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# CA Intermediate – New Syllabus Strategic Management

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## SM Chapter 1 Introduction to Strategic Management

**Important Questions**  
by CA Mohnish Vora (MVSIR)

## Chapter 1 - Introduction to Strategic Management

MTP May 24

- 1 Imagine you are a strategic consultant advising a retail company that is facing increasing competition from online retailers. The company is considering several strategic options to improve its market position. Using the concept that strategy is partly proactive and partly reactive, explain how the company can develop a strategic approach to address this challenge.

The retail company can develop a strategic approach that is both proactive & reactive to address the challenge of increasing competition from online retailers. To achieve this, the company can:

- a) **Proactive Strategy:** The company can proactively analyze **market trends** and **customer preferences** to identify opportunities for growth. For example, it can invest in market research to understand **what customers value in a retail experience** and **tailor its offerings** to meet those needs. This proactive approach can help the company stay ahead of competitors and attract new customers.
- b) **Reactive Strategy:** In addition to proactive measures, the company should also be prepared to **react to changes** in the market environment. For example, if a competitor launches a new online shopping platform, the company should **quickly assess the impact** on its business and **develop a response**. This reactive strategy can help the company adapt to changing market conditions and maintain its competitiveness.

By **combining proactive and reactive strategies**, the retail company can develop a comprehensive approach to addressing the challenge of increasing competition from online retailers. This approach will allow the company to capitalize on opportunities for growth while also mitigating risks and responding to threats in the market.

PYQ Jan 25

- 2 Eco Ltd. is an e-commerce company that specializes in selling eco-friendly products. Although the company has been doing well, it still continues actively to strengthen its brand identity, launch creative and impactful marketing campaigns, and introduce new and innovative eco-friendly products. However, the company has started facing increasing competition from large retailers who are entering the eco-friendly space. To face competition the company quickly started to adapt to the changing market conditions, analyse the competitors' strategies, adopt different styles of marketing in response to competitors action and counteract competitors' pricing strategies. Discuss the strategic approaches taken by Eco Ltd. in the two different situations to stay competitive. Explain the strategy that Eco Ltd. should adopt in future to remain competitive and gain competitive advantage.

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

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

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

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

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

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

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

#### Future Strategy for Competitive Advantage

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

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

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

MTP Oct 18, Oct 20 || RTP Nov 18, Nov 19, Nov 22, May 23, Sep 24 || PYQ Dec 21

3

“Each organization must build its competitive advantage keeping in mind the business warfare. This can be done by following the process of strategic management.” Considering this statement, explain major benefits of strategic management.

- Strategic management involves developing the company's vision, environmental scanning, strategy formulation, implementation, evaluation and control.
- It emphasizes the **monitoring & evaluation of external opportunities & threats** in the light of a company's strengths & weaknesses and designing strategies for survival and growth.
- It helps in the **creation of a competitive advantage to outperform the competitors** and also **guides the company** successfully through all changes in the environment.

#### The benefits of strategic management are-

- 1) SM prepares organisation to face the future- act as **pathfinder to various opportunities**. Identify available opportunities & **ways & means to reach them**.
- 2) SM provides frameworks for all major decisions on products, businesses, markets, organisational structure etc. Provides **guidance** on - **what it is trying to achieve**.
- 3) SM **gives a direction** to move ahead. Helps define goals & mission. It helps in defining **realistic objectives** & goals **in line with vision** of company.
- 4) SM helps org. to be proactive instead of reactive. Helps to **analyse & take actions** instead of being mere spectators. Orgs are able to **control their own destiny** in a better manner.
- 5) SM serves as a corporate defence mechanism against mistakes & pitfalls. It helps to **avoid costly mistakes** in product market choices or investments.

- 6) SM helps org. to develop core competencies & competitive advantages that would facilitate its fight for **survival and growth** MT: Facebook pe Frame wali DP C2yu Lagate hai ?
- 7) SM helps to enhance the longevity of business. It helps org to **take a clear stand** in related industry and makes sure that it is not just surviving on luck. **Actions over expectations** is what SM ensures.

4

**Falguni, CFO of Warships Advertisement Agency, stated that strategic management helps the organisation to develop certain core competencies and competitive advantages that facilitate management in the turbulent environment. Do you agree, if yes, then what and how does it facilitate in?**

Yes, strategic management plays a crucial role in an organization's survival and growth, particularly in a turbulent environment. It provides the framework for developing and leveraging core competencies and competitive advantages that enable the organization to not only withstand challenges but also seize opportunities for expansion and success.

- ❖ **Survival:** In a **turbulent environment** characterized by rapid changes, uncertainties, and challenges, strategic management helps an organization **adapt and respond effectively**. By developing core competencies and competitive advantages, an organization becomes better equipped to navigate unexpected disruptions and stay relevant in the market.
- ❖ **Growth:** Strategic management goes beyond survival. It enables an organization to identify opportunities, innovate, and create value for its customers. By leveraging core competencies and competitive advantages, the organization can capture market share, expand its offerings, and achieve sustained growth.

MTP Aug 24, Dec 24

5

**Vikram Patel owns a chain of ten bookstores across the Mumbai region. Three of these stores were launched in the past two years. He has always believed in strategic management and enjoyed robust sales of books, magazines, and educational materials until about five years ago. However, with the increasing preference for online shopping, the sales at his physical stores have declined by approximately sixty percent over the last five years. Analyze Vikram Patel's current position in light of the limitations of strategic management.**

Vikram Patel is facing declining sales due to a significant shift of customers toward online platforms. Although he employs strategic management tools, they cannot always overcome every obstacle or guarantee success. The limitations of strategic management in Vikram's situation include:

- The environment in which strategies are developed is highly complex and unpredictable. The entry of online bookstores, a new type of competitor, introduced a different dynamic to the book retail industry. These online platforms, with their extensive reach and pricing power, have dominated the market, posing a formidable challenge to traditional bookstores.
- Another limitation of strategic management is the difficulty in forecasting future developments. Despite his strategic management efforts, Vikram Patel did not anticipate the extent to which online bookstores would impact his sales.
- While strategic management is a time-consuming process, it is crucial for Vikram to continue managing strategically. These challenging times demand increased effort and adaptability on his part.
- Strategic management can be costly. Vikram Patel might consider hiring experts to understand customer preferences better and adjust his strategies to offer more personalized services. These customized offerings could be difficult for online stores to replicate, giving him a competitive edge.

- The bookstores owned by Vikram Patel are much smaller in scale compared to online stores. This makes it challenging for him to predict how online platforms will manoeuvre strategically.

RTP Nov 18 || MTP Aug 24, Apr 25

6 What is a strategic vision, and what are the essential components that make it an effective tool for guiding an organization's future?

A strategic vision serves as a roadmap for a company's future, detailing the specifics of technology, customer focus, geographic and product markets, and the capabilities the organization aims to develop. It answers the critical question, "Where are we going?" and provides a compelling rationale for the chosen direction, ensuring it aligns with the company's long-term objectives.

A strategic vision outlines the organization's aspirations, offering a broad, panoramic view of where it aims to be. It provides a clear direction, charts a strategic path for future endeavors, and helps in shaping the organizational identity.

#### Essentials of a strategic vision MT: CEED

- 1) The challenge in developing a vision is to **think creatively** about **how to prepare a company for the future**.
- 2) Forming a vision is an **exercise** in intelligent entrepreneurship.
- 3) A well-articulated vision **creates enthusiasm** among the members of the organisation.
- 4) It clearly **illuminates the direction** in which organisation is headed

PYQ May 24 || RTP Jan 25 || MTP Mar 25

7 'A company's mission statement is typically focused on its present business scope.' Explain the significance of a mission statement.

A company's mission statement is typically focused on its present business scope **who we are and what we do**. Mission statements broadly describe an organization's present capability, customer focus, activities, and business make up. Mission for an organization is significant for the following reasons:

- It ensures unanimity of purpose within the organization.
- It develops a basis, or standard, for allocating organizational resources.
- It provides a basis for innovating the use of the organization's resources
- It establishes a general tone or organizational climate, to suggest a business like operation.
- It serves as a focal point for those who can identify with the organization's purpose and direction.
- It facilitates the translation of objectives and goals into a work structure involving the assignment of tasks to responsible elements within the organization.
- It specifies organizational purposes and the translation of these purposes into goals in such a way that cost, time, and performance parameters can be assessed and controlled.

MTP Jul 24

8

Mr. Arun has been hired as the CEO by ABC Ltd, a pharmaceutical company that has diversified into affordable wellness supplements. The company intends to launch the Health Plus brand of supplements. ABC wishes to enhance the well-being of people with its products that are beneficial for health and are produced in an environmentally sustainable manner using natural ingredients. Draft a vision and mission statement that may be formulated by Arun.

The Health Plus brand of wellness supplements may have the following vision and mission:

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

Mr. Arun should aim to position "Health Plus" as India's leading wellness supplements brand. It may have the vision to be India's largest wellness supplements company that enhances health, promotes extraordinary well-being, and brings happiness to people.

**Mission:** Mission delineates the firm's business, its goals, and ways to reach the goals. It explains the reason for the existence of the firm in society. It is designed to help potential shareholders and investors understand the purpose of the company.

Mr. Arun may identify the mission in the following lines:

- To be in the business of wellness supplements to enhance the lives of people and give them the confidence to lead a healthy life.
- To protect health by providing supplements that counteract harmful elements in the environment.
- To produce wellness supplements using natural ingredients in an environmentally sustainable manner.

RTP May 21, May 22, May 25 || MTP Apr 23 || PYQ Sep 24

9 What are 'objectives'? What characteristics it must possess to be meaningful?

Objectives are organizations performance targets – the results and outcomes it wants to achieve. They function as yardstick for tracking an organization's performance and progress.

Objectives with strategic focus relate to outcomes that strengthen an organization's overall business position and competitive vitality. Objectives, to be meaningful to serve the intended role, must possess the following characteristics:

- 1) Should be **concrete** and **specific**.
- 2) Should provide the basis for **strategic decision-making**.
- 3) Should be **measurable** and **controllable**.
- 4) Should be facilitative towards **achievement of mission and purpose**.
- 5) Objectives should **define** the organisation's **relationship with its environment**.
- 6) Should be related to a **time frame**.
- 7) Should be **challenging**.
- 8) Should provide **standards for performance appraisal**.
- 9) Different objectives should **correlate with each other**.
- 10) Should be **set within the constraints**
- 11) Should be understandable.

MT: S<sup>2</sup>MART & Challenging Performance

RTP May 21, Nov 22, MTP Mar 22

10

Explain briefly the key areas in which the strategic planner should concentrate his mind to achieve desired results. OR  
Long term objectives can be established in seven areas. Explain.

A strategic manager defines the strategic intent of the organisation and take it on the path of achieving the organisational objectives.

There can be a number of areas that a strategic manager should concentrate on to achieve desired results. They **commonly establish long-term objectives** in seven areas as follows:

- 1) Profitability.
- 2) Productivity.
- 3) Public Responsibility.
- 4) Employee Development.
- 5) Employee Relations.
- 6) Competitive Position.
- 7) Technological Leadership.

MT: 3P 2E CT

MTP Jul 24, RTP Nov 18, Jan 25

11

XYZ Corporation operates in a diverse range of industries, including fashion, lifestyle products, furniture, real estate, and electrical goods. The company is seeking to hire a suitable Chief Executive Officer. As the HR consultant for XYZ Corporation, you have been tasked with outlining the activities involved in the role of the Chief Executive Officer. Identify the strategic level associated with this role and list the activities it encompasses.

**The role of Chief Executive Officer pertains to corporate level.**

Corporate-level managers participate in strategic decision making within the organization. The role of corporate-level managers is to oversee the development of strategies for the whole organization.

The corporate level of management consists of the Chief Executive Officer (CEO) and other top-level executives. These individuals occupy the apex of decision making within the organization.

**The role of Chief Executive Officer is to:**

1. oversee the development of strategies for the whole organization;
2. defining the mission and goals of the organization;
3. determining what businesses, it should be in;
4. allocating resources among the different businesses;
5. formulating, and implementing strategies that span individual businesses;
6. providing leadership for the organization;
7. ensuring that the corporate and business level strategies which company pursues are consistent with maximizing shareholders wealth; and
8. managing the divestment and acquisition process.

MTP Mar 25

12

XYZ Enterprises operates in multiple industries. Its automobile division functions independently, with separate teams for electric & fuel-based vehicles. IT division follows a structure where employees report to both project heads & department managers for various software projects. Its startup incubator encourages open collaboration among employees at all levels. Identify network relationships used in XYZ Enterprises' divisions & explain why they are appropriate.

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

❑ **Automobile Division – Functional and Divisional Relationship:**

- ✓ The automobile division operates independently, with distinct teams handling electric and fuel-based vehicles.
- ✓ Each division is managed by a business-level head who directly reports to the corporate-level management.
- ✓ It ensures clear accountability, specialization, & focused decision-making.
- ✓ By maintaining independent divisions, XYZ Enterprises can cater to different market segments effectively.

❑ **IT Division – Matrix Relationship:**

- ✓ The IT division follows a matrix structure where employees report to both project heads and functional managers.
- ✓ This setup allows for efficient resource utilization, as employees contribute to multiple projects while maintaining alignment with their respective departments.
- ✓ The matrix relationship helps manage complex software development projects that require cross-functional expertise, ensuring seamless collaboration among teams like development, marketing, and finance.

❑ **Startup Incubator – Horizontal Relationship:**

- ✓ The startup incubator promotes a horizontal structure where all employees, regardless of hierarchy, collaborate and share ideas openly.
- ✓ This nurtures transparency, quick decision-making, and innovation, which are essential for startups. Since speed and adaptability are crucial in early-stage ventures, this relationship structure ensures that creative solutions are implemented without bureaucratic delays.

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

ICAI SM, RTP Sep 2024

13

Tech Innovators Inc., a rapidly expanding technology company, aims to lead in artificial intelligence (AI) and machine learning (ML). With recent growth, the company is evaluating which organizational structure will best support its vision for innovation and leadership in AI technologies. They are considering three options: the Functional and Divisional Relationship for specialization, the Horizontal Relationship for flat, collaborative management, and the Matrix Relationship for cross-functional teams. Which of these relationships—Functional and Divisional, Horizontal, or Matrix—will most effectively achieve Tech Innovators Inc.'s strategic goals, and why?

The Matrix Relationship is the most effective structure for Tech Innovators Inc. to achieve its vision of leadership in AI technologies. This structure promotes cross-functional collaboration, essential for managing complex AI projects and fostering innovation. By integrating expertise from various departments into temporary, task-based teams the Matrix Relationship supports dynamic project management and aligns well with the company's strategic goals for advancing AI technologies. Despite its complexity, this approach provides the flexibility and collaboration necessary for a leading-edge AI and ML focus.

Relationship	Benefits	Drawbacks	Suitability for AI Leadership
<b>Functional and Divisional</b>	Specialization, clear management of Functions and products.	Potential for departmental isolation, limited collaboration.	Less effective For cross-functional AI projects.
<b>Horizontal</b>	Open communication, encourages innovation and fast idea sharing.	Hard to scale, unclear roles and responsibilities.	Suitable for startups, less for large AI initiatives.
<b>Matrix</b>	Facilitates cross-Functional collaboration, flexible resource management for complex projects.	Complex reporting structures, potential conflicts.	Ideal for managing diverse, innovative AI projects.

ICAI SM, MTP Apr 24

14

Swati is the marketing manager at a software company. She is responsible for developing and implementing marketing strategies for the company's products. Swati leads a team of marketing professionals and works closely with the product development and sales teams to ensure that the company's products are effectively promoted in the market. She also analyzes market trends and customer feedback to refine the marketing strategies. Which level is she working at, discuss the roles and responsibilities of this level in organization?

Swati operates at functional level of management, specifically as the marketing manager at a software company. Functional managers like Swati oversee specific departments or functions within an organization, such as marketing, finance, or operations.

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

In Swati's case, as a marketing manager, her role involves

- ✓ developing and executing marketing strategies for the company's products.
- ✓ This includes leading a team of marketing professionals, collaborating with product development and sales teams, and analyzing market trends and customer feedback to refine strategies.
- ✓ By working closely with these teams, Swati ensures that the company's products are effectively promoted in the market and that marketing efforts align with overall business goals.

- **Functional managers** like Swati **play a critical role** in the organization by **bridging the gap between corporate strategy and daily operations**. They are responsible for translating high-level strategic goals into actionable plans for their departments and ensuring that these plans are executed effectively.
- Additionally, they are often key decision-makers within their areas of responsibility, making strategic choices that impact on the company's success.
- Overall, Swati's role as a marketing manager exemplifies the importance of functional managers in driving the success of their organizations.

## SM Chapter 1 - MCQs

RTP Sep 2024

1

Jaago Lights, a successful brand from Jalandhar, aimed to enter the Middle East market by teaming up with major industry players. They needed to reorganize internal operations and refine product designs, facing pressure to expand quickly and turbulence in existing operations. What is the primary limitation of strategic management highlighted in the business case?

- a) Lack of senior management support
- b) Time-consuming and complex nature
- c) Inability to adapt to market changes
- d) Excessive focus on short-term goals

RTP Jan 2025

2

In a recent strategy meeting, the leadership team of TechNova, a growing software development firm, emphasized the importance of defining the core purpose of the organization. They aimed to outline the primary reason for the company's existence and to guide their decision-making processes during challenging times. They noted that this central guiding declaration would help align the team's efforts and communicate to stakeholders what the company stands for. What term best describes the central guiding declaration that communicates the purpose and values of TechNova?

- a) Vision
- b) Mission
- c) Objectives
- d) Goals

MTP Mar 25

3.

A retail chain notices that its competitors have introduced same-day delivery options. In response, the company quickly adjusts its logistics operations and collaborates with local courier services to match the offering and avoid losing customers. What type of strategy is the company implementing?

- a) Proactive strategy
- b) Reactive strategy
- c) Functional level strategy
- d) Contingency strategy

MTP Apr 25

4.

A multinational corporation is debating whether to invest significant time and resources into developing a new strategic plan. Some argue it diverts attention from current operations, while others believe it is essential for long-term success. Despite being resource-intensive, it remains crucial for sustained growth. What does this situation best illustrate?

- a) Strategic management ensures immediate profitability
- b) Strategic management is time-consuming but necessary
- c) Operational efficiency is more important than strategic planning
- d) Short-term focus leads to long-term success

RTP May 25

5.

Global Fast Foods Ltd., a multinational restaurant chain, is evaluating whether to enter the packaged food industry by launching its own brand of frozen meals. This decision involves analyzing new markets, potential acquisitions, and overall business portfolio diversification. At what level is this decision likely to be made?

- a) Business
- b) Corporate
- c) Functional
- d) Operational

MTP Dec 24

6 Suman, the marketing head of Jalwa Music Co., was doing research on the online music streaming business in India for her new age music for youngsters. She analyzed that though the players in the market were innovating rapidly, it was difficult to maintain a sustainable competitive advantage. Which aspect of strategic management best reflects this challenge?

- a) The need for continuous innovation.
- b) The importance of understanding the competitive landscape.
- c) The dynamic and unpredictable nature of the industry.
- d) The difficulty in estimating competitors' responses.

**SM Chapter 1  
MCQs Answer Key**

1	B	4	B
2	B	5	B
3	B	6	C



CA Intermediate – New Syllabus  
Strategic Management

**SM Chapter 2**  
**Strategic Analysis**  
**External Environment**

**Important Questions**  
by CA Mohnish Vora (MVSIR)

## Chapter 2 - Strategic Analysis: External Environment

MTP Apr 25

- 1 Aarav is planning to launch his new organic food brand. He is evaluating different cities across the country to establish his business in the most suitable environment. One promising option is Pune, a city known for its health-conscious consumers, strong distribution networks, and government initiatives supporting sustainable businesses. With favorable policies, tax benefits, and access to experienced mentors, Pune seems like an ideal choice for Aarav to launch and scale his organic food brand successfully. Define the term Business Environment with respect to the above scenario. Explain how a business's interaction with its environment can contribute to the development of a successful strategy.

Business Environment refers to the external factors, influences, and conditions that impact a business's decisions, strategies, and operations. In Aarav's case, the business environment includes the evolving consumer preferences, government policies, and market dynamics in Pune, which will play a crucial role in shaping his organic food brand's strategy.

#### Benefits of Interaction with the Business Environment

- **Determine Opportunities and Threats:** Aarav can assess market demand for organic products, emerging health trends, and regulatory frameworks. This will help him identify potential opportunities for expansion and anticipate challenges such as competition and supply chain disruptions.
- **Give Direction for Growth:** By understanding consumer behavior and industry trends, Aarav can align his business with the growing demand for organic and sustainable food options. This insight will help him expand strategically and introduce innovative product offerings.
- **Continuous Learning:** Regular engagement with the business environment will encourage Aarav and his team to stay updated with nutrition trends, technological advancements in food processing, and changing consumer preferences. This knowledge will help them remain competitive and adapt to industry shifts effectively.
- **Image Building:** Responding to environmental and social expectations, such as sustainable sourcing, eco-friendly packaging, and ethical farming practices, will enhance the brand's reputation. A socially responsible business is more likely to attract loyal customers and gain market trust.
- **Meeting Competition:** Aarav can analyze competitors' strategies and differentiate his brand through unique selling propositions (USPs), better distribution networks, or customer engagement initiatives. Understanding the competitive landscape will enable him to position his business effectively and stay ahead in the market.

By actively interacting with business environment, Aarav can leverage opportunities, mitigate risks, and build a sustainable, customer-centric organic food brand in Pune.

MTP May 24

2

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

The PESTLE framework can help ABC Corp assess the external factors affecting its decision to expand into a new country by considering the following aspects:

- 1) **Political Factors:** These include the stability of the government, government policies on foreign investment, trade agreements, and regulatory frameworks. By analyzing these factors, ABC Corp can assess the political risks associated with entering the new market.
- 2) **Economic Factors:** Economic factors such as GDP growth rate, inflation rate, exchange rates, and economic stability can impact ABC Corp's decision. By analyzing these factors, the company can understand the economic environment of the new market and its potential impact on business operations.
- 3) **Social Factors:** Social factors such as cultural norms, demographics, and lifestyle trends can influence consumer behavior and demand for ABC Corp's products. Understanding these factors can help the company tailor its marketing strategies to the new market.
- 4) **Technological Factors:** Technological factors such as infrastructure, technological advancements, and the level of technology adoption in the new market can impact ABC Corp's operations. By assessing these factors, the company can determine the technological requirements for entering the new market.
- 5) **Legal Factors:** Legal factors such as laws and regulations related to foreign investment, intellectual property rights, and labor laws can impact ABC Corp's decision. By analyzing these factors, the company can ensure compliance with legal requirements in the new market.
- 6) **Environmental Factors:** Environmental factors such as climate change, environmental regulations, and sustainability practices can impact ABC Corp's operations and reputation. By considering these factors, the company can assess the environmental risks and opportunities in the new market.

Overall, the PESTLE framework can provide ABC Corp with a comprehensive analysis of the external factors that could impact its decision to expand into a new country, helping the company make informed and strategic decisions.

PYQ Jan 25

3

"International development is expensive and challenging". In the context of the statement, explain the internationalization of business and the steps involved in such strategic planning.

Internationalization has become a pivotal trend for businesses aiming to enhance profitability and access cheaper resources. **It allows companies to explore new markets, achieve economies of scale, and prolong product lifecycles.** However, the process of internationalization is complex due to additional variables and linkages that differ from domestic operations. To navigate this complexity, businesses should adopt a structured approach to international strategic planning. The steps involved include:

- 1) **Evaluate Global Opportunities and Threats:** Businesses must assess potential global markets, identifying opportunities and threats while aligning them with their internal capabilities.

- 2) **Describe the Scope of Operations:** Clearly defining the extent of the firm's international commercial activities is crucial for focused strategy development.
- 3) **Create Global Business Objectives:** Establishing clear objectives helps guide the organization's international efforts and aligns with its overall mission.
- 4) **Develop Distinct Corporate Strategies:** Formulating specific strategies tailored for global operations ensures that the organization can effectively compete in diverse markets.

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

MTP Dec 24

- |   |   |
|---|---|
| 4 | <p><b>Reshuffle Corp</b> is a company that manufactures and sells office furniture. They offer a range of products, from desks and chairs to cabinets and shelves. Recently, the company has been facing increased competition from online retailers offering similar products at lower prices.</p> <p>Analyzing the characteristics of products in the furniture industry, discuss how Reshuffle Corp can differentiate its products to maintain a competitive edge in the market.</p> |
|---|---|

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

1. **Tangible and Intangible Aspects:** Reshuffle Corp can focus on the tangible aspects of its products, such as using high-quality materials and innovative designs to create furniture that is both functional and aesthetically pleasing. Additionally, they can emphasize the intangible aspects of their products, such as excellent customer service and a strong brand reputation for reliability and durability.
2. **Pricing Strategies:** While market prices are often dictated by competition, Reshuffle Corp can work on cost optimization to maintain profitability. They can also consider offering value-added services, such as free installation or extended warranties, to justify a higher price point.
3. **Product Features:** By continually optimizing their product features based on customer feedback and market trends, Reshuffle Corp can ensure that their products deliver maximum satisfaction to their target customers. This may include features that enhance functionality, design, quality, and overall user experience.
4. **Product Centric Approach:** Reshuffle Corp should keep their products at the center of their strategic activities, ensuring that all business processes, from production to sales and marketing, are aligned to meet customer needs and expectations.
5. **Product Life Cycle Management:** Reshuffle Corp should be aware of the life cycle of their products and plan for reinvention or replacement accordingly. They can introduce new product lines or upgrade existing ones to keep up with changing customer preferences and market trends.

RTP Nov 23, Sep 24 || MTP Mar 25

5

A company has recently launched a new product in the market. Initially, it faced slow sales growth, limited markets, and high prices. However, over time, the demand for the product expanded rapidly, prices fell, and competition increased. Identify the stages of the product life cycle (PLC) that the company went through.

The company went through the following stages of the product life cycle (PLC):

**Introduction stage:** Initially, the company faced slow sales growth, limited markets, and high prices, which are characteristic of the introduction stage. During this stage, competition is almost negligible, and customers have limited knowledge about the product.

**Growth stage:** Over time, the demand for the product expanded rapidly, prices fell, and competition increased. These are typical features of the growth stage in the PLC. In this stage, the product gains market acceptance, and customers become more aware of the product's benefits and show interest in purchasing it.

RTP May 21

6

ABC Ltd. manufactures and sells air purifier 'Fresh Breath'. The 'Fresh Breath' has seen sales growth of around 1% for the last two years, after strong growth in the previous five years. This is due to new products entering the market in competition with the 'Fresh Breath'. ABC Ltd. is therefore considering cutting its prices to be in line with its major rivals with a hope to maintain the market share. Market research indicates that this will now cause a significant increase in the level of sales, even though in previous years price cuts have had little effect on demand. ABC Ltd. is also planning to launch a promotional campaign to highlight the benefits of the 'Fresh Breath' against its rival products. Identify and explain the stage of the product life cycle in which 'Fresh Breath' falls.

**Product Life Cycle** is a useful concept for guiding strategic choice.

- PLC is an S-shaped curve which exhibits the relationship of sales with respect of time for a product that passes through the four successive stages of introduction (slow sales growth), growth (rapid market acceptance) maturity (slowdown in growth rate) and decline (sharp downward drift).
- The **product 'Fresh Breath' of ABC Ltd. falls under Maturity stage** of product life cycle. In this stage, the **competition gets tough and market gets stabilised**. Profit comes down because of stiff competition. At this stage, ABC Ltd. have to work for maintaining stability by cutting the prices to be in line with its major rivals with a hope to maintain the market share and by launching a promotional campaign to highlight the benefits of the 'Fresh Breath' against its rival products.

PYQ Sep 2024

7

Value Chain Analysis consist two activities: Primary activities and Support activities. As per Michael Porter both the activities are intertwined. Do you agree with the statement?  
Also delineate the main areas in which primary activities of any organization are grouped.

Yes, I agree with the statement that Value Chain Analysis consist of two activities: Primary activities and Support activities. As per Michael Porter both the activities are intertwined. It is a tool used to examine the activities that create value in an organization, helping to enhance efficiency and build competitive advantage. It breaks down a business's operations to identify areas for improvement in value creation.

The **primary activities** of an organization are categorized into five areas:

1. **Inbound logistics:** Activities related to receiving, storing, and distributing inputs (e.g., materials handling, stock control, and transport).
2. **Operations:** Transforming inputs into final products or services (e.g., machining, packaging, assembly).
3. **Outbound logistics:** Collecting, storing, and delivering products to customers (e.g., warehousing, transport).
4. **Marketing and sales:** Promoting and selling the product or service, including advertising and sales administration.
5. **Service:** Enhancing or maintaining product value (e.g., installation, repair, training).

RTP May 18, May 23, May 19 || PYQ Sep 24

- 8 What are the common barriers that are faced by new entrants when an existing firm earns higher profits?  
OR  
Rahul Sharma is Managing Director of a company which is manufacturing trucks. He is worried about the entry of new businesses. What kind of barriers will help Rahul against such a threat?  
OR  
In light of the five forces as propagated by Michael Porter, explain the common barriers which may cause restraint for the keenness of new entrepreneurs.

A firm's profitability tends to be higher when other firms are blocked from entering the industry. New entrants can reduce industry profitability because they add new production capacity leading to increase supply of the product even at a lower price and can substantially erode existing firm's market share. Barriers to entry represent economic forces (or 'hurdles') that slow down or impede entry by other firms.

Common barriers to entry include:

- i. **Capital requirements:** When a large amount of capital is required to enter an industry, firms lacking funds are effectively barred from the industry, thus enhancing the profitability of existing firms in the industry.
- ii. **Economies of scale:** Many industries are characterized by economic activities driven by economies of scale. Economies of scale refer to the decline in the per-unit cost of production (or other activity) as volume grows. A large firm that enjoys economies of scale can produce high volumes of goods at successively lower costs. This tends to discourage new entrants.
- iii. **Product differentiation:** Production differentiation refers to the physical or perceptual differences, or enhancements, that make a product special or unique in the eyes of customers. Firms in the personal care products and cosmetics industries actively engage in product differentiation to enhance their products' features. Differentiation works to reinforce entry barriers because the cost of creating genuine product differences may be too high for the new entrants.
- iv. **Switching costs:** To succeed in an industry, new entrant must be able to persuade existing customers of other companies to switch to its products. To make a switch, buyers may need to test a new firm's product, negotiate new purchase contracts, and train personnel to use the equipment, or modify facilities for product use. Buyers often incur substantial financial (and psychological) costs in switching between firms. When such switching costs are high, buyers are often reluctant to change.

- v. **Brand identity:** The brand identity of products or services offered by existing firms can serve as another entry barrier. Brand identity is particularly important for infrequently purchased products that carry a high unit cost to the buyer. New entrants often encounter significant difficulties in building up brand identity, because to do so they must commit substantial resources over a long period.
- vi. **Access to distribution channels:** The unavailability of distribution channels for new entrants poses another significant entry barrier. Despite the growing power of the internet, many firms may continue to rely on their control of physical distribution channels to sustain a barrier to entry to rivals. Often, existing firms have significant influence over the distribution channels and can retard or impede their use by new firms.
- vii. **Possibility of aggressive retaliation:** Sometimes the mere threat of aggressive retaliation by incumbents can deter entry by other firms into an existing industry. For example, introduction of products by a new firm may lead existing firms to reduce their product prices and increase their advertising budgets.

RTP Nov 23, Nov 21 || PYQ Sep 24 || MTP Nov 24

9

Easy Access is a marketing services company providing consultancy to a range of business clients. Easy Access and its rivals have managed to persuade the Government to require all marketing services companies to complete a time-consuming and bureaucratic registration process and to comply with an industry code of conduct. Do you think that by doing this Easy Access and its rivals has an advantage in some way to fight off competitors? Explain.

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

- The new bureaucratic process is making it more complicated for organizations to start up and enter in Easy Access market, increasing barriers to entry and thereby **reducing the threat of new entrants**.
- New entrants can reduce an industry's profitability, because they add new production capacity, leading to increase in supply of the product, sometimes even at a lower price and can substantially erode existing firm's market share position.
- However, New entrants are always a powerful source of competition. The new capacity and product range they bring in throws up a new competitive pressure.
- The bigger the new entrant, the more severe the competitive effect.
- New entrants also place a limit on prices and affect the profitability of existing players, which is known as Price War.

RTP Nov 22, Sep 24 || MTP Oct 23

10

Rajiv Arya is owner of an electrical appliance company that specializes in manufacturing of domestic vacuum cleaners. There are four other manufacturers with similar products and sales volume. Current rival firms also own a number of patents related to the product. The supplier base for procurement of raw material is also very large as there are multiple suppliers. Identify Porter's Five Forces that may be classified as significant for the company? Explain.

The **competitive rivalry** will be a significant force in case of company of Rajiv Arya as all the rivals are similar in sizes and are manufacturing similar products.

- ✓ It is difficult for any single manufacturer to dominate the market. Large number of patents will make it difficult for new entrants to break into the market.
- ✓ Further, as there are a large number of small suppliers the power that suppliers can exert will also be low.
- ✓ There is no information relating to substitutes and bargaining power of customers in the information given in scenario. However, a domestic vacuum cleaner will directly compete with other options such as house maids. Availability of house maids at low cost can significantly disturb the sales of products.

RTP Nov 19 || PYQ May 23 || MTP Jul 24

11

Buyers of an industry's products or services can sometimes exert considerable pressure on the company. In the light of the five forces as propagated by Michael Porter explain this force. Also state as to when this leverage is evident.  
OR  
Buyers can exert considerable pressure on business. Do you agree? Discuss.

**Bargaining Power of Buyers** is another force that influences the competitive condition on an industry. This force becomes weaker depending on the possibility of buyers forming groups or cartels. Mostly, this is a phenomenon seen in industrial products. Quite often, users of industrial products come together formally or even informally and exert pressure on the producer. This is because powerful buyers usually bargain for better services which involves more investment on the part of the producer.

Buyers of an industry's products or services can sometimes exert considerable pressure on existing firms to secure lower prices or better services. This leverage is particularly evident when;

- i. Buyers have full Knowledge of the source(s) of products and their substitutes. Thus, challenging the price being charged by producers.
- ii. They spend a lot of money on the industry's products i.e., they are big buyers. Thus, in a position to demand favorable terms of contract.
- iii. The industry's product is not perceived as critical to the buyer's needs and buyers are more concentrated than firms supplying the product. They can easily switch to the substitutes available.

PYQ Dec 21

12 What are the factors which determine the nature of rivalry in an industry?

The intensity of rivalry in an industry is a significant determinant of an industry's attractiveness and profitability. The intensity of rivalry can influence the costs of suppliers, distributions, and of attracting customers and thus, can directly affect the profitability. "The more intensive the rivalry, the less attractive is the industry". **Rivalry among competitors tends to be cutthroat and an industry's profitability is low when:**

MT: FINE PG

- i. **Fixed Costs:** Competitors operate with high **fixed costs**. Thus, aiming for better Return on Investment with more fierce tactics.
- ii. **Industry Leader:** An **industry** has no clear **leader**. Therefore, continuous war for leadership.
- iii. **Number of Competitors:** **Competitors** in the industry are numerous.
- iv. **Exit Barriers:** Competitors face high **exit barriers**, and therefore, continue to fight for market share.
- v. **Product Differentiation:** Competitors have little opportunity to **differentiate** their products.
- vi. **Slow Growth:** The industry faces **slow or diminished growth**.

PYQ Jan 25

13

As per one of the five forces of competition, Michael Porter stated that the more intensive is the rivalry, the less attractive is the industry. In view of this, explain the conditions in which rivalry among competitors tends to be cut throat and industry profitability is low.

According to Michael Porter's Five Forces framework, rivalry among competitors significantly influences the attractiveness and profitability of an industry. When rivalry becomes cutthroat, several conditions contribute to low industry profitability:

- 1) **Industry Leader Presence:** While a strong industry leader can help maintain pricing discipline, the effectiveness diminishes as the number of competitors increases. Many rivals can engage in aggressive pricing strategies, leading to decreased profitability.
- 2) **Number of Competitors:** A higher number of competitors increases rivalry, making it difficult for any single firm to control pricing. This leads to intensified price competition, which adversely affects industry profitability.
- 3) **High Fixed Costs:** Industries with high fixed costs create pressure on firms to fully utilize their capacity. When firms face excess capacity, they often resort to price cuts to maintain sales volume, which diminishes profitability across the industry.
- 4) **Exit Barriers:** High exit barriers prevent firms from leaving the industry, keeping competition high. Specialized assets or other constraints can lead firms to remain in the market, maintaining competitive pressure and negatively impacting profitability for all players.
- 5) **Product Differentiation:** In industries lacking product differentiation, firms primarily compete on price. This leads to price wars and lower profitability. In contrast, firms that can differentiate their products tend to achieve higher profit margins and reduce competitive pressure.
- 6) **Slow Industry Growth:** When industry growth slows, firms may adopt aggressive tactics to protect or gain market share, resulting in intensified rivalry and diminished profitability as they compete for a limited customer base.

In summary, conditions such as the presence of a strong industry leader, the number of competitors, high fixed costs, exit barriers, lack of product differentiation, and slow industry growth contribute to cutthroat rivalry and low industry profitability.

MTP May 24, Nov 24

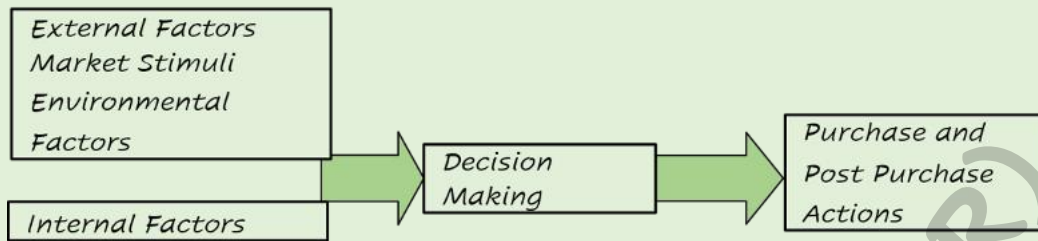
14

You are a strategic manager for a tech company launching a new smartphone model. The company wants to target tech-savvy consumers who value innovation and cutting-edge technology. Using the concept of customer behavior, develop a marketing strategy to promote the new smartphone.

To target tech-savvy consumers for the new smartphone model, the tech company can develop a marketing strategy based on customer behavior. Consumer behaviour may be influenced by a number of things. These elements can be categorised into the following conceptual domains:

- **External Influences:** Utilize online platforms and tech forums to generate buzz around the new smartphone. Partner with tech influencers and bloggers to review the product and create awareness among tech-savvy consumers.
- **Internal Influences:** Appeal to the desire for innovation and advanced features among tech-savvy consumers. Highlight the unique selling points of the new smartphone, such as its cutting-edge technology, performance, and design.

- **Decision Making:** Recognize that tech-savvy consumers are **early adopters** who **value functionality and performance**. Provide detailed specifications and comparisons with other smartphones to help them make an informed decision.
- **Post-decision Processes:** Offer **excellent customer service** and **support** to address any technical issues or concerns. Encourage customers to provide feedback and reviews to build credibility and trust among tech-savvy consumers.



**Figure: Process of consumer behaviour**

By understanding the behavior of tech-savvy consumers and aligning the marketing strategy with their preferences, the tech company can effectively promote the new smartphone and attract this demographic.

15

Mr. Arun Kumar has built a successful business in the handmade ceramic products industry in Gujarat. His company, Cerami Crafts, is renowned for crafting distinctive, high-quality ceramic home décor items that have gained a strong foothold in the market. However, recent market shifts and rising competition have impacted sales. Seeking professional guidance, Mr. Kumar consults a strategic advisor who recommends an in-depth analysis of the competitive landscape. To comprehend the competitive landscape, what steps should Mr. Kumar follow?

Understanding the competitive landscape is crucial for Mr. Arun Kumar to navigate the handmade ceramic products industry in Gujarat successfully. This involves identifying both direct and indirect competitors while gaining insights into their vision, mission, core values, niche markets, and strengths and weaknesses. Here are the structured steps Mr. Kumar should follow to comprehend the competitive landscape and bolster his strategic position:

**(i) Identify the competitor:** The first step to understanding the competitive landscape is to identify the competitors in the handmade ceramic products industry. Mr. Kumar should gather **actual data on the market share** and positioning of competitors within the industry.

**(ii) Understand the competitors:** Once the competitors have been identified, Mr. Kumar can use **market research reports, the internet, newspapers, social media**, industry reports, and various other sources to understand the products and services offered by competitors. This will help him comprehend how they position themselves in different markets and their unique selling propositions.

**(iii) Determine the strengths of the competitors:** Mr. Kumar should assess what the competitors excel at. Do they offer superior product quality? Are they using marketing strategies that reach a wider customer base? Why do consumers choose them over others? Understanding these **strengths** will help Mr. Kumar identify areas where his company, Ceramic rafts, can enhance its offerings.

**(iv) Determine the weaknesses of the competitors:** Weaknesses of competitors can be identified by reviewing customer feedback, **consumer reports, and reviews**. Consumers often share their experiences, especially when products or services are either exceptional or subpar. By examining these weaknesses, Mr. Kumar can find opportunities to position CeramiCrafts as a better alternative.

**(v) Put all of the information together:** At this stage, Mr. Kumar should consolidate all the information gathered about competitors. This will help him identify gaps in the market that his company can fill, as well as areas where CeramiCrafts needs to improve. By understanding the competition thoroughly, he can devise strategies that strengthen his market position.

By following these steps, Mr. Kumar can gain a comprehensive understanding of the competitive landscape, enabling him to make informed strategic decisions for CeramiCrafts. This tailored approach ensures that the insights gained are directly applicable to the handmade ceramic products industry in Gujarat.

MTP Apr 25

16

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

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

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

To gain a sustainable competitive advantage, ABC Tech should:

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

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

SM Chapter 2 - MCQs

MTP Aug 24, RTP Sep 2024

1 A traditional desi ghee company modernized its production & introduced pro-biotic desi ghee, facing initial market doubts. Aggressive marketing campaigns highlighted its benefits, gaining acceptance. During which stage of the PLC did company face doubts but gained acceptance through aggressive marketing campaigns ?

- a) Introduction
- b) Growth
- c) Maturity
- d) Decline

RTP Jan 2025

2 A company's flagship product has experienced a plateau in sales despite heavy promotions and marketing. What phase of the Product Life Cycle are they likely in, and what is the best strategic option to consider?

- a) Introduction; increase prices
- b) Growth; diversify product range
- c) Maturity; seek product differentiation
- d) Decline; invest in new technology

RTP Sep 24 || MTP Dec 24

3 During which stage of the Product Life Cycle would you typically expect the highest marketing expenditure per unit sold as companies aggressively promote their product?

- a) Maturity
- b) Introduction
- c) Growth
- d) Decline

MTP Apr 25

4 ABC Corp., a pharma company, faces strict regulatory approvals before launching a new drug. Meanwhile, government policies promote local drug manufacturing, & digital advancements are transforming research. Which PESTLE factor is most relevant to the regulatory approvals for new drugs?

- a) Political
- b) Legal
- c) Technological
- d) Economic

RTP May 25

5 XYZ Logistics, a leading transportation company, has been operating in the industry for over a decade. Over the years, the company has expanded its fleet, optimized route planning, and implemented advanced fuel efficiency techniques. As a result, the company's per mile operating cost has significantly decreased due to improved efficiency and cumulative experience in managing large-scale logistics operations. Which strategic management concept best explains this reduction in operating costs?

- a) Experience curve
- b) Ansoff's growth matrix
- c) Strategic surveillance
- d) Value chain analysis

RTP Sep 2024

6

Suman, the marketing head of Jalwa Music Co., was doing research on the online music streaming business in India for her new age music for youngsters. She analyzed that though the players in the market were innovating rapidly, it was difficult to maintain a sustainable competitive advantage. Which aspect of strategic management best reflects this challenge?

- a) The need for continuous innovation.
- b) The importance of understanding the competitive landscape.
- c) The dynamic and unpredictable nature of the industry.
- d) The difficulty in estimating competitors' responses.

SM Chapter 2  
MCQs Answer Key

1	A	2	C	3	B	4	C	5	A	6	C
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**Important Questions**  
by CA Mohnish Vora (MVSIR)

## Chapter 3 - Strategic Analysis: Internal Environment

MTP May 24, Mar 25 || RTP Sep 2024

1 How can Mendelow's Matrix be used to analyze and manage the stakeholders effectively ?

Mendelow's Matrix can be used effectively to analyze and manage stakeholders through a grid-based approach by the following steps:

- 1. Identify Stakeholders:** Begin by identifying all relevant stakeholders for your project or organization. This includes individuals, groups, or organizations that may be impacted by or have an impact on your activities.
- 2. Assess Power and Interest:** For each stakeholder, assess their power to influence your project or organization and their level of interest in its success. Power can be assessed based on factors such as authority, resources, and expertise, while interest can be gauged by their level of involvement, expectations, and potential benefits or risks.
- 3. Plot Stakeholders on the Grid:** Create a grid with Power on one axis and Interest on the other. Plot each stakeholder on the grid based on your assessment. Stakeholders with high power and high interest are placed in the "Key Players" quadrant, those with high power but low interest are in the "Keep Satisfied" quadrant, those with low power but high interest are in the "Keep Informed" quadrant, and those with low power and low interest are in the "Low Priority" quadrant.



**4. Develop Strategies for each Quadrant:** Based on the placement of stakeholders in the grid, develop specific strategies for managing each quadrant:

- **Key Players:** Fully engage with them, seek their input, and keep them informed.
- **Keep Satisfied:** Provide them regular updates & address their concerns to prevent them from becoming detractors.
- **Keep Informed:** Keep them informed to ensure they remain supportive & to leverage their insights and feedback.
- **Low Priority:** Monitor them for any changes but allocate minimal resources to managing their expectations.

**5. Monitor and Adapt:** Continuously monitor power & interest of stakeholders and adjust strategies accordingly. Stakeholders may move between quadrants based on changing circumstances, so it's important to remain flexible and responsive

MTP Nov 24

2

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

According to Mendelow's Matrix, environmentally conscious consumers who influence industry standards fall into the **Key Players quadrant**. These stakeholders possess both **high power and high interest**, making them crucial to the success of Chic Threads' sustainability-focused initiatives.

Their high interest stems from their alignment with the brand's ethical and eco-friendly values, while their high power arises from their ability to shape market trends, advocate for sustainable practices, and impact on the brand's reputation through their purchasing decisions and influence within the industry.

As Key Players, these consumers require active engagement. Chic Threads must focus on satisfying their expectations by providing regular updates on sustainability efforts, maintaining transparent communication, and incorporating their feedback to ensure continued support.

The brand should actively involve these stakeholders in its decision-making processes by seeking their input on product design and sustainability measures. Additionally, building strong relationships through targeted marketing campaigns, collaborations, and awareness initiatives will further solidify their trust and advocacy.

Effectively managing this stakeholder group is vital, as their support and satisfaction directly contribute to the success of the brand's eco-friendly clothing line.

ICAI SM || RTP May 19 || MTP Apr 21, May 24, Aug 24

3

Mr. Banerjee is head of marketing department of a manufacturing company. His company is in direct competition with thirteen companies at national level. He wishes to study the market positions of rival companies by grouping them into like positions.

Name the tool that may be used by Mr. Banerjee? Explain the procedure that may be used to implement the technique.

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

A strategic group consists of those rival firms which have similar competitive approaches and positions in the market.

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

**1) Identify the competitive characteristics** that differentiate firms in the industry typical variables that are

- ✓ **price/quality range** (high, medium, low);
- ✓ **geographic coverage** (local, regional, national, global);
- ✓ product-line **breadth** (wide, narrow);
- ✓ use of **distribution channels** (one, some, all) etc

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

PYQ May 24, MTP Aug 24, RTP Jan 25

4

What are channels? Why is channel analysis important? Explain the different types of channels?

OR

What are distribution channels, and why is analyzing them crucial for business expansion? Describe the three main types of channels explaining their roles in ensuring products reach customers efficiently and with the necessary support.

Channels represent the distribution system through which organizations distribute their products or provide services to customers. They play a pivotal role in reaching target markets, maximizing sales, and establishing competitive advantages.

Channel analysis is important when the business strategy is to scale up and expand beyond the current geographies and markets. When a business plans to grow to newer markets, they need to develop or leverage existing channels to get to new customers. Thus, analysis of channels that suit one's products and customers is of utmost importance.

There are typically three channels that should be considered: sales channel, product channel and service channel.

**The sales channel –**

- ✓ These are the **intermediaries** involved in **selling the product through each channel** and ultimately to the **end user**.
- ✓ Key question is: **Who needs to sell to whom** for your product to be sold to your end user?
- ✓ For eg, many **fashion designers** use **agencies** to sell their products to retail organisations, so that consumers can access them.

**The product channel –**

- ✓ It focuses on the **series of intermediaries** who **physically handle** the product on its **path from its producer** to the **end user**.
- ✓ This is true of **Australia Post**, who delivers online purchases between seller & purchaser when using eBay and other online stores.

**The service channel –**

- ✓ It refers to entities that **provide necessary services to support** the product, as it moves through the sales channel and after purchase by the end user.
- ✓ It important for products that are **complex** in → **installation** or **customer assistance**.
- ✓ For eg, a **Bosch dishwasher** may be sold in a Bosch showroom, and then once sold it is **installed by a Bosch contracted plumber**

RTP Sep 24 || MTP Nov 24, Apr 25

5

Major core competencies are identified in three areas - competitor differentiation, customer value and application to other markets. Discuss.

According to C.K. Prahalad and Gary Hamel, major core competencies are identified in three areas - competitor differentiation, customer value, and application to other markets.

- 1. Competitor differentiation:** The Company can consider having a core competence if the **competence is unique** and it is **difficult for competitors to imitate**. This can provide a company an **edge** compared to competitors. It allows the company to provide better products and services to market with no fear that competitors can copy it.
- 2. Customer value:** When purchasing a product or service it has to deliver a **fundamental benefit** for the end customer in order to be a core competence. It will include all the skills needed to provide fundamental benefits. The service or the product has to have real impact on the customer as the reason to choose to purchase them. If customer has chosen the company **without** this impact, then competence is **not a core competence** and it will not affect the company's market position.
- 3. Application of competencies to other markets:** Core competence must be applicable to the **whole** organization; it **cannot be only one particular skill** or specified area of expertise. Therefore, although some special capability would be essential or crucial for the success of business activity, it will not be considered as core competence if it is **not fundamental** from the whole organization's point of view.

Thus, a core competence is a **unique set of skills and expertise**, which will be used throughout the organization to **open up potential markets** to be exploited.

ICAI SM || RTP Nov 18, Nov 20 || MTP Apr 19

6

'Speed' is a leading retail chain, on account of its ability to operate its business at low costs. The retail chain aims to further strengthen its top position in the retail industry. The Chief executive of the retail chain is of the view that to achieve the goals they should focus on lowering the costs of procurement of products. Highlight and explain the core competence of the retail chain.

OR

'Value for Money' is a leading retail chain, on account of its ability to operate its business at low costs. The retail chain aims to further strengthen its top position in the retail industry. Marshal, the CEO of the retail chain is of the view that to achieve the goals they should focus on lowering the costs of procurement of products.

Highlight and explain the core competence of the 'Value for Money' retail chain.

- A core competence is a **unique strength** of an organization which may **not be shared by others**.
- Core competencies are those capabilities that are **critical** to a business **achieving competitive advantage**. To qualify as a core competence, the competency should **differentiate the business from any other similar businesses**.
- A core competency for a firm is whatever it does is highly beneficial to the organisation. 'Speed' is the leader on account of its ability to keep costs low.
- The cost advantage that 'Value for Money' has created for itself has allowed the retailer to price goods lower than competitors.
- Core competency in this case is derived from company's ability to generate large sales volume, allowing the company to remain profitable with low profit margin.

RTP May 24, May 20 || PYQ May 22, Sep 24 || MTP Mar 25

There are four specific criteria of sustainable competitive advantage that firms can use to determine those capabilities that are known as core competencies. Explain.

OR

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

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

**Valuable:** Valuable capabilities are the ones that allow the firm to **exploit opportunities** or **avert the threats** in its external environment. A firm created value for customers by **effectively using capabilities to exploit opportunities**. Finance companies build a valuable competence in financial services. In addition, to make such competencies as financial services highly successful requires **placing the right people in the right jobs**. **Human capital** is important in creating value for customers.

**Rare:** Core competencies are very rare capabilities & **very few of competitors possess this**. Capabilities possessed by many rivals are unlikely to be sources of competitive advantage for any one of them. Competitive advantage results only when firms **develop** and **exploit valuable capabilities** that **differ from those shared with competitors**.

**Costly to imitate:** Costly to imitate means such capabilities that **competing firms are unable to develop easily**. For eg, **Intel** has enjoyed a **first-mover advantage** because of its **rare fast R&D cycle time** capability that brought SRAM and DRAM integrated circuit technology, and brought microprocessors to market well **ahead of the competitor**. The product could be **imitated**, but it is **difficult to imitate** the R&D cycle time capability.

**Non-substitutable:** Capabilities that **do not have strategic equivalents** are called non-substitutable capabilities. This final criterion for a capability to be a source of competitive advantage is that there must be no strategically equivalent valuable resources that are themselves either not rare or imitable.

ICAI SM || MTP Dec 24

- 8 Rohit Patel is having a small chemist shop in the central part of Ahmedabad. What kind of competencies Rohit can build to gain competitive advantage over online medicine sellers?

Capabilities that are valuable, rare, costly to imitate, and non-substitutable are core competencies. A small chemist shop has a local presence and functions within a limited geographical area.

Still, it can build its own competencies to gain competitive advantage.

Rohit Patel can **build competencies in the areas of:**

- i. Developing personal and cordial relations with the customers. Providing home delivery with no additional cost.
- ii. Developing a system of speedy delivery that can be difficult to match by online sellers. Being in central part of city, he can create a network to supply at wider locations in the city.
- iii. Having extended working hours for convenience of buyers.
- iv. Providing easy credit or a system of monthly payments to the patients consuming regular medicines.

9

Mohan has joined as the new CEO of XYZ Corporation and aims to make it a dominant technology company in the next five years. He aims to develop competencies for managers for achieving better performance and a competitive advantage for XYZ Corporation. Mohan is well aware of the importance of resources and capabilities in generating competitive advantage. Discuss the four major characteristics of resources and capabilities required by XYZ Corporation to sustain the competitive advantage and its ability to earn profits from it.

XYZ Corporation is aiming to transform into a dominant technology company under the leadership of Mohan, the new CEO. He aims to develop competencies for managers for achieving better performance and a competitive advantage for the corporation. Mohan is also well aware of the importance of resources and capabilities in generating and sustaining the competitive advantage. Therefore, he must focus on characteristics of resources and capabilities of the corporation.

The sustainability of competitive advantage and a firm's ability to earn profits from it depends, to a great extent, upon four major characteristics of resources and capabilities which are follows: **MT: DATI**

#### 1. Durability:

- The **period** over which a competitive advantage is sustained depends on the **rate** at which a firm's **resources and capabilities deteriorate**.
- In industries where the **rate of product innovation** is fast, product **patents** are quite likely to become **obsolete**.
- **Capabilities** which are the result of the management expertise of the CEO are also **vulnerable** to his or her **retirement** or **departure**. On other hand, many consumer brand names have a highly durable appeal.

#### 2. Appropriability:

- Appropriability refers to the **ability** of **the firm's owners** to **appropriate the returns** on its resource base.
- Even where resources and capabilities are capable of offering sustainable advantage, there is an issue as to who receives the returns on these resources.

#### 3. Transferability:

- Even if the resources and capabilities on which a competitive advantage is based are durable, it is likely to be eroded by competition from rivals. The **ability of rivals** to **attack position of competitive advantage** relies on their **gaining access to the necessary resources** and capabilities.
- The **easier it is to transfer resources** and capabilities between companies, the **less sustainable** will be the competitive advantage which is based on them.

#### 4. Imitability:

- If resources and capabilities **cannot be purchased** by a would-be imitator, then they must be **built from scratch**.
- **How easily and quickly** can the competitors **build the resources** and capabilities? This is the **true test** of imitability.
- For eg, in financial services, **innovations lack legal protection** and are **easily copied**.
- Where capabilities require **networks of org. routines**, & **effectiveness** depend on **corporate culture**, imitation is difficult.

10

GreenGardens, a small but growing organic farm, is assessing its business environment to strategically plan for future growth. The farm boasts high-quality, pesticide-free crops, but faces challenges with its limited distribution channels. As the demand for organic products continues to rise, GreenGardens recognizes the potential to broaden its market reach. However, unpredictable weather conditions and competition from larger farms present significant obstacles. To effectively navigate these challenges and opportunities, GreenGardens needs to conduct a comprehensive evaluation. Identify the type of analysis GreenGardens should conduct to strategically plan for its future growth and outline the grid.

GreenGardens should conduct a SWOT analysis to strategically plan for future growth. This analysis will help them understand their internal strengths and weaknesses, as well as external opportunities and threats.

SWOT Analysis Grid for GreenGardens:

Strengths	Weaknesses
High-quality, pesticide-free produce	Limited distribution channels
Strong brand reputation for organic products	Small scale of operations
Dedicated and knowledgeable workforce	Limited marketing and sales reach
Opportunities	Threats
Rising demand for organic products	Unpredictable weather conditions
Potential to expand into new markets	Intense competition from larger farms
Increased consumer awareness of health and sustainability	Regulatory changes affecting organic farming

By systematically evaluating these areas, GreenGardens can leverage its strengths, address its weaknesses, capitalize on opportunities, and mitigate threats. This strategic planning will guide them toward sustainable growth and success in the organic farming industry.

PYQ Nov 22

11

What is cost leadership strategy? Under What circumstances an organization can gain competitive advantages from cost leadership strategy? Is there any risk in pursuing cost leadership strategy?

**Cost leadership strategy** emphasizes producing standardized products at a very low per-unit cost for consumers who are price-sensitive. It frequently results from productivity increases and aggressive pursuit of cost reduction throughout the development, production, marketing, and distribution processes. It allows a firm to earn higher profits than its competitors.

The circumstances in which an organization can gain competitive advantages from cost leadership strategy are when: MT: Large PDF

- 1) there are a **large number of buyers** with **significant bargaining power**.
- 2) market is composed of **many price-sensitive buyers**,
- 3) buyers **do not care much about differences** from brand to brand
- 4) there are **few ways to achieve product differentiation**.

The basic idea is to underprice competitors and thereby gain market share driving some of the competitors out of the market.

**Some risks of pursuing cost leadership are:**

- Competitors may imitate strategy, therefore driving overall industry profits down
- That technological breakthroughs in industry may make the strategy ineffective; or that buyer interests may swing to other differentiating's features besides price.

MTP Sep 23

- 12 Budget Smart Retailers, a renowned supermarket chain, faced fierce competition in the grocery retail sector due to escalating operational expenses. Rising costs from rent, labor, and inventory management challenged their profitability amidst the emergence of discount stores and online competitors. To counter this, Budget Smart Retailers optimized their supply chain through bulk procurement, revamped store layouts for cost efficiency and customer experience, embraced lean operational practices to minimize waste, and conducted comprehensive staff training to boost productivity and customer service efficiency.
- Identify and explain the strategy adopted by Budget Smart Retailers to enhance the profitability.

Budget Smart Retailers adopted a **cost leadership strategy** to enhance profitability in the fiercely competitive grocery retail sector.

It is a low-cost competitive strategy that aims at broad mass market. It requires vigorous pursuit of cost reduction in the areas of procurement, production, storage and distribution of product or service and also economies in overhead costs.

Because of its lower costs, the cost leader is able to charge a lower price for its products than most of its competitors and still earn satisfactory profits.

By negotiating bulk procurement deals with suppliers, Budget Smart Retailers lowered their cost of goods, allowing them to offer competitive prices to customers. The revamping of store layouts aimed to maximize space utilization and product placement, reducing operational costs and improving the overall shopping experience. Embracing lean principles minimized waste in the supply chain, reducing unnecessary expenses and improving efficiency. Comprehensive staff training boosted employee productivity and customer service efficiency, contributing to cost reduction and enhanced customer satisfaction.

RTP Nov 23, Nov 21 || MTP Mar 23, Nov 24

- 13 Explain in brief the various basis of differentiation strategy.

There are several basis of differentiation, major being: Product, Pricing and Organization. **MT: POP**

**Product: Innovative** products lead to competitive advantage.

But, the pursuit of new product offering can be

- ✓ **Costly – research & development**, &
- ✓ **production & marketing costs** - add to cost.

Big **payoff** → customer's flock to **first to have new product**.

➤ **Organisation:** Organisational differentiation is yet another form of differentiation.

- ✓ **Maximizing power of a brand** or
- ✓ Using **specific advantages** that an organization possesses can be instrumental to co.'s success-

✓ **Location adv., name recognition, customer loyalty** can all provide additional ways for a company differentiate itself from the competition.

**Pricing:** It **fluctuates** based on **supply & demand** & also is influenced by customer's **ideal value** for a product.

Cos. that differentiate based on price can either-

- ✓ **offer lowest price** or
- ✓ **establish superiority** through higher prices.

RTP May 24

14 ABC Ltd. is a beverage manufacturing company. It chiefly manufactures soft drinks. The products are priced on the lower side, which has made the company a leader in the business. Currently it holds 35 percent of the market share. The R & D of the company developed a formula for manufacturing sugar-free beverages. On successful trial and approval by the competent authorities, the company was granted to manufacture sugar free beverages. This company is the pioneer to launch sugar free beverages which are sold at a relatively higher price. This new product has been accepted widely by a class of customers. These products have proved profitable for the company. Identify the strategy employed by the company ABC Ltd. and mention what measures could be adopted by the company to achieve the employed strategy.

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

**ABC Ltd. has opted for the Differentiation Strategy.** The company has invested a huge amount in R & D and developed a formula for manufacturing sugar-free beverages to give the customer value and quality. They are pioneers and serve specific customer needs that are not met by other companies in the industry. The new product has been accepted by a class of customers. Differentiated and unique sugar-free beverages enable ABC Ltd. to charge relatively higher for its products, hence making higher profits and maintaining its competitive position in the market.

Sugar free beverage of ABC Ltd. is being accepted widely by a class of customers. Differentiation strategy is aimed at a broad mass market and involves the creation of a product or service that is perceived by the customers as unique. The uniqueness can be associated with product design, brand image, features, technology, and dealer network or customer service.

MT: EQUIP<sup>2</sup>

#### Achieving Differentiation Strategy

To achieve differentiation, following strategies are generally adopted by an organization:

- 1) Taking steps for **enhancing brand image & brand value.**
- 2) Offer **high-quality** product for buyer satisfaction.
- 3) Offer **utility** to customers & **match products with their tastes.**
- 4) **Improve performance** of product.
- 5) **Fixing prices** based on **unique features & buying capacity** of customer.
- 6) **Rapid product innovation** to keep up with dynamic environment.

15 A century-old footwear company "Mota Shoes" had an image of being the footwear choice for formal occasions. In an attempt to reinvent its brand, it tied up with a foreign footwear giant "Buffrine" to manufacture and sell its Hideseek brand in the country. Putting its best foot forward, it launched extra soft, casual and relaxed footwear for young. Aiming at a brand and image makeover the "Mota Shoes" decided to price the Hide Seek products at premium. What kind of Michael Porter business level strategy is being used by "Mota Shoe company"? State its advantages.

Mota shoes is trying to use **differentiation**. This strategy is aimed at broad mass market and involves the creation of a product or service that is perceived by the customers as unique. The uniqueness can be associated with product design, brand image, features, technology, dealer network or customer service. Because of differentiation, the business can charge a premium for its product. A differentiation strategy has advantages as it may help to remain profitable even with rivalry, new entrants, suppliers' power, substitute products, and buyers' power.

- 1) **Rivalry** - **Brand loyalty** acts as a **safeguard** against competitors. It means customers will be **less sensitive to price increase**, as long as firm can satisfy needs of customers.
- 2) **Buyers** - They **do not negotiate for price** as they get **special features** and they have **fewer options** in the market.
- 3) **Suppliers**- Because differentiators charge a premium price, they **can afford to absorb higher costs of supplies** as customers are willing to pay extra too.
- 4) **Entrants** - Innovative features are an **expensive** offer. So, **new entrants generally avoid these features** because it is tough for them to provide the same product with special features at a comparable price.
- 5) **Substitutes** - Substitute products **can't replace differentiated products** which have high brand value and enjoy customer loyalty.

PYQ Nov 22

16

Quick N Sturdy Inc., a multinational company, is undergoing feasibility study to introduce new luxury and sports car for specific group of customers. The product is meant for customers with distinctive preferences and special requirements. The product is not a standard one and as such the target market is also narrow. Company knows that demand for the product is large enough to be profitable for the company wants to position itself in the niche market with the prime consideration to offer unique features in the product for the target market.

In the given situation, identify the generic strategy as suggested by Michael Porter. Also state the advantages and disadvantages of such strategy.

Quick N Sturdy Inc. has adopted **Focused Differentiation Strategy** which is one of the Michael Porter's Generic strategies. A focused differentiation strategy requires offering unique features that fulfil the demands of a narrow market. Some firms using a focused differentiation strategy concentrate their efforts on a particular sales channel, such as selling over the internet only. Others target particular demographic groups. Firms that compete based on uniqueness and target a narrow market are following a focused differentiation strategy.

#### Advantages of Focus Strategy

- 1) **Premium prices can be charged** by the organisations for their focused products.
- 2) Due to tremendous expertise in goods & services that the organisations following focus strategy offer, **rivals** and new **entrants** may find it **difficult to compete**.

#### Disadvantages of Focus Strategy

- 1) The firms **lacking in distinctive competencies** may **not** be able to pursue focus strategy.
- 2) Due to the **limited demand** of product, **costs are high**, which can cause problems.
- 3) In the **long run**, **niche could disappear** or be **taken over by larger competitors** by acquiring same distinctive competency

RTP May 25

17

EliteWheels Ltd. is a luxury automobile manufacturer that caters to affluent customers seeking exclusivity and high-end features. The company offers premium vehicles with cutting-edge technology, showed customization options, and top-tier customer service. Unlike mass-market car brands, EliteWheels Ltd. charges a significant premium for its automobiles, ensuring that only a niche segment of customers can afford them. Additionally, the company invests heavily in advanced engineering and innovation to maintain its superior quality and brand prestige. Identify and explain the strategy adopted by EliteWheels Ltd.

According to Michael Porter, competitive advantage can be derived from three generic strategies: cost leadership, differentiation, and focus.

EliteWheels Ltd. targets a niche market segment by offering unique and high-value automobiles tailored to the needs of affluent consumers. While the company manages its costs efficiently, it does not compromise on the quality or exclusivity of its products. By maintaining superior craftsmanship, advanced technology, and high personalization levels, the brand commands a premium price for its vehicles. Thus, the strategy adopted by EliteWheels Ltd. is **Focused Differentiation**.

A focused differentiation strategy involves offering distinctive features that cater to a specific market segment. Companies employing this strategy may target a specific customer demographic, geographic region, or sales channel. Firms that compete based on uniqueness and focus on a specialized market segment follow a Focused Differentiation Strategy.

PYQ Sep 2024

18

Market for baby care, readymade garments for new born, toys and strollers meant for babies are there. M/s. Maa ki Pasand is desirous to introduce new products for existing customers and new customers as well. The market for such products is narrow. On one side there are customers who are price conscious and on the other side there are customers who are ready to pay premium charges for an upscale product. The company wants to charge low price, relative to other firms that compete within the target market for customers who are price sensitive and also wants to charge premium based on uniqueness for rest of its products. Which of the strategy is being considered by the company, out of strategies as suggested by Michael Porter at business level. Also outline the advantages and disadvantages using such strategy.

The company, M/s. Maa ki Pasand, is adopting a focus strategy that incorporates both focused cost leadership and focused differentiation strategies. In the given case, M/s. Maa ki Pasand aims to target price conscious customers by charging low prices relative to other firms within the narrow market of baby care products. This aligns with **focused cost leadership**, where the firm competes based on price within a targeted niche.

For the segment of customers willing to pay more for premium, unique products, the company follows a focused differentiation strategy. It caters to this specific niche by offering high-end, differentiated products, which is a key feature of focused differentiation.

**Advantages of using a Focus Strategy:**

- 1. Premium prices:** For the differentiated segment, the company can charge higher prices for its upscale products.
- 2. Expertise in niche markets:** M/s. Maa ki Pasand can develop expertise in both price-sensitive and premium segments, making it difficult for rivals to compete effectively.

**Disadvantages of Using a Focus Strategy:**

**1. Distinctive competencies required:** The firm needs to have strong competencies in both cost control and product differentiation to succeed. Otherwise, it may struggle to pursue the focus strategy effectively.

**2. High costs:** Serving a narrow market can lead to higher costs due to limited demand, which could pose challenges in maintaining profitability, especially in the premium segment.

**3. Disappearance in long run:** In the long run, the niche goods can disappear or be taken over by large competitors by acquiring the same distinctive competencies.

In conclusion, M/s. Maa ki Pasand is adopting a focus strategy by targeting specific customer niches with both cost leadership and differentiation. While this strategy offers opportunities for premium pricing and market expertise, it also comes with challenges related to cost control and distinctive competencies.

MTP Apr 25

19

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

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

**1. EcoTrend – Differentiation Focus Strategy**

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

**2. BudgetBazaar – Cost Leadership Strategy**

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

**3. VogueVista – Differentiation Strategy**

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

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

MTP Apr 21, RTP May 23

20

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

The **Best Cost Provider strategy** would ensure a better reach to the not so affluent customers and provide them with good quality cycles and equipments, thus tapping in on the increasing trend of cycling.

**Two sub-strategies that can be implemented are:**

1. Offering lower prices than rivals for the same quality of products
2. Charging same prices for better quality of products

The idea of Mr. Vijay is to provide almost same quality of products in terms of functionality if not so in terms of branding, to customer who do not have huge sums of money to pay. Thus, sub-strategy number one, offering lower prices for almost same quality should be implemented to become the best cost provider of cycles and related equipments in the market.

SM Chapter 3 - MCQs

**RTP Sep 2024**

<b>1</b>	A small tech company focused on enhancing their main product, which became crucial across various industries due to its increased power and adaptability. Their early partnerships and smart decisions facilitated rapid growth, leading to a \$5 billion valuation in just five years. According to C.K. Prahalad and Gary Hamel, which area represents the tech company's core competency ?
<ul style="list-style-type: none"> <li>a) Customer Value</li> <li>b) Competitor Differentiation</li> <li>c) Product Differentiation</li> <li>d) Application to Other Markets</li> </ul>	

**MTP Nov 2024**

<b>2</b>	Urbankey has a unique capability in rapid prototyping, allowing them to bring new products to market faster than the competitors. Such an advantage can be termed as?
<ul style="list-style-type: none"> <li>a) Market Expansion Strategy</li> <li>b) Core Competency</li> <li>c) Cost Leadership Strategy</li> <li>d) Appropriate SWOT Analysis</li> </ul>	

**MTP Jul 24**

<b>3</b>	XYZ Corporation has launched AlphaTech to enter the consumer electronics industry with a focus on offering high-performance devices and innovative features at competitive prices. Which competitive strategy is AlphaTech employing?
<ul style="list-style-type: none"> <li>a) Differentiation strategy</li> <li>b) Cost leadership strategy</li> <li>c) Best-cost provider strategy</li> <li>d) Focus strategy</li> </ul>	

**RTP Jan 2025**

<b>4</b>	A multinational corporation is planning a merger with a local firm in a developing country. The local firm's community has high stakes in maintaining local employment and environmental standards but possesses low power in formal negotiations. How should the corporation categorize this stakeholder?
<ul style="list-style-type: none"> <li>a) High power, low interest</li> <li>b) Low power, high interest</li> <li>c) High power, high interest</li> <li>d) Low power, low interest</li> </ul>	

**MTP Apr 25**

<b>5</b>	A group of environmental activists consistently raises concerns about a company's environmental impact. While their opinions are acknowledged, they lack the authority to directly influence company decisions. The company monitors their concerns and engages with them when necessary to maintain its reputation. Which quadrant of Mendelow's Matrix best categorizes these stakeholders?
<ul style="list-style-type: none"> <li>a) High Interest, Low Power</li> <li>b) Low Interest, Low Power</li> <li>c) High Interest, High Power</li> <li>d) Low Interest, High Power</li> </ul>	

**RTP May 25**

<b>6</b>	A sportswear brand, Athleon, is introducing a new range of eco-friendly performance shoes for fitness enthusiasts. The strategic manager wants to analyze market position of competing brands in the sustainable sports footwear segment. Which tool can be used for this analysis?
<ul style="list-style-type: none"> <li>a) SWOT Analysis</li> <li>b) Strategic Group Mapping</li> <li>c) BCG Matrix</li> <li>d) Value Chain Analysis</li> </ul>	

PYQ Jan 25

7 In the framework of strategic analysis, which one is a constituent of internal analysis?

- a) Competitor analysis
- b) Determinants analysis
- c) Market analysis
- d) Scenario analysis

MTP Nov 2024

8 Urbankey has a unique capability in rapid prototyping, allowing them to bring new products to market faster than the competitors. Such an advantage can be termed as?

- a) Market Expansion Strategy
- b) Core Competency
- c) Cost Leadership Strategy
- d) Appropriate SWOT Analysis

SM Chapter 3  
MCQs Answer Key

1	D	2	B	3	C	4	B	5	A	6	B	7	B	8	B
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76



Maha Rudra Jha  
75



Naman Iuthra  
75



Riya Singh  
75



Yamaan Ansari  
75



CA Intermediate – New Syllabus  
Strategic Management

**SM Chapter 4**  
**Strategic Choices**

**Important Questions**  
by CA Mohnish Vora (MVSIR)

## Chapter 4 - Strategic Choices

PYQ May 22

1

ABC Steel Industries finds out that its products have reached at maturity stage and already has overcapacity. Therefore, it concentrates on maintaining operational efficiency of its plants. Identify the strategy implemented by ABC Steel Industries along with reasons.

ABC Steel Industries has opted to implement **Stability strategy**. Stability strategies are intended to safeguard the existing interests and strengths of business. It involves organizations to pursue established and tested objectives, continue on the chosen path, maintain operational efficiency and so on.

A stability strategy is pursued when a firm continues to serve in the same or similar markets and deals in same products and services. In stability strategy, few functional changes are made in the products or markets, however, it is not a 'do nothing' strategy. This strategy is typical for mature business organizations. Some small organizations also frequently use stability as a strategic focus to maintain comfortable market or profit position.

MT: Rapid MSN

**Major reasons for Stability strategy are:**

- 1) A **product** has **reached the maturity stage** of the product life cycle.
- 2) The staff feels **comfortable with the status quo** as it involves less changes and less risks.
- 3) It is opted when the **environment** in which an organization is operating is relatively **stable**.
- 4) Where it is **not advisable to expand** as it may be perceived as **threatening**.
- 5) **After rapid expansion**, a firm might want to **stabilize** and **consolidate itself**.

MTP Mar 21, RTP May 21, May 24

2 Justify the statement "Stability strategy is opposite of Expansion strategy".

**Stability Strategies**, as the name suggests, are **intended to safeguard the existing interests and strengths of business**. It involves organizations pursuing established and tested objectives, continue on the chosen path, maintaining operational efficiency and so on. A stability strategy is pursued when a firm continues to serve in the same or similar markets and deals in the same products and services. In stability strategy, few functional changes are made in the products or markets, however, it is not a 'do nothing' strategy. This strategy is typical for mature business organizations. Some small organizations also frequently use stability as a strategic focus to maintain comfortable market or profit position.

On the other hand, **expansion strategy is an aggressive strategy** as it involves redefining the business by adding the scope of business substantially, increasing the efforts of the current business. In this sense, it becomes the opposite to stability strategy. Expansion is a promising and popular strategy that tends to be equated with dynamism, vigor, promise and success. Expansion also includes diversifying, acquiring and merging businesses. This strategy may take the enterprise along relatively unknown and risky paths, full of promises and pitfalls.

PYQ Nov 23, MTP Aug 24

3 Which strategy is implemented by redefining the business, by enlarging its scope of business and substantially increasing investment in the business? Explain the major reasons for adopting this strategy.

The strategy in question is the **growth/expansion strategy**.

The Growth/Expansion strategy involves redefining the business, expanding its scope, and significantly increasing investments. This dynamic and vigorous approach is synonymous with promise and success.

It entails a substantial reformulation of goals, major initiatives, and strategic moves, including investments, exploration into new products, technologies, and markets, and innovative decision-making.

While promising growth, this strategy navigates the enterprise through relatively unknown and risky paths, rich with potential but also pitfalls.

**Major Reasons for Adopting Growth/Expansion Strategy:** **MT: CAPS**

- 1) Expansion may lead to **greater control over the market** vis-a-vis competitors.
- 2) **Advantages** from the **experience curve** and **scale** of operations may accrue.
- 3) It may become **imperative** when **environment demands increase in pace** of activity.
- 4) Strategists may **feel more satisfied** with the prospects of growth from expansion; chief executives may **take pride** in presiding over organizations perceived to be growth-oriented

PYQ May 24

4 Explain the concept of vertically integrated diversification. How is forward integration different from backward integration?

Vertically integrated diversification is a strategic approach in which a company expands its business operations into different stages of the production or distribution process within the same industry. This involves either forward integration or backward integration.

The key difference between forward and backward integration lies in the direction of expansion within the supply chain. Forward integration moves towards the end consumer, while backward integration moves towards the source of raw materials or components.

**Forward integration** allows companies to

- ✓ have more control over distribution channels,
- ✓ improve customer relationships,
- ✓ and capture a larger share of the value chain.

In contrast, **backward integration**

- ✓ helps companies secure a stable supply of inputs,
- ✓ reduce dependency on suppliers, and
- ✓ potentially lower production costs.

**Forward integration** is often associated with activities such as **retailing, marketing, and after-sales services**, while **backward integration** is associated with activities such as **manufacturing, sourcing, and procurement**.

Both types of integration offer strategic advantages such as increased market power, cost efficiencies, and greater control over critical business processes. However, the decision to pursue forward or backward integration depends on factors such as industry dynamics, competitive landscape, and the company's core competencies and resources.

PYQ May 22 || MTP May 2024, Mar 25 || RTP Sep 24

5 Differentiate between Concentric diversification and Conglomerate diversification.

The following are the main points of distinction:

- i. **Meaning-** **Concentric diversification** occurs when a firm adds **related products or markets**. On the other hand, **conglomerate diversification** occurs when a firm **diversifies** into areas that are **unrelated to its current line of business**.
- ii. **Linkage-** In concentric diversification, the new business is linked to the existing businesses through process, technology or marketing. In conglomerate diversification, no such linkages exist; the new business/product is disjointed from the existing businesses/ products.
- iii. **Reasons for pursuing-** The most common reasons for pursuing concentric diversification are that **opportunities** in a firm's **existing line of business** are **available**. However, common reasons for pursuing a conglomerate growth strategy are that opportunities in a firm's current line of business are limited or opportunities outside are highly lucrative.

MTP Mar 22

6 There has been fierce demand for both Gecko and FlyBee for the last 3 years. Gecko makes mass consumption pens while FlyBee is a notebook and diary brand - both being complementary goods of each other. But to grow further, FlyBee decided to take up competition with Gecko in pens segment and thereby launched, Fly Pens. Identify and explain the growth strategy opted by FlyBee?

FlyBee is a notebook and diary brand. But to grow further, FlyBee decided to take up competition with Gecko in pens segment and thereby launched, Fly Pens.

FlyBee that is currently not into producing pens starts producing them and other similar products is following **concentric diversification** which is basically related diversification. In this form of diversification, the new business is linked to the existing businesses through existing systems such as processes, technology or marketing. The new product is a spin-off from the existing facilities and products/processes. There are benefits of synergy with the current operations.

The most common reasons for pursuing a concentric diversification are that opportunities in existing line of business are available.

MTP Apr 25

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

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

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

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

PYQ May 24 || MTP Apr 25

8 'Innovation leads to unnecessary expenses that do not give as many returns.'  
Do you agree with the statement? Give reasons in support of your answer.

The statement "Innovation leads to unnecessary expenses that do not give as many returns" is often debated, but evidence strongly suggests that innovation is crucial for long-term business growth and success. I disagree with the statement for several reasons:

Innovation offers the following for a business to grow long term: **MT: CPC**

**Helps to solve complex problems:** A business strives to find opportunities in existing problems of the society, and it does so through planned innovation in areas of expertise. This guided innovation helps solve complex problems by developing customer centric sustainable solutions.

**Increases productivity:** Innovation leads to simplification and in most cases automation of existing tasks. Companies are willing to spend millions on increasing their productivity. Innovation, by automating repetitive tasks and simplifying the long chain of processes, adds to productivity of teams and thereby the organization as a whole.

**Gives competitive advantage:** Being ahead of competition is a need and businesses spend majority of their strategic time building solutions to achieve this advantage. The faster a business innovates, the farther it goes from its competitors reach. Innovative products need less marketing as they aim to provide added satisfaction to consumers, thus, creating a competitive advantage. Innovation not only helps retain its existing customers but helps acquire new ones with ease too.

PYQ May 23

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

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

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

Considering benefits of synergies, both the companies are considering to join hands for better growth opportunities. Earlier, they tried to go for joint venture or strategic alliance but the arrangement could not materialize.

In view of the facts given above:

- If HPPL and HLP join hands and make new entity named Health N Hygiene Pharma Ltd., what type of growth strategy will this strategic development be?
- In case, HLP is sold out to HPPL and HLP ceased to exist, what type of growth strategy will this strategic deal be?
- What are the differences between the above two identified growth strategies?

i. If HPPL and HLP join hands and form a new entity named Health N Hygiene Pharma Ltd., this strategic development would be considered a **Merger growth strategy**. A merger is a combination of two or more companies to form a new entity with shared ownership and control.

ii. If HLP is sold out to HPPL and HLP ceases to exist, this strategic deal would be categorized as an **Acquisition growth strategy**. An acquisition occurs when one company purchases another, resulting in the acquiring company gaining control over the acquired company's assets, operations, and intellectual property.

iii. Many organizations in order to achieve quick growth, expand or diversify with the use of mergers and acquisitions strategies. Merger and acquisition in simple words are defined as a process of combining two or more organizations together. There is a thin line of difference between the two terms, but the impact of combination is completely different in both the cases.

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

While, when one **organization takes over the other organization and controls all its business operations, it is known as acquisition.** In the process of acquisition, **one financially strong organization overpowers the weaker one**. **Acquisitions often happen during recession in economy or during declining profit margins**. In this process, one that is financially stronger and bigger establishes its power. The combined operations then run under the name of the powerful entity. A deal in case of an acquisition is after done in an unfriendly manner; it is more or less a forced association.

MTP Aug 24

10

TechNova, a leading software development firm known for its cutting-edge operating systems, is developing a groundbreaking new platform. ElectroWave, an emerging player in the electronics and hardware industry, specializes in manufacturing advanced devices. TechNova and ElectroWave have decided to join forces to design innovative laptops and smartphones, aiming to tap into new markets and broaden their business horizons. What kind of external growth strategy is being considered by TechNova and ElectroWave?

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

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

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

RTP May 18, May 19, Jan 25 || PYQ Dec 21, Nov 23 || MTP Mar 23, Dec 24

11

GWA, a leading Japan based automobile company decides to make India a hub for the company's 250 cc motorcycle to be manufactured in collaboration with the TPR Group, a leading Indian motorcycle manufacturer. The production is to be exported to the company's home market as well as to other African countries. What is this growth strategy called? Point out the most important advantages both the companies expect from such strategy/collaboration.

GWA of Japan and TRP group of India opted for strategic alliance as their growth strategy. A strategic alliance is a relationship between two or more businesses that enables each to achieve certain strategic objectives which neither would be able to achieve on its own. The strategic partners maintain their status as independent and separate entities, share the benefits and control over the partnership, and continue to make contributions to the alliance until it is terminated. Strategic alliances are often formed in the global marketplace between businesses that are based in different regions of the world.

### Advantages of Strategic Alliance

MT: POSE

Strategic alliance usually is only formed if they provide an advantage to all the parties in the alliance. These advantages can be broadly categorized as follows:

- 1. Political:** Sometimes Strategic alliances are **formed with a local foreign business** to gain **entry into a foreign market** either because of local prejudices or legal barriers to entry. Forming strategic alliances with **politically influential partners** may also help improve your own influence & position.
- 2. Organizational:** Strategic alliance helps to **learn necessary skills** & obtain certain **capabilities** from strategic partners. Strategic partners also help to **enhance productive capacity**, provide a **distribution system**, or **extend supply chain**. Having a **well-known & respected** strategic partner helps to **add legitimacy & credibility** to a new venture.
- 3. Economic:** There can be **reduction in costs & risks** by distributing them across members of the alliance. **Greater economies of scale** - as **production volume can increase**, & **cost p.u. to decline**. Finally, partners can take advantage of **co-specialization**, creating additional value, like when **leading computer manufacturer** bundles its desktop with **leading monitor manufacturer's** monitor.
- 4. Strategic:** **Rivals** can **join together to cooperate** instead of competing with each other. **Vertical integration** can be created where partners are part of supply chain. Strategic alliances may also be useful to **create a competitive advantage** by pooling of resources & skills. This may also help with **future business opportunities** & development of **new products and technologies**. Strategic alliances may also be used to get **access to new tech** or to **pursue joint R&D**.

RTP Sep 2024

12

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

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

MT: MUD<sup>2</sup> TOP

- ✓ **Mismanagement**
- ✓ **Uncompetitive** products or services
- ✓ **Declining market share**
- ✓ **Deterioration** in **physical** facilities
- ✓ **high turnover of employees**, and **low morale**
- ✓ **Over-staffing**,
- ✓ **Persistent negative cash flow** from business(es)

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

**A workable action plan for turnaround would involve:**

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

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

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

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

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

ICAI SM || MTP Apr 22

13

X Pvt. Ltd. had recently ventured into the business of co-working spaces when the global pandemic struck. This has resulted in the business line becoming unprofitable and unviable, and a failure of the existing strategy. However, the other businesses of X Pvt. Ltd. are relatively less affected by the pandemic as compared to the recent co-working spaces.

Suggest a strategy for X Pvt. Ltd. with reasons to justify your answer.

It is advisable that **divestment strategy** should be adopted by X Pvt. Ltd.

In the given situation where the business of co-working spaces became unprofitable and unviable due to Global pandemic, the best option for the company is to divest the loss-making business. Retrenchment may be done either internally or externally.

Turnaround strategy is adopted in case of internal retrenchment where emphasis is laid on improving internal efficiency of the organization, while divestment strategy is adopted when a business turns unprofitable and unviable due to some external factors. In view of the above, the company should go for divestment strategy.

Further, **divestment helps address issues like:**

MT: My Persian CAT

- 1) A **business** that had been acquired proved a **mismatch** and **cannot be integrated** within the company.
- 2) **Persistent negative cash flows** from business create financial problems for whole company, creating need for divestment.
- 3) **Severity of competition** and the inability of a firm to cope with it may cause it to divest.
- 4) A **better alternative may be available for investment**, causing firm to divest part of its unprofitable businesses.
- 5) **Technological upgradation** is required if the business is to survive but where it is **not possible** for the firm to invest in it, a preferable option would be to divest.

MTP Oct 23

14

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

XYZ Ltd. is a sick company with accumulated losses that have eroded its net worth. The multi-product company may analyze its various products to take decisions on the viability of each. The company may consider a retrenchment strategy. Retrenchment becomes necessary for coping with hostile and adverse situations in the environment and when any other strategy is likely to be suicidal.

Retrenchment strategy is adopted because of continuous losses and unviability and stability can be ensured by reallocation of resources from unprofitable to profitable businesses. Retrenchment strategy is followed when an organization substantially reduces the scope of its activity. This is done through an attempt to find out the problem areas and diagnose the causes of the problems. Next, steps are taken to solve the problems.

These steps result in different kinds of retrenchment strategies as follows:

- **Turnaround strategy:** If the organization chooses to transform itself into a leaner structure and **focuses on ways and means to reverse the process of decline**, it adopts a turnaround strategy. It may try to reduce costs, eliminate unprofitable outputs, generate revenue, improve coordination, better control, and so on.
- **Divestment Strategy:** Divestment strategy involves the **sale or liquidation of a portion of business, or a major division, profit center or SBU**. Divestment is usually a part of a rehabilitation or restructuring plan and is adopted when a turnaround has been attempted but has proved to be unsuccessful.
- **Liquidation Strategy:** In the retrenchment strategy, the most extreme and unattractive is liquidation strategy. It involves **closing down a firm and selling its assets**. It is considered as the last resort because it leads to serious consequences such as loss of employment for workers and other employees, termination of opportunities where a firm could pursue any future activities, and the stigma of failure.

The management of multi-product sick company manufacturing various items need to understand pros and cons of each strategic option. The decision will depend upon the specific circumstances of each product and the management goals of the company.

ICAI SM, RTP Nov 22, MTP Aug 18, Oct 23

15

Woodworld Ltd. is a company manufactures a variety of household furniture items. They offered traditional designs, low cost furniture items to low income group customers. During the last couple of years, the company has been observing a fall in the market share. This is due to the change in the taste and preferences, designing, better quality, increase in purchasing power of buyers towards the household furniture. The customers are switching away traditional designs and material that have been the backbone of Woodworld Ltd. As a CEO of Woodworld Ltd., what can be the strategic options available with you.

Woodworld is having a product portfolio that is evidently in the **decline stage**. The product is being replaced with the latest designs with better quality of the product. Strategically, the company should minimize their dependence on the existing products and identify other avenues for the survival and growth. As a CEO of Woodworld Ltd., following can be the strategic options available with the CEO:

- Invest in new product development and switchover to the latest designs. Woodworld Ltd. also need time to invest in hiring interior designers.
- They can acquire or takeover a competitor, provided they have or are able to generate enough financial resources.
- They may also consider unrelated growth and identify other areas for expansion. This will enable Woodworld Ltd. to spread their risks.
- In longer run, they should divest the existing products. However, they may continue with the existing products in a limited manner for such time there is demand for the product.

ICAI SM

- 16 In the context of Ansoff's Product-Market Growth Matrix, identify with reasons, the type of growth strategies followed in the following cases:
- i. A leading producer of tooth paste, advises its customers to brush teeth twice a day to keep breath fresh.
  - ii. A business giant in hotel industry decides to enter into dairy business.
  - iii. One of India's premier utility vehicles manufacturing company ventures to foray into foreign markets.
  - iv. A renowned auto manufacturing company launches ungeared scooters in the market.

The Ansoff's product market growth matrix (proposed by Igor Ansoff) is a useful tool that helps businesses decide their product and market growth strategy. This matrix further helps to analyse different strategic directions. According to Ansoff there are four strategies that organisation might follow.

- i. **Market Penetration:** A leading producer of toothpaste, advises its customers to brush teeth twice a day to keep breath fresh. It refers to a growth strategy where the business focuses on **selling existing products into existing markets.**
- ii. **Diversification:** A business giant in hotel industry decides to enter into dairy business. It refers to a growth strategy where a **business markets new products in new markets.**
- iii. **Market Development:** One of India's premier utility vehicles manufacturing company ventures to foray into foreign markets. It refers to a growth strategy where the business seeks to **sell its existing products into new markets.**
- iv. **Product Development:** A renowned auto manufacturing company launches ungeared scooters in the market. It refers to a growth strategy where business aims to introduce **new products into existing markets.**

MTP Jul 24

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

Fresh Delight is employing a **market development** strategy to expand its market presence. This approach involves introducing their existing organic fruit juices to new markets, specifically targeting countries where the demand for organic products is on the rise.

To achieve this, Fresh Delight is launching targeted marketing campaigns and partnering with local distributors to effectively introduce their products to these new regions.

Additionally, they are adapting their product packaging and marketing messages to align with local preferences and regulations, ensuring their offerings resonate with the new customer base.

By entering these emerging markets, Fresh Delight aims to increase its customer base and drive sales growth, leveraging the growing popularity of organic products.

RTP Nov 20, May 22, May 25

- 18 Write a short note on the role of ADL Matrix in assessing competitive position of a firm. OR Explain the role of ADL Matrix in assessing competitive position of a firm.

The ADL matrix has derived its name from Arthur D. Little which is a portfolio analysis method based on product life cycle. The approach forms a two dimensional matrix based on stage of industry maturity and the firm's competitive position, environmental assessment and business strength assessment. The role of ADL matrix is to assess the competitive position of a firm based on an assessment of the following criteria:

- 1) **Dominant:** This is a comparatively **rare position** and in many cases is attributable either to a **monopoly** or a strong and **protected technological leadership**.
- 2) **Strong:** By virtue of this position, the firm has a considerable degree of **freedom** over its **choice of strategies** and is often able to **act without its market position being unduly threatened** by its competitors.
- 3) **Favorable:** This position, which generally comes about when the **industry is fragmented** and **no one competitor stand out clearly**, results in the market leaders a reasonable degree of freedom.
- 4) **Tenable:** Although the firms within this category are able to perform satisfactorily and can justify staying in the industry, they are generally **vulnerable in the face of increased competition** from stronger and more proactive companies in the market
- 5) **Weak:** The performance of firms in this category is generally **unsatisfactory** although the opportunities for improvement do exist.

- 19 An industry comprises of only two firms—Soorya Ltd. and Chandra Ltd. From the following information relating to Soorya Ltd., prepare BCG Matrix:

Product	Revenues (in ₹)	Percent Revenues	Profits (in ₹)	Percent Profits	Percentage Market Share	Percentage Industry Growth rate
A	6 crore	48	120 lakh	48	80	+ 15
B	4 crore	32	50 lakh	20	40	+ 10
C	2 crore	16	75lakh	30	60	-20
D	50 lakh	4	5 lakh	2	5	-10
Total	12.5 crore	100	250 lakh	100		

**Solution**

Using the BCG approach, a company classifies its different businesses on a two dimensional growth-share matrix. In the matrix, the vertical axis represents market growth rate and provides a measure of market attractiveness. The horizontal axis represents relative market share and serves as a measure of company strength in the market. With the given data on market share and industry growth rate of Soorya Ltd, its four products are placed in the BCG matrix as follows:

		Market Share	
		High	Low
Growth Rate	High	Product A [80% Market Share +15% Growth Rate] <b>Stars</b>	Product B [40% Market Share +10% Growth Rate] <b>Question Marks</b>
	Low	Product C [60% Market Share -20% Growth Rate] <b>Cash Cows</b>	Product D [05% Market Share -10% Growth Rate] <b>Dogs</b>

Product A is in best position as it has a high relative market share and a high industry growth rate. On the other hand, product B has a low relative market share, yet competes in a high growth industry. Product C has a high relative market share but competes in an industry with negative growth rate. The company should take advantage of its present position that may be difficult to sustain in long run. Product D is in the worst position as it has a low relative market share and competes in an industry with negative growth rate.

RTP May 24

20

XYZ Corporation is a multinational conglomerate operating in various industries. They have a diverse portfolio of businesses, including a leading consumer electronics division, a growing e-commerce platform, a mature industrial machinery division, and a newly established software development unit. Which division of XYZ Corporation would most likely be classified as a "Star" in the BCG Growth-Share Matrix?  
 (Ans given by ICAI was not correct, thus ans given here is updated as per logic-follow the below ans in exam)

In the BCG Growth-Share Matrix, divisions or business units are classified into four categories: Stars, Cash Cows, Question Marks, and Dogs. These classifications are based on a combination of market share and market growth rate.

A "Star" in the BCG Matrix represents a business unit with a high market share in a high-growth market. In the scenario, the **consumer electronics division** would be classified as a "Star."

The consumer electronics division is described as "leading," suggesting that it has high market share. Additionally, the potential for high growth rate can be inferred as consumer electronics market can be fast-growing, depending on the segment (e.g., smartphones, wearables, etc.)

Stars typically require significant investment to fuel their growth, but they have the potential to become future Cash Cows as the market matures. Therefore, the consumer electronics division's high market share & high growth potential align with the characteristics of a BCG Matrix "Star."

PYQ Jan 25

21

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

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

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

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

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

**Limitations of BCG Matrix:**

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

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

RTP Jan 2025

22

InnovaTech, a technology company with a range of business units, is assessing its investment opportunities. To allocate resources effectively, InnovaTech uses a matrix that evaluates each business unit based on two key factors: industry attractiveness and business unit strength. For example, the AI solutions division, positioned in a highly attractive industry with a strong competitive edge, receives a "go ahead" for further investment. In contrast, its legacy software division, operating in a less attractive industry with a weaker position, receives a "be careful" rating, suggesting limited investment. Identify and explain which analytical tool InnovaTech is using for this evaluation.

InnovaTech is using the **GE Matrix**, a strategic tool designed to assess the resource allocation needs of different business units based on two factors: industry attractiveness and business unit strength. This matrix is a nine-cell grid that helps companies prioritize investments by categorizing units into "grow," "hold," or "harvest" zones, depending on their positions within the matrix. For InnovaTech, the AI solutions division, which operates in a highly attractive industry with a strong competitive position, falls into the "grow" category, meriting further investment. Meanwhile, the legacy software division operates in a less attractive industry with weaker positioning, likely placing it in the "harvest" or "hold" category, where investments are minimized. The GE Matrix enables companies like InnovaTech to systematically evaluate each business unit's potential, optimize resource allocation, and focus on divisions that align with long-term growth and profitability goals.

SM Chapter 4 – MCQs

MTP Aug 24, RTP Sep 2024

1 A women's clothing brand recognized new opportunities and researched emerging trends and consumer preferences. They introduced a new clothing line, received positive feedback from initial trials, and grew through strategic partnerships and targeted advertising. What strategic choice best describes this approach?

- a) Product Development
- b) Market Development
- c) Market Penetration
- d) Diversification

MTP Jul 24

2 TechWave, a software development firm, aims to gain a competitive edge in the rapidly evolving tech industry. To achieve this, they focus on building their strength in artificial intelligence (AI) and machine learning (ML).  
  
TechWave invests heavily in R&D, hires top talent with specialized skills, and forms partnerships with leading AI research institutions. They also provide continuous training for their employees to keep them updated with the latest advancements.  
  
By developing these, TechWave can create innovative AI-driven solutions that differentiate them from competitors and attract a growing number of clients seeking cutting-edge technology. What strategy is TechWave using to gain a competitive edge in the tech industry?

- a) Market segmentation
- b) Diversification
- c) Core competency building
- d) Cost leadership

PYQ Sep 2024

3 Always Ahead Ltd. is an established player in FMCG, Herbs, Health care and White goods. Company has classified its portfolio on investments in different businesses in four quadrants as suggested by Boston Consulting Group.

On further analysis of relationship between market growth rate and relative market share for White goods business, it is found that opportunities to increase its market share are there.

Emphasis need to be given to make strong future with large market share even by foregoing short-term earnings for this business. Which strategy is being pursued by the company for White goods segment:

- a) Hold
- b) Build
- c) Harvest
- d) Divest

RTP Jan 2025

4. EcoGreen, a company specializing in sustainable home products, has decided to enter the energy sector by developing and marketing solar panels and home energy storage solutions. This new direction involves creating a completely new product line that extends beyond their traditional home goods, thereby entering an industry with their current brand. What strategy is EcoGreen using to enter the energy sector?

- a) Market penetration
- b) Product development
- c) Market development
- d) Diversification

MTP Mar 25

5 Which strategy is implemented after the failure of turnaround strategy?

- a) Expansion strategy
- b) Diversification strategy
- c) Divestment strategy
- d) Growth strategy

MTP Nov 2024

6 UN&T reached out to Mukesh S, an entrepreneur from India to get his team to work on a mega solar energy project and enter India's deccan plateau which enjoys an abundance of sunshine. What strategy is UN&T trying to implement?

- a) Market Penetration
- b) Market Development
- c) Strategic Alliance
- d) Diversification

RTP May 25

7 AeroGlide Inc., a global aviation company, approached Rajesh K, an Indian entrepreneur, to collaborate with his team on a next-generation aircraft manufacturing project. Their goal is to expand into South Asia, a region with a growing demand for advanced aviation technology. What strategy is AeroGlide Inc. trying to implement?

- a) Market Penetration
- b) Market Development
- c) Strategic Alliance
- d) Diversification

PYQ Jan 25

8 Farm Fresh Ltd., a family-owned organic farming business has been operating successfully over the past 10 years. Currently the company is facing stiff competition from the large farming houses. Hence to maintain status quo, the management of the company decided to adopt stability strategy. Which of the following initiatives best support Farm Fresh Ltd.'s stability strategy?

- a) Develop a new range of organic produce to attract a new segment of customers.
- b) Improve functional efficiency of its farm equipment to increase productivity and reduce cost of production.
- c) Purchase a number of farms to increase production.
- d) Add a few channels of distribution to attract customers in related market areas.

MTP Nov 2024

9 UN&T reached out to Mukesh S, an entrepreneur from India to get his team to work on a mega solar energy project and enter India's deccan plateau which enjoys an abundance of sunshine. What strategy is UN&T trying to implement?

- a) Market Penetration
- b) Market Development
- c) Strategic Alliance
- d) Diversification

### SM Chapter 4 MCQs Answer Key

1 A 2 C 3 B 4 D 5 C 6 C 7 C 8 B 9 C



CA Intermediate – New Syllabus  
Strategic Management

**SM Chapter 5**  
**Strategy Implementation  
& Evaluation**

**Important Questions**  
by CA Mohnish Vora (MVSIR)

Chapter 5 - Strategy Implementation & Evaluation

RTP Nov 18, Nov 21 || MTP Mar 19, Sep 22, Oct 23, Aug 24

**1** To convert strategic plans into actions and results, a manager must be able to direct organizational change, motivate people, build and strengthen company competencies and competitive capabilities, create a strategy-supportive work climate, and meet or beat performance targets.  
 Explain the principal aspects of strategy-execution process.

In most situations, strategy-execution process includes the following principal aspects: **MT: BP<sup>2</sup>CL SIM**

- 1) Developing **budgets** that **steer ample resources** into those activities critical to strategic success.
- 2) Ensuring that **policies & operating procedures facilitate** effective execution.
- 3) Using **best-known practices** to perform core business activities and pushing for **continuous improvement**.
- 4) Creating a **culture & work climate conducive** to successful strategy impl. & execution.
- 5) **Exerting internal leadership** needed to drive implementation forward & keep improving strategy execution. When the organization encounters stumbling blocks or weaknesses, management has to see that they are addressed and rectified quickly.
- 6) **Staffing** the organisation with the **needed skills and expertise**, consciously building and strengthening strategy-supportive competencies and competitive capabilities, and organizing the work effort.
- 7) Installing **information & operating systems** that enable personnel to **better carry out their strategic roles** day in and day out.
- 8) **Motivating** people to pursue the target objectives energetically.

Good strategy execution involves creating strong “fits” between strategy and organizational capabilities, between strategy and the reward structure, between strategy and internal operating systems, and between strategy and the organization’s work climate and culture.

RTP May 22, May 25 || MTP Nov 24

**2** Differentiation between Strategic Planning and Operational Planning.

Strategic planning	MT: HOLIS <sup>2</sup> tic	Operational planning	MT: FM CTC
Strategic planning <b>Takes a holistic view</b> of the organization.		Operational planning is the responsibility of <b>functional managers</b> .	
Strategic planning <b>Develops overall objectives</b> and <b>strategies</b> .		Operational planning makes <b>modifications</b> to business functions but <b>not fundamental changes</b> .	
Strategic planning is concerned with the <b>long-term success</b> of the organization.		Operational planning deals with <b>current deployment of resources</b> .	
Strategic planning <b>Assesses</b> the <b>impact</b> of environmental variables.		Operational planning develops <b>tactics</b> rather than strategy.	
Strategic planning is a <b>senior management</b> responsibility		Operational planning projects <b>current operations</b> into future.	
Strategic planning <b>Shapes</b> the organization and its resources.		Operational planning is concerned with the short-term success of the organisation.	

PYQ May 24

**3 Explain how organizations can effectively manage strategic uncertainties in a rapidly changing business environment.**

In managing strategic uncertainties in a rapidly changing business environment, organizations need to adopt proactive strategies to navigate unpredictability effectively. Here are several key approaches: **MT: MD Builds Flexible Partnership**

**Monitoring and Scenario Planning:** Regularly monitoring key indicators of **change** and **conducting scenario planning** exercises can help organizations anticipate and prepare for different future scenarios.

**Diversification:** Diversifying the organization's **product portfolio, markets, and customer base** can help reduce the impact of strategic uncertainty.

**Building Resilience:** Investing in building internal resilience is essential for weathering uncertainty. This includes

- ✓ **strengthening** their **operational processes**,
- ✓ **increasing** their **financial flexibility**, and
- ✓ **improving** their **risk management capabilities**.

**Flexibility:** Organizations should build flexibility into their strategies to enable quick adaptation to change in the environment.

**Collaboration and Partnerships:** Collaborating with other organizations, suppliers, customers, and partners can provide access to additional resources, expertise, and market opportunities. Strategic partnerships enable organizations to **pool resources, share risk, and leverage each other's strengths** to navigate uncertainty more effectively.

MTP Mar 21, Apr 25

**4 Distinguish between strategy formulation and Strategy Implementation.**

Although inextricably linked, strategy implementation is fundamentally different from strategy formulation in the following ways:

Strategy Formulation	Strategy Implementation
1) Strategy formulation focuses on <b>effectiveness</b> .	1) Strategy implementation focuses on <b>efficiency</b> .
2) Strategy formulation is primarily an <b>intellectual process</b> .	2) Strategy implementation is primarily an <b>operational process</b> .
3) Strategy formulation requires <b>conceptual intuitive and analytical skills</b> .	3) Strategy implementation requires <b>motivation and leadership skills</b> .
4) Strategy formulation requires <b>coordination among the executives at the top level</b> .	4) Strategy implementation requires <b>coordination among the executives at the middle and lower levels</b> .

RTP May 19

5

HQ is a service company? Two years back the company hired a reputed management consultant to formulate its strategy. The consultant recommended an aggressive expansion plan. Now in an internal review meeting the company finds that many of the suggestions are not even fully considered. Which part of strategic management process is missing in HQ?

- **Strategy implementation** is missing in HQ. Implementation is the managerial exercise of putting a chosen strategy into action. It deals with the managerial exercise of supervising the ongoing pursuit of strategy, making it work, improving the competence with which it is executed and showing measurable progress in achieving the targeted results.
- Strategic implementation is concerned with translating a strategic decision into action, which presupposes that the decision itself (i.e., the strategic choice) was made with some thought being given to feasibility and acceptability.
- The allocation of resources to new courses of action will need to be undertaken, and there may be a need for adapting the organization's structure to handle new activities as well as training personnel and devising appropriate systems.
- It is crucial to realize the difference between the formulation and implementation because they both require very different skills.
- Also, a company will be successful only when the strategy formulation is sound and implementation is excellent.

MTP Sep 22, RTP Nov 23

6

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

- The strategy formulation and strategy implementation are intertwined and linked with each other. Two types of linkages exist between these two phases of strategic management. The forward linkages deal with the impact of strategy formulation on strategy implementation while the backward linkages are concerned with the impact in the opposite direction.
- In the given situation Ms. Suman has to follow **Backward Linkages** as she had to change her strategy basis the actual resources she had. While dealing with strategic choice, remember that past strategic actions also determine the choice of strategy. Organizations tend to adopt those strategies which can be implemented with the help of the present structure of resources combined with some additional efforts. Such incremental changes, over a period of time, take the organization from where it is to where it wishes to be.

RTP Nov 21 || MTP Mar 22, Nov 24

7

Connect Group was one of the leading makers of the mobile handsets till a few years ago and which went at the bottom of the heap. Connect Group didn't adapt to the current market trends which eventually lead to its downfall. Which would have helped Connect Group to change, adapt and survive? Explain the steps to initiate the change.

Connect Group has to do strategic change for its survival. The changes in the environmental forces often require businesses to make modifications in their existing strategies and bring out new strategies. Strategic change is a complex process that involves a corporate strategy focused on new markets, products, services and new ways of doing business. Unless companies embrace change, they are likely to be freeze and unless companies prepare to deal with sudden, unpredictable, discontinuous, and radical change, they are likely to be extinct.

Three **steps for initiating strategic change** are:

- i. **Recognise the need for change** – The first step is to diagnose the which facets of the present corporate culture are strategy supportive and which are not.
- ii. **Create a shared vision to manage change** – Objectives of both individuals and organisation should coincide. There should be no conflict between them. This is possible only if the management & organisation members follow a shared vision.
- iii. **Institutionalise the change** – This is an action stage which requires the implementation of the changed strategy. Creating and sustaining a different attitude towards change is essential to ensure that the firm does not slip back into old ways of doing things.

RTP May 22

8

Glassware Ltd. is about to go through a significant restructuring. The strategic change involves moving from a decentralized to a centralized structure. This will help Glassware avoid duplication of support activities and lower its costs. The management have held the first staff briefing in which they went to great lengths to explain that the change was necessary to equip the company to face future competitive challenges. Identify and explain the current stage of Glassware Ltd. from the Lewin's three-stage model of change?

Glassware Ltd. is currently in the 'unfreezing' stage, where management is attempting to explain the need for change in an attempt to maximize buy-in by employees and reduce the amount of resistance.

**Unfreezing the situation:** The process of unfreezing simply makes the individuals aware of the necessity for change and prepares them for such a change. Lewin proposes that the changes should not come as a surprise to the members of the organization. Sudden and unannounced change would be socially destructive and morale lowering. The management must pave the way for the change by first "unfreezing the situation", so that members would be willing and ready to accept the change.

Unfreezing is the process of breaking down the old attitudes and behaviours, customs and traditions so that they start with a clean slate. This can be achieved by making announcements, holding meetings and promoting the new ideas throughout the organization.

MTP May 20

9

Dr. Raman has been running a nursing home for about twenty two years now, and has gained envois name for his benevolence in Balram district of Chhattisgarh. Recently, his daughter, Dr. Radhika completed her medicine degree from the United States of America dan returned to her hometown to be a part of her father's practice. She has been given the baton to promote modern medicine and retain the local skilled youth in their practice. However, their nursing home's skilled youth has been more inclined to E-Commerce employment opportunities. Dr. Radhika has taken it as a challenge to imbibe the very essence of service in them, by being employed as nurses and caretakers of the ill. This shall be very crucial in growing the practice as desired. Which of the following phases of Kurt Lewin's model of Change will be most challenging for Dr. Radhika to strategically positioning her father's nursing home?

Kurt Lewin's Model of Change involves HC Kellman's three methods of re-assigning behaviour, which are **Compliance, Identification and Internalization**.

For Dr. Radhika, Compliance and identification will not a big challenge, as her father has been one of the most sort after personalities serving the ill in their district. And her return from the USA to serve her country, especially her district, will help the workforce identify her as a role model and there would actually be no need for compliance, i.e, Reward and Punishment for bringing about a change.

However, the new lucrative E-commerce employment opportunities will have to be fought through internalization i.e., internal changing of the individual's thought process, to give them freedom to learn and succeed. Thus, internalization will be the most challenging phase.

MTP May 24

10

Imagine you are a consultant advising a small manufacturing company embarking on a digital transformation journey. The company's leadership is concerned about managing the change effectively. Using the best practices for managing change in small and medium-sized businesses, outline a strategy to help the company navigate this transformation successfully.

To help the small manufacturing company navigate its digital transformation successfully, we would recommend the following strategy: **MT: Recognize BCDE**

- 1) **Begin at the top:** The **leadership team** should be **united and committed** to the digital transformation. They should **communicate clear vision** for future of co. & lead by example.
- 2) **Ensure that the change is necessary and desired:** Before implementing changes, co. should **assess its current state** and **identify areas where digital transformation can add value**. It's important to **involve employees** in this process to ensure their buy- in.
- 3) **Reduce disruption:** This can be done by **communicating early** about changes, **providing training & support** for employees, & **empowering change agents** within the org.
- 4) **Encourage communication:** Create **channels** for employees to **ask questions** and provide **feedback**. Encourage **collaboration between departments** to **share ideas and innovations**. Effective communication can help alleviate fears and keep everyone aligned.
- 5) **Recognize that change is the norm:** Digital transformation is **not a one-time project** but an **ongoing process**. The company should be **prepared to adapt to new technologies** and market conditions **continuously**.

By following these best practices, the small manufacturing company can successfully navigate its digital transformation and position itself for future growth and success.

RTP May 24 || PYQ Sep 24 || MTP Mar 25

- 11 Why is change management crucial during digital transformation, and what are some key strategies for navigating change effectively? OR Explain the pointers for navigating change during digital transformation.

Any organisation may find the work of digital transformation challenging and overwhelming. To ensure that a digital transition is effective, change management is essential. Here are some key strategies to navigate change effectively: **MT: Gradual SCAR**

- 1) **Specify the digital transformation's aims and objectives:** Clearly defining intended outcomes & objectives helps ensure everyone is aligned and working towards the same goals.
- 2) **Always communicate:** Regular and transparent communication is crucial to help people understand the goals of digital transformation & how it will impact various stakeholders, including employees, clients, and other parties.
- 3) **Be ready for resistance:** Change, even if beneficial, can be met with resistance. Having a strategy in place to address resistance is important for overcoming challenges and ensuring a smooth transition.
- 4) **Implement changes gradually:** Instead of making all changes at once, gradual implementation allows individuals to adapt to new ways of doing things without feeling overwhelmed by too much change simultaneously.
- 5) **Offer assistance and training:** Providing support, guidance, and training for employees is crucial as they navigate new procedures, software applications, & other aspects of digital transformation.

In conclusion, meticulous planning and effective change management are vital for the successful completion of digital transformation projects. Without proper change management, these efforts are more likely to fail, & organizations can enhance integration of new digital systems by anticipating & managing necessary changes.

RTP May 24

- 12 York Investors, recognizing the importance of aligning its organizational elements with strategic objectives, has strategically invested in training programs, technology, and communication systems. The company aims to enhance the skills and capabilities of its workforce through comprehensive training initiatives. Simultaneously, York Investors leverages cutting-edge technology to streamline its operations and improve overall efficiency. The investment in communication systems ensures seamless collaboration and information flow across various departments. Identify and explain the model used by York Investors to achieve its strategic objectives.

York Investors is employing the McKinsey 7S Model to achieve its strategic objectives. The model focuses on seven interdependent elements within an organization, categorized into "Hard Ss" and "Soft Ss." In this case:

**Strategy (Hard S):** Investing in training programs and technology aligns with the strategic objective of enhancing workforce skills and operational efficiency.

**Structure (Hard S):** The investment suggests a structural alignment to support the strategic initiatives, indicating a deliberate organization of resources.

**Systems (Hard S):** The use of cutting-edge technology and communication systems reflects a commitment to optimizing daily tasks and improving overall efficiency, addressing the system component of the model.

**Shared Values (Soft S):** The emphasis on comprehensive training initiatives indicates a commitment to shared values, reflecting a focus on developing a skilled and capable workforce.

**Style (Soft S):** The leadership style is implied in the strategic decision to invest in technology and training for workforce development and operational efficiency.

**Style (Soft S):** The leadership style is implied in the strategic decision to invest in technology and training for workforce development and operational efficiency.

**Staff (Soft S):** The commitment to enhancing skills and capabilities reflects a focus on the talent pool within the organization.

**Skills (Soft S):** The strategic investment in training programs directly addresses the development of key skills within the workforce.

York Investors' approach demonstrates a holistic application of the McKinsey 7S Model, emphasizing the interconnectedness of both hard and soft elements to achieve strategic alignment and organizational effectiveness.

MTP Oct 21

13 ABC Pvt Ltd is dealing in multiproduct like electronics and FMCG and are having outlets in different cities and markets across India. Due to scale of operation, it is having technical difficulty in dealing with distinct product line and Markets especially in coordination and control related problems. Which of following technique which was introduced in 1920 can be used to resolve the problem?

**Multi divisional structure** is composed of operating divisions where each division represents a separate business to which the top corporate officer delegates responsibility for day-to-day operations and business unit strategy to division managers.

Multi divisional structure was developed in the 1920, in response to coordination and control related problems in large firms where functional departments often had difficulty dealing with distinct product lines and Markets.

PYQ Dec 21

14 A Chennai based fast moving consumer goods (FMCG) major CDE Ltd. Recently announced restructuring its business. The company indicated that the business would be split into mainly four different streams-FMCG, E-commerce, Retail, and Research & Development. The company management has decided that these four units will operate as separate businesses. The top corporate officer shall delegate responsibility for day-to day operation and business unit strategy to the concerned managers.  
Identify the organization structure that CDE Ltd. Has planned to implement. Discuss any four attributes and the benefits the firm derive by using this organization structure.

**CDE Ltd. has planned to implement strategic Business Unit (SBU) structure:** very large organizations, particularly those running into several products, or operating at distant geographical locations that are extremely diverse in terms of environmental factors, can be better managed by creating strategic business units. SBU structure becomes imperative in an organization with increase in number, size diversity.

The **attributes of an SBU** and the benefits a firm may derive by using the SBU structure are as follows:

- 1) A **scientific method** of grouping the businesses of a multi-business corporation which helps the firm in **strategic planning**.
- 2) An **improvement over the territorial grouping of businesses and strategic planning based on territorial units**.
- 3) **Strategic planning** for SBU is **distinct** from rest of businesses. Products/ businesses **within an SBU** receive **same** strategic planning treatment and priorities.
- 4) Each SBU will have its **own distinct set of competitors** and its **own distinct strategy**.
- 5) The **CEO of SBU** will be responsible for **strategic planning for SBU** and **its profit performance**.

- 6) Products/businesses that are **related from stand point of function** are **assembled together** as a distinct SBU.
- 7) **Unrelated products/businesses** in any group are separated into **separate SBUs**.
- 8) Grouping the businesses on SBU lines **helps in strategic planning** by **removing the vagueness and confusion**.
- 9) Each SBU is a **separate business** and will be **distinct from one another** on the basis of mission, objectives etc.

RTP Nov 18

15 Davis and Lawrence have proposed three distinct phases to develop matrix structure. Explain.

- 1) **Cross-functional task forces:** Temporary cross-functional task forces are initially used when a **new product line is being introduced**. A **project manager** is in charge as the **key horizontal link**.
- 2) **Product/brand management:** If the cross-functional task forces become more permanent, the project manager becomes a product or brand manager and a second phase begins. In this arrangement, function is still the primary organizational structure, but **product or brand managers act as the integrators of semi permanent products or brands**.
- 3) **Mature matrix:** The third and final phase of matrix development involves a **true dual-authority structure**. Both the **functional** and **product structures** are **permanent**. All employees are connected to both a vertical functional superior and a horizontal product manager.

PYQ Jan 25

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

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

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

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

**Advantages of the Matrix Structure:**

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

**Disadvantages of the Matrix Structure:**

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

RTP Nov 22

17

"Samar Electronics Limited" is engaged in manufacturing and sale of consumer electronic goods globally. The company is rated 'best' in 'customer satisfaction survey' for 5 years in a row. The spread of the current pandemic has affected the internal and external environment of the company adversely. Such adverse impact has negatively impacted the revenue of the company. In order to survive and retain the business, the company decided to outsource a major part of its organisational activities, like manufacturing, distribution channels, after sales service etc. Now the organisation's business functions are scattered worldwide with a small headquarter connected to independent business units digitally.

What type of organisational structure is the company transitioning into? List the basic features of this new structure and the disadvantages that the company may face in future in this new structural arrangement.

Samar Electronics Limited transitioning into network structure. It is a newer and somewhat more radical organisational design.

Its **essential features** are as follows:

1. It is termed as "**non-structure**" as it **eliminates in house functions** and outsources many of them.
2. An organisation organised in this manner is often called "**virtual organisation**" because it is composed of a **series of project groups** or **collaborations linked** by **constantly changing nonhierarchical, cob-web like structures**.
3. Network structures become most useful when the environment of a firm is **unstable** and is expected to remain so. Under such conditions, there is usually a strong need for **innovation and quick response**.
4. Instead of having salaried employees, it may contract with people for a specific project or length of time.
5. Long term contracts with suppliers and distributors replace services that company could provide for itself.

However, network structure does have following **disadvantages** that the company may face in future:

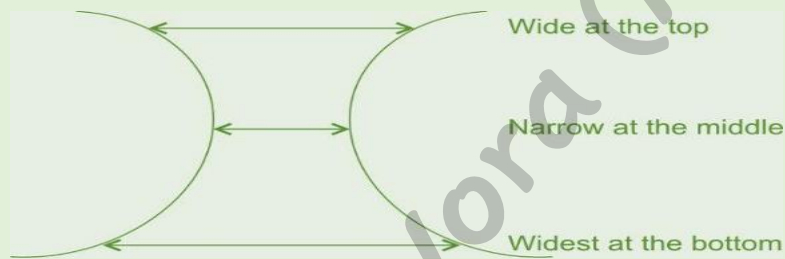
- i. The **availability of numerous potential partners** can be a source of trouble.
- ii. **Co-ordination among the functioning of business partners** is perhaps, the biggest problem for the management in the networking structure.
- iii. **Employees may lack the level of confidence** necessary to participate actively in organisation sponsored learning experiences.

MTP Sep 21

18 Maadhyam, a hearing aid manufacturer recently introduced an AI based management tool in its organization which are having the qualities and capabilities of managing teams across functions. This technological tool in addition to saving organizational costs by replacing many tasks of the middle management has also served as a link between top and bottom levels in the organization and assists in quick decision making. The skewed middle level managers now perform cross-functional duties. What could be their new organizational structure post implementation of AI based management tool? How can this structure benefit the organization?

In the recent years information technology and communications have significantly altered the functioning of organizations. The role played by middle management is diminishing as the tasks performed by them are increasingly being replaced by the technological tools. Hourglass organization structure consists of three layers in an organization structure with constricted middle layer. The structure has a short and narrow middle management level.

Information technology links the top and bottom levels in the organization taking away many tasks that are performed by the middle level managers. A shrunken middle layer coordinates diverse lower level activities.



Hourglass structure has obvious benefit of reduced costs. It also helps in enhancing responsiveness by simplifying decision making. Decision making authority is shifted close to the source of information so that it is faster. However, with the reduced size of middle management, the promotion opportunities for the lower levels diminish significantly.

RTP Nov 18, Nov 22 || MTP Oct 23

19 'A strategy-supportive culture promotes good strategy execution.' - Explain. OR Importance of corporate culture.

- A culture where creativity, embracing change, and challenging the status quo are pervasive is very conducive to successful execution of a product innovation and technological leadership strategy.
- **Strong cultures** promote good strategy execution when there's fit and hurt execution when there's negligible fit. A culture grounded in values, practices, and behavioral norms that match what is needed for good strategy execution helps energize people throughout the organization to do their jobs in a strategy-supportive manner.
- A culture built around such business principles as listening to customers, encouraging employees to take pride in their work, and giving employees a high degree of decision-making responsibility. This is very conducive to successful execution of a strategy of delivering superior customer service.
- A work environment where the culture matches the conditions for good strategy execution provides a system of informal rules and peer pressure regarding how to conduct business internally and how to go about doing one's job.

- A strong strategy-supportive culture makes employees feel genuinely better about their jobs and work environment and the merits of what the company is trying to accomplish. Employees are stimulated to take on the challenge of realizing the organizational vision, do their jobs competently and with enthusiasm, and collaborate with others.

MTP Aug 24

20

Orion Tech Solutions Pvt. Ltd. is renowned for its ability to launch groundbreaking software products. Despite the relaxed and casual work environment at Orion, there is a strong commitment to meeting deadlines. Employees at Orion believe in the "work hard, play hard" ethic. The company has shifted from a formal, hierarchical structure to a more results-oriented approach. Employees are deeply committed to the company's strategies and work diligently to achieve them. They safeguard innovations and maintain strict confidentiality and secrecy in their operations. Their work culture is closely aligned with the organization's values, practices, and norms. What aspects of an organization are being discussed? Explain

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

A strong strategy-supportive culture at Orion makes employees feel genuinely better about their jobs, work environment, and the organization's goals. It motivates them to embrace the challenge of realizing the company's vision, perform their duties competently and enthusiastically, and collaborate effectively with others.

ICAI SM, RTP May 18, MTP Apr 21, PYQ Nov 22, May 23

21

Suresh Sinha has been recently appointed as the head of a strategic business unit of a large multiproduct company. Advise Mr Sinha about the leadership role to be played by him in good strategy execution.

Leading change has to start with diagnosing the situation and then deciding which of several ways to handle it. **Managers have five leadership roles to play in pushing for good strategy execution:**

**MT: TERE Corrective Actions**

- 1) Staying on top of what is happening, **closely monitoring progress, solving out issues**, and learning **what obstacles lie in the path** of good execution.
- 2) Promoting a culture of *esprit de corps* that **mobilizes and energizes** organizational members to execute strategy in a competent fashion and **perform at a high level**.
- 3) Keeping the organization **responsive to changing conditions, alert for new opportunities, bubbling with innovative ideas**, and **ahead of rivals** in developing competitively valuable competencies and capabilities.
- 4) Exercising **ethical leadership** and insisting that the company **conduct** its **affairs** like a **model corporate citizen**.
- 5) Pushing **corrective actions** to improve strategy execution and overall strategic performance.

ICAI SM, MTP Aug 18, RTP Nov 18, May 20

- 22 KaAthens Ltd., a diversified business entity having business operations across the globe. The company leadership has just changed as Mr. D. Bandopadhyay handed over the pedals to his son Aditya Bandopadhyay, due to his poor health. Aditya is a highly educated with an engineering degree from IIT, Delhi. However, being very young he is not clear about his role and responsibilities. In your view, what are the responsibilities of Aditya Bandopadhyay as CEO of the company.

Aditya Bandopadhyay, an effective strategic leader of KaAthens Ltd. must be able to deal with the diverse and cognitively complex competitive situations that are characteristic of today's competitive landscape.

A **Strategic leader has several responsibilities**, including the following:

- 1) **Making strategic decisions.**
- 2) **Formulating policies** and action plans to implement strategic decision.
- 3) **Ensuring effective communication** in the organisation.
- 4) **Managing human capital** (perhaps the most critical of strategic leader's skills).
- 5) **Managing change** in the organisation.
- 6) **Creating and sustaining strong corporate culture.**
- 7) **Sustaining high performance** over time.

RTP May 21, MTP Sep 23

- 23 Suraj Prakash and Chander Prakash are two brothers engaged in the business of spices. Both have different approaches to management. Suraj Prakash prefers the conventional and formal approach in which authority is used for explicit rewards and punishment. While, on the other hand, Chander Prakash believes in democratic participative management approach, involving employees to give their best. Analyse the leadership style followed by Suraj Prakash and Chander Prakash.

**Suraj Prakash** is a follower of **transactional leadership style** that focuses on designing systems and controlling the organization's activities. Such a leader believes in using authority of its office to exchange rewards, such as pay and status. They prefer a more formalized approach to motivation, setting clear goals with explicit rewards or penalties for achievement or non-achievement. Transactional leaders try to build on the existing culture and enhance current practices. The style is better suited in persuading people to work efficiently and run operations smoothly.

On the other hand, **Chander Prakash** is a follower of **transformational leadership style**. The style uses charisma and enthusiasm to inspire people to exert them for the good of the organization. Transformational leaders offer excitement, vision, intellectual stimulation and personal satisfaction. They inspire involvement in a mission, giving followers a 'dream' or 'vision' of a higher calling so as to elicit more dramatic changes in organizational performance. Such a leadership motivates followers to do more than originally affected to do by stretching their abilities and increasing their self-confidence, and also promote innovation throughout the organization.

ICAI SM

- 24 Sanya Private Limited is an automobile company. For the past few years, it has been observed that the progress of the company has become stagnant. When scrutinized, it was found that the planning department was performing fairly well but the plans could not be implemented due to improper use of resources, undesirable tendencies of workers and non-conformance to norms and standards. You are hired as a Strategic Manager. Suggest the elements of process of control to overcome the problem.

Sanya Private Limited deteriorating performance due to poor implementation of plans that is improper use of resources, undesirable tendencies of the workers, and non-conformance to norms and standards, all point towards weak controls in the organization. Implementation of plans cannot assure results unless strong and sufficient controls are put in place. The management of the company should focus diligently on **developing controls** especially in the identified problem areas.

The process of control has the following elements:

- a) **Objectives of business system** which could be operationalized into measurable & controllable standards.
  - b) A mechanism for **monitoring and measuring** the performance of the system.
  - c) A mechanism
    - (i) for **comparing the actual results** with reference to the standards
    - (ii) for **detecting deviations** from standards and
    - (iii) for **learning new insights** on standards themselves.
  - d) A mechanism for **feeding back corrective & adaptive information** & instructions to system, for **effecting desired changes** to set right system to be on course.
- Above elements of control would ensure-
- proper check on **improper use of resources**,
  - **undesirable tendencies of the workers**,
  - **non-conformance to norms** & standards and
  - ensure a **result oriented implementation** of plans.

ICAI SM, RTP May 20, Nov 22, PYQ May 23, MTP Oct 23

- 25 What is strategic control? Briefly explain the different types of strategic control?  
OR  
Why is Strategic Control important for organizations? Discuss briefly 4 types of strategic control that can be implemented to achieve the enterprise goals.

Strategic control is an important process that keeps organisation on its desired path. It focuses on the dual questions of whether:

- 1) the strategy is being implemented as planned; and
- 2) the results produced by the strategy are those intended.

There are **four types of strategic control**:

- 1) **Premise control**: A **strategy** is **formed** on the basis of **certain assumptions** or **premises** about **complex & turbulent organizational environment**. Over a period of time these **premises may not remain valid**. Premise control is a **tool for systematic and continuous monitoring** of the environment to **verify the validity** and **accuracy** of the premises on which the strategy has been built.
- 2) **Strategic surveillance**: Strategic surveillance is **unfocussed**. It involves **general monitoring of various sources of information** to **uncover unanticipated information** having a bearing on the organizational strategy.
- 3) **Special alert control**: At times, **unexpected events** may force organizations to **reconsider** their **strategy**. **Sudden changes in government**, natural calamities, terrorist attacks, unexpected merger/acquisition by competitors, industrial disasters & other such events may **trigger** an **immediate & intense review of strategy**.
- 4) **Implementation control**: Managers implement strategy by **converting major plans** into **concrete, sequential actions** that form incremental steps.

RTP Jan 2025

26

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

EcoTech is using **Premise Control** to adapt to changes in regulations and market conditions. Premise Control is a strategic management approach focused on continuously monitoring and reviewing the underlying assumptions that form the basis of an organization's strategy. By regularly assessing these assumptions—such as environmental regulations and consumer preferences, EcoTech ensures that its strategic plans remain relevant and responsive to external changes. This proactive process helps the company make timely adjustments to its strategies, allowing it to stay competitive and aligned with the evolving market environment.

ICAI SM, MTP Aug 18, RTP May 18, Nov 19, Nov 21, Nov 23

27

Explain- Implementation control.

OR

What is implementation control? Discuss its basic forms.

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

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

**Two basic forms of implementation control are:**

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

PYQ Sep 24, MTP Nov 24

28

Strategic performance measures are key indicators that organizations use to track the effectiveness of their strategies and make informed decisions about resource allocation. In light of the statement, state various types of Strategic performance measures.

Or

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

Strategic Performance Measures (SPM) are metrics organizations use to **evaluate and track the effectiveness of their strategies** in achieving their goals and objectives.

SPM provides a framework for monitoring key areas critical to the organization's success, ensuring progress toward desired outcomes and enabling timely adjustments to improve performance.

For GreenEdge Solutions, various types of SPM can be utilized: **MT: E<sup>2</sup>MI CF**

- Employee Measures:** **Employee satisfaction, engagement, and turnover** rate help track workplace culture and talent retention.
- Environmental Measures:** **Monitoring energy consumption, waste reduction, and carbon emissions** ensures the company aligns with sustainability goals.
- Market Measures:** **Market share, customer acquisition, and referral** rates reflect **competitiveness** and **market position**.
- Innovation Measures:** **R&D spending, patent filings, and new product launches** gauge the company's innovation capabilities.
- Customer Satisfaction Measures:** Assessments of **customer satisfaction, retention, and loyalty** indicate how well the company meets customer needs.
- Financial Measures:** Metrics like **revenue growth, return on investment (ROI), and profit margins** help evaluate the company's **financial health and profitability**.

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

PYQ Jan 25

29

What do you mean by strategic performance measures? State the reasons for the importance of strategic performance measures for an organization.

Strategic Performance Measures (SPM) are metrics used by organizations to evaluate and track the effectiveness of their strategies in achieving strategic goals and objectives.

SPM provides a framework for measuring the performance of key areas critical to the success of the organization's strategy. These measures help in assessing whether the organization is progressing towards its desired outcomes and allow for adjustments to be made to improve performance.

**MT: RAGI**

Strategic performance measures are essential for organizations for several reasons:

- Resource Allocation:** Strategic performance measures provide organizations with the information they need to **make informed decisions** about resource allocation, enabling them to **prioritize their efforts** and **allocate resources** to the areas that will have the **greatest impact on their performance**.

- 2) **External Accountability:** Strategic performance measures help organizations **demonstrate accountability to stakeholders**, including shareholders, customers, and regulatory bodies, by providing a **clear and transparent picture of their performance**.
- 3) **Goal Alignment:** Strategic performance measures help organizations align their strategies with their goals and objectives, ensuring that they are **on track to achieve their desired outcomes**.
- 4) **Continuous Improvement:** Strategic performance measures provide organizations with a framework for continuous improvement, enabling them to **track their progress** and **make adjustments to improve their performance over time**.

In summary, strategic performance measures play a vital role in guiding organizations toward success by ensuring alignment with strategic goals, optimizing resource use, fostering continuous improvement, and maintaining accountability to stakeholders

MTP Jul 24

30

What factors should organizations consider when choosing strategic performance measures, and why are these factors important?

Organizations should consider the following factors when choosing strategic performance measures:

1. **Relevance:** The measure should be relevant to the organization's goals and objectives, **providing actionable and meaningful information**. This ensures that the performance measures are directly aligned with what the organization aims to achieve, and that the information obtained can drive improvements and strategic decisions.
2. **Data Availability:** The measure should be based on **data** that is **readily available** and can be **collected** and **analyzed** in a **timely manner**. This is important to ensure that the organization can efficiently gather and utilize data without significant delays or obstacles.
3. **Data Quality:** The measure should be based on **high-quality data** that is **accurate** and **reliable**. Accurate and reliable data are crucial for making informed decisions and assessing the true performance of the organization.
4. **Data Timeliness:** The measure should be based on data that is **current** and **up-to-date**. Timely data allows organizations to make **informed decisions** quickly, enabling them to respond promptly to changes and emerging challenges.

These factors are important because they provide a framework for organizations to assess the success of their strategies, identify areas for improvement, and make informed decisions about resource allocation and strategic adjustments. Effective strategic performance measures should be relevant, meaningful, easy to understand, and regularly reviewed and updated to ensure their continued alignment with the organization's goals and objectives.

SM Chapter 5 – MCQs

RTP Sep 2024

1

For over a hundred years, the KDH business has thrived by leveraging strategic control as a cornerstone of its strategic approach. Regular evaluations of goals and performance ensured they stayed responsive to shifting market trends and evolving customer needs. Which type of strategic control is highlighted here ?

- a) Premise Control
- b) Special Alert Control
- c) Implementation Control - Milestone Reviews
- d) Implementation Control - Monitoring Strategic Thrusts

MTP Jul 24

2

Streamline Co is examining its internal capabilities to ensure that employees possess advanced knowledge of emerging technologies crucial for the company's future success. This involves investing in specialized training programs and updating job roles to match the latest industry standards. Which aspect of Streamline Co is being enhanced through specialized training and updated job roles?

- a) Structure
- b) Systems
- c) Skills
- d) Style

PYQ Sep 2024

3

The correct sequence of the stages as per Kurt Lewin's model of change is

- a) Unfreezing the situation, Refreezing and Changing to the new situation
- b) Changing to new situation, Unfreezing the situation, Refreezing
- c) Refreezing, Unfreezing the situation and Changing to the new situation
- d) Unfreezing the situation, Changing to the new situation and Refreezing

MTP Aug 24

4

Value Mart is a discount retail chain that targets budget-conscious consumers by offering a wide range of products at the lowest possible prices. The company achieves this by sourcing goods in bulk, negotiating lower prices with suppliers, and maintaining lean operations. Value Mart's goal is to dominate the market by attracting price-sensitive customers from competitors. Which of Michael Porter's Generic Strategies is Value Mart primarily employing?

- a) Structure
- b) Systems
- c) Skills
- d) Style

PYQ Sep 2024

5

Super Products Ltd. is having four divisions, i.e. Alpha, Beta, Cos and Theta. All the divisions are independent product center and are also integral pan of product Gama of the company. Each division contains its own set of activities under the control of respective general manager. Each general manager is responsible for his respective product line and its profitability. While having own set of competitors, each center has its own competitive advantages with the resources and capabilities they develop. Such structure is known as:

- a) Divisional structure
- b) Network structure
- c) Multi divisional structure
- d) Strategic business unit

RTP Jan 2025

6

Alpha Corp is undergoing a shift to foster a culture that encourages innovative thinking and team collaboration. To achieve this, the company is focusing on how leaders interact with their teams and set examples for behavior, aiming to align leadership practices with desired cultural outcomes. Which aspect of AlphaCorp is being adjusted to foster a culture of innovation and collaboration?

- a) Structure
- b) Systems
- c) Skills
- d) Style

MTP Nov 2024

7

The CEO of GoFlyHigh Airlines has built a high-performance team over five years by closely monitoring performance metrics, setting clear expectations, and motivating employees through rewards and structured improvement plans. Her disciplined and results-focused approach has driven organizational success by fostering accountability and maintaining high standards. This leadership style emphasizes achieving defined goals through a structured framework, balancing performance recognition with corrective measures for sustained excellence. What strategic leadership style does the CEO exhibit?

- a) Entrepreneur Leadership
- b) Transformational Leadership
- c) Transactional Leadership
- d) Intrapreneur Leadership

MTP Mar 25

8

You are the head of operations of a company. When you focus on total or aggregate management functions in the sense of embracing the integrated activities of a complete department, you are practicing: -

- a) Strategic Control
- b) Management control
- c) Administrative Control
- d) Operations Control

MTP Dec 24

9

Harish, a middle manager, is confused about the difference between flexibility and resilience while working around an uncertain situation in the organization. Can you help find the right difference between the two?

- a) Flexibility is about adapting to new things quickly, while resilience is about holding on to the current position of the things for the short-term as the organisation is confident of its efficiencies.
- b) Flexibility is a subset of resilience, & to be flexible means to be resilient.
- c) Flexibility is the opposite of resilience, where, if the organisation is flexible, it changes and if it is resilient it doesn't change at all.
- d) Both are the same.

RTP May 25

10

Innovexa Solutions Ltd. operates in the technology sector and has four divisions: Innovate, Develop, Transform, and Elevate. Each division functions as an independent product center while also contributing to the company's flagship product, TechSphere. Every division has its own set of activities, managed by a respective division head, who is responsible for the product line's performance and profitability. While competing in different market segments, each division leverages its own unique resources and capabilities to maintain competitive edge. This type of organizational structure is known as:

- a) Network structure
- b) Divisional structure
- c) Multi-divisional structure
- d) Strategic Business Unit (SBU)

PYQ Jan 25

11 The role played by middle management is diminishing as the tasks performed by them are increasingly being replaced by new and improved technological tools.  
As a result, in a three layer organizational structure, middle level is constricted. Which one of the following is a suitable name to such structure?

- a) Hourglass structure
- b) Network Structure
- c) Matrix structure
- d) Divisional structure

MTP Nov 2024

12 The CEO of GoFlyHigh Airlines has built a high-performance team over five years by closely monitoring performance metrics, setting clear expectations, and motivating employees through rewards and structured improvement plans. Her disciplined and results-focused approach has driven organizational success by fostering accountability and maintaining high standards. This leadership style emphasizes achieving defined goals through a structured framework, balancing performance recognition with corrective measures for sustained excellence. What strategic leadership style does the CEO exhibit?

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MTP Dec 24

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SM Chapter 5  
MCQs Answer Key

1	C	4	C	7	C	10	D	13	A
2	C	5	D	8	B	11	A		
3	D	6	D	9	A	12	C		

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