4, 5)**

5. What are the basic activities in the strategy implementation process? Explain their relative importance. **(Unit-III, Q.No. 3)**

6. What is the relationship between strategy and leadership? **(Unit-III, Q.No. 10)**

7. Compare and contrast Mergers, Acquisitions, and Joint ventures as strategies for management change. **(Unit-IV, Q.No. 16)**

8. Discuss the qualitative and quantitative benchmarks used in strategy evaluation and control. **(Unit-V, Q.No. 18)**

JAWAHARLAL NEHRU TECHNOLOGICAL UNIVERSITY HYDERABAD

M.B.A IV Semester Examination

September / October - 2022

R19

STRATEGIC MANAGEMENT

Time : 3 Hours] [Max. Marks : 75

Answer any five questions

All questions carry equal marks

ANSWERS

1. What are the various facets of economy one needs to consider in the process of environmental scanning. **(Unit-I, Q.No. 27)**

2. (a) Discuss Michael Porter's approach to Industry analysis. What are the various forces driving industry competition? **(Unit-I, Q.No. 29)**

   (b) Brief on competitive advantage of value chain analysis. **(Unit-I, Q.No. 39)**

3. (a) What are the quadrants of grand strategy matrix? Explain how it helps a company to decide on an appropriate strategy. **(Unit-II, Q.No. 8)**

   (b) What are the major elements of a value chain of a marketing concern? **(Unit-I, Q.No. 39)**

4. (a) What are exit barriers? Specifically point of a few the country specific exit barriers. **(Unit-II, Q.No. 20)**

   (b) What are generic strategies and discuss the types of strategies? **(Unit-II, Q.No. 14)**

5. (a) What is organization culture? What is the role of leaders in organization culture? **(Unit-III, Q.No. 14)**

   (b) Evaluate joint ventures as a competitive global strategy. **(Unit-IV, Q.No. 13, 14, 15)**

6. (a) What are the behavioral implications in the context of virtual organizational structure? **(Unit-III, Q.No. 7)**

   (b) What are the motives or imperatives for diversification in business organizations? **(Unit-IV, Q.No. 21)**

7. (a) Why do strategic alliances have become attractive in execution of major projects? What are the benefits and limitations? **(Unit-IV, Q.No. 22)**

   (b) How do establishment of core competence enable; organizations to compete better? **(Unit-IV, Q.No. 37)**

8. (a) What are the levels of bench marking? How do you use benchmarking effectively for performance measures and improvements? **(Unit-V, Q.No. 17, 18)**

   (b) What are the challenges in acquiring strategic information? What are the sources to look for? **(Unit-V, Q.No. 20)**

JAWAHARLAL NEHRU TECHNOLOGICAL UNIVERSITY HYDERABAD

M.B.A IV Semester Examination

March / April - 2023

R19

STRATEGIC MANAGEMENT

Time : 3 Hours] [Max. Marks : 75

Note: (i) Question paper consists of Part A, Part B.

(ii) Part A is compulsory, which carries 25 marks. In Part A, Answer all questions.

(iii) In Part B, Answer any one question from each unit. Each question carries 10 marks and may have a, b as sub questions.

PART - A
(25 Marks)

ANSWERS

1. (a) Explain about Value Chain Analysis. **(Unit-I, Q.No. 39)**

(b) Write note on BCG matrix. **(Unit-II, Q.No. 4)**

(c) Explain impact of Leadership on Strategy. **(Unit-III, Q.No. 10)**

(d) Give example for Turnaround strategy of an organization. **(Unit-IV, Q.No. 1)**

(e) What is Strategic surveillance? **(Unit-V, Q.No. 23)**

PART - B
(50 Marks)

2. (a) Why is important to develop a strategic Vision, Mission and Objectives of an organization? Discuss. **(Unit-I, Q.No. 9, 12, 17)**

(b) Explain about Competitive Analysis in an industry. **(Unit-I, Q.No. 32)**

OR

3. (a) How managers can create value through diversification initiatives? **(Unit-I, Q.No. 44)**

(b) Explain about SWOT analysis of a company. **(Unit-I, Q.No. 37)**

4. (a) What are Generic Strategies? Explain. **(Unit-II, Q.No. 14)**

(b) Explain in detail Market Life cycle Model. **(Unit-II, Q.No. 9)**

OR

5. (a) Give examples for Exit and Entry Barriers. **(Unit-II, Q.No. 20)**

(b) Compare and contrast Offensive and defensive strategies. **(Unit-II, Q.No. 19)**

6. (a) Discuss the relationship between a firm's strategy and its structure. **(Unit-III, Q.No. 5)**

(b) "Is resource allocation a vital part of Strategy". Why? **(Unit-III, Q.No. 23)**

OR

7. (a) Discuss the strategies for competing in the internet economy. **(Unit-III, Q.No. 20)**

(b) Explain pros and cons of Barrier free structure. **(Unit-III, Q.No. 28)**

8. (a) Explain the need to diversify by the organization with suitable cases. **(Unit-IV, Q.No. 24)**

   (b) Why Joint ventures are preferred by the organization as a Management of Change strategy? Discuss. **(Unit-IV, Q.No. 13, 14, 15)**

OR

9. (a) Discuss the different types of diversification strategies. **(Unit-IV, Q.No. 25)**

   (b) How core competences play an important role in organizational Turnaround Strategy? Explain. **(Unit-IV, Q.No. 29)**

10. (a) Explain qualitative and quantitative benchmark to evaluate organizational performance. **(Unit-V, Q.No. 9)**

    (b) Brief on strategic audit. **(Unit-V, Q.No. 25)**

OR

11. (a) Discuss the various problems in measuring performance of an organization. **(Unit-V, Q.No. 21)**

    (b) Explain the role of Strategic information systems in the organizational control. **(Unit-V, Q.No. 19)**

JAWAHARLAL NEHRU TECHNOLOGICAL UNIVERSITY HYDERABAD

MBA IV - Semester Examination, September - 2023

R19

STRATEGIC MANAGEMENT

Time : 3 Hours] **[Max. Marks : 75**

Note :

(i) Question paper consists of Part A, Part B.

(ii) Part A is compulsory, which carries 25 marks. In Part A, Answer all questions.

(iii) In Part B, Answer any one question from each unit. Each question carries 10 marks and may have a and b as sub-questions.

PART - A (5 × 5 = 25 Marks)

ANSWERS

I. (a) Discuss the importance of SWOT analysis in strategic management. **(Unit-I, Q.No. 38)**

(b) Illustrate the Market Life Cycle Model. **(Unit-II, Q.No. 9)**

(c) Describe the term Structure. **(Unit-III, Q.No. 5)**

(d) Explain the role of International Strategies in diversification. **(Unit-IV, Q.No. 20)**

(e) Examine the Problems in measuring performance of strategy. **(Unit-V, Q.No. 21)**

PART - A (5 × 10 = 50 Marks)

2. Write about :

(a) Competitive advantage and value chain analysis. **(Unit-I, Q.No. 39, 41)**

(b) Factors that shape a company's strategy. **(Unit-I, Q.No. 21)**

OR

3. (a) Explain Industry and Competitive Analysis as a part of Environmental Scanning. **(Unit-I, Q.No. 29, 32)**

(b) Illustrate the process of strategic management. **(Unit-I, Q.No. 8)**

4. (a) Discuss Porter's Five Force Model. **(Unit-II, Q.No. 3)**

(b) Brief on types of strategies. **(Unit-II, Q.No. 18)**

OR

5. Write about:

(a) Strategy Formulation. **(Unit-II, Q.No. 15)**

(b) Generic Strategies. **(Unit-II, Q.No. 14)**

6. Define the term Strategy and explain strategies for competing in global markets and internet economy. **(Unit-I, Q.No. 1, Unit-III, 18, 20)**

OR

7. What is Strategy Implementation? Explain Planning systems for implementation. **(Unit-III, Q.No. 1, 3)**

8. What is meant Mergers, Takeovers and Acquisitions? List out the strategies for Mergers and Acquisitions. **(Unit-IV, Q.No. 7, 11)**

OR

9. What is meant by Diversification Strategy? Explain different types of diversification strategies. **(Unit-IV, Q.No. 23, 25)**

10. Write about :

    (a) Strategic surveillance. **(Unit-V, Q.No. 23)**

    (b) Strategy and Corporate Evaluation. **(Unit-V, Q.No. 27)**

11. What is Strategy Evaluation and Control? Discuss strategic controls for measuring performance. **(Unit-V, Q.No. 1. 8)**

JAWAHARLAL NEHRU TECHNOLOGICAL UNIVERSITY HYDERABAD

M.B.A IV Semester Examination

February - 2024

R19

STRATEGIC MANAGEMENT

Time : 3 Hours] [Max. Marks : 75

Note: (i) Question paper consists of Part A, Part B.

(ii) Part A is compulsory, which carries 25 marks. In Part A, Answer all questions.

(iii) In Part B, Answer any one question from each unit. Each question carries 10 marks and may have a, b as sub questions.

PART - A (25 Marks)

ANSWERS

1. (a) Explain the competitive advantage of any firm. **(Unit-I, Q.No. 41)**

(b) Compare and contrast offensive and defensive strategy with suitable example. **(Unit-II, Q.No. 19)**

(c) Explain the need for strategy to compete in the Global markets. **(Unit-III, Q.No. 18)**

(d) Distinguish between Acquisition and Takeover with an example. **(Unit-IV, Q.No. 18)**

(e) Explain the role of a Strategist in strategy execution. **(Unit-V, Q.No. 14)**

PART - B (50 Marks)

2. What aspects must be considered in developing the vision, mission and objectives of an organization? Discuss. **(Unit-I, Q.No. 10, 13, 17)**

OR

3. (a) Explain Value Chain Analysis of an organization. **(Unit-I, Q.No. 39)**

(b) Discuss the role of macro environment in designing a strategy of a firm. **(Unit-I, Q.No. 23)**

4. Explain the cases for bargaining power of buyers and suppliers of Porter's Five force model. **(Unit-II, Q.No. 3)**

OR

5. Write a note on TOWS Matrix and Market Life cycle Model. **(Unit-II, Q.No. 6, 9)**

6. (a) Explain how leadership plays an important in the strategy implementation with a suitable case. **(Unit-III, Q.No. 29)**

(b) Does organizational culture impacts Strategy. Explain. **(Unit-III, Q.No. 30)**

OR

7. What is the relationship among organizational structure, control systems, incentives and culture? Discuss. **(Unit-III, Q.No. 31)**

8. (a) Discuss the impact of mergers of Indian banks on their performance. **(Unit-IV, Q.No. 10)**

(b) Why firms diversify? Give reasons. **(Unit-IV, Q.No. 24)**

OR

9. (a) Explain how companies manage Turnaround Strategy. **(Unit-IV, Q.No. 1)**

   (b) What are the advantages of Joint ventures? **(Unit-IV, Q.No. 17)**

10. (a) Explain the need for Strategic information systems. **(Unit-V, Q.No. 19)**

    (b) What is meant by Strategic Surveillance? **(Unit-V, Q.No. 23)**

OR

11. Discuss the significance of strategic controls in measuring firm performance. **(Unit-V, Q.No. 5)**