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- Chartered Accountant by profession & educator by passion
- Teaching Financial Accounting , Financial Management & Strategic Management to CA Students For 12 Years.
- Practicing Chartered Accountant For Past 13 years in The Field of Audit , Direct & Indirect Taxes & Management Consultancy
- Elected as Convenor of The Jalna CA CPE Chapter of WIRC of ICAI For 2 consecutive years 20-21 & 21-22.
- He Has Successfully Completed & Qualified Following Certificate Course Conducted By ICAI

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CA TUSHAR TAPARIA

CA , LLB

- A multi-faceted professional with a Chartered Accountancy qualification and a Bachelor’s degree in Law.
- Brings 7+ years of teaching experience across CA and CS professional courses.
- Specializes in:
- Taxation at CA Intermediate and CS Executive levels
- Economics at CA Foundation level
- Known for simplifying complex concepts with crystal-clear explanations and practical insights.
- Expert in delivering Fasttrack batches with proven accelerated learning techniques.
- Frequently invited as a visiting faculty for Taxation at reputed coaching institutes.
- Loved by students for his interactive teaching style, real-life examples, and exam-oriented approach.

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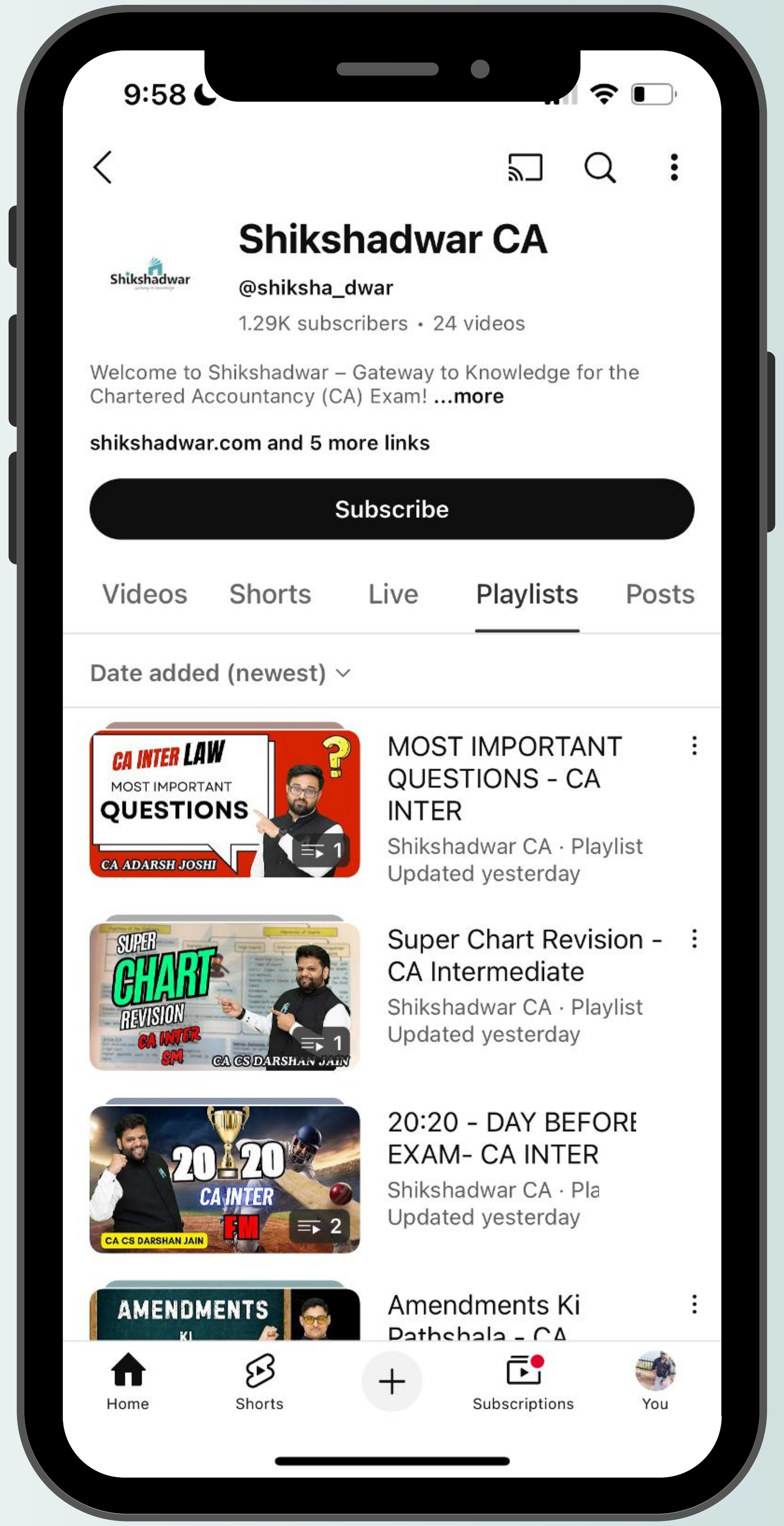

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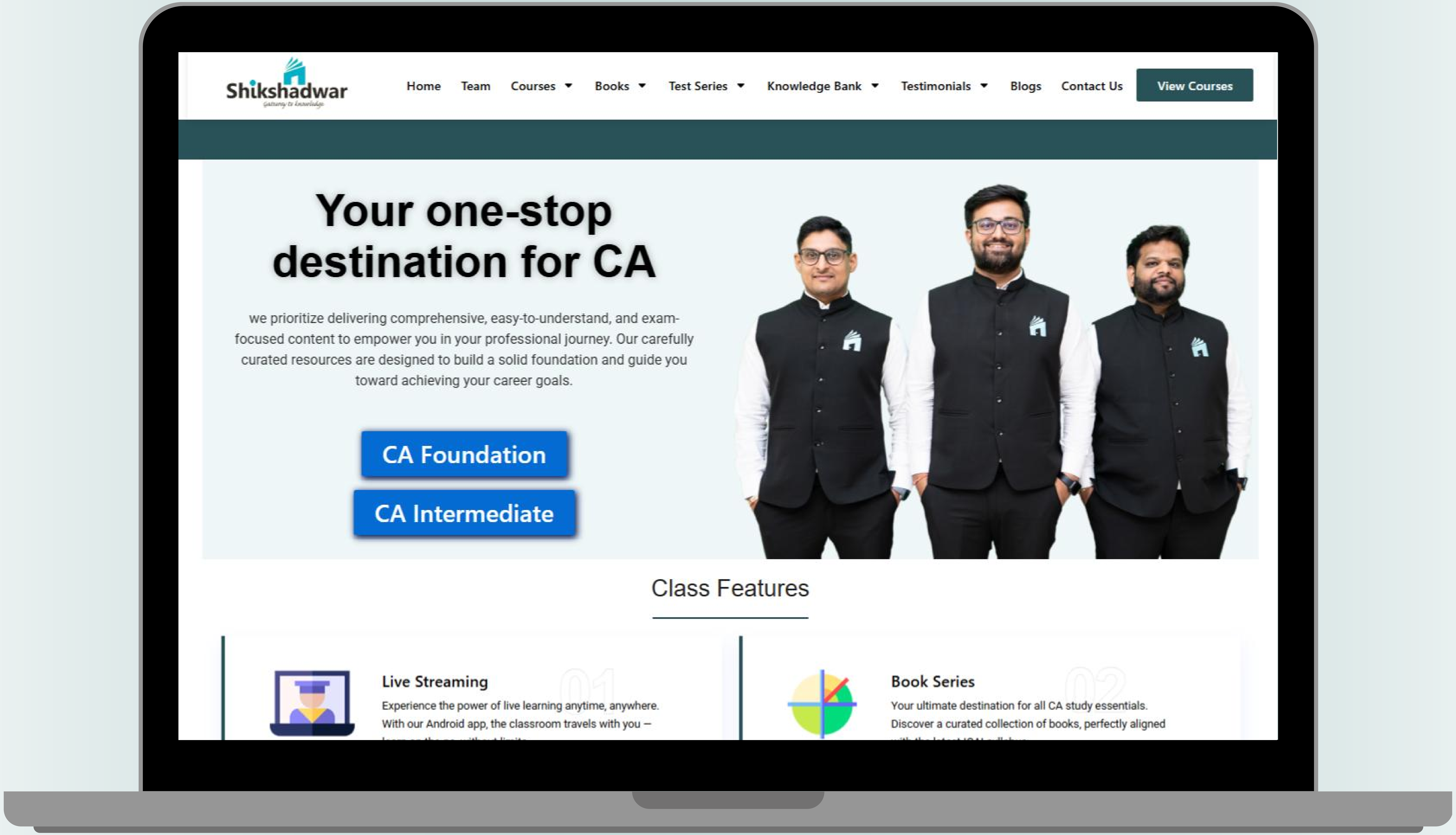

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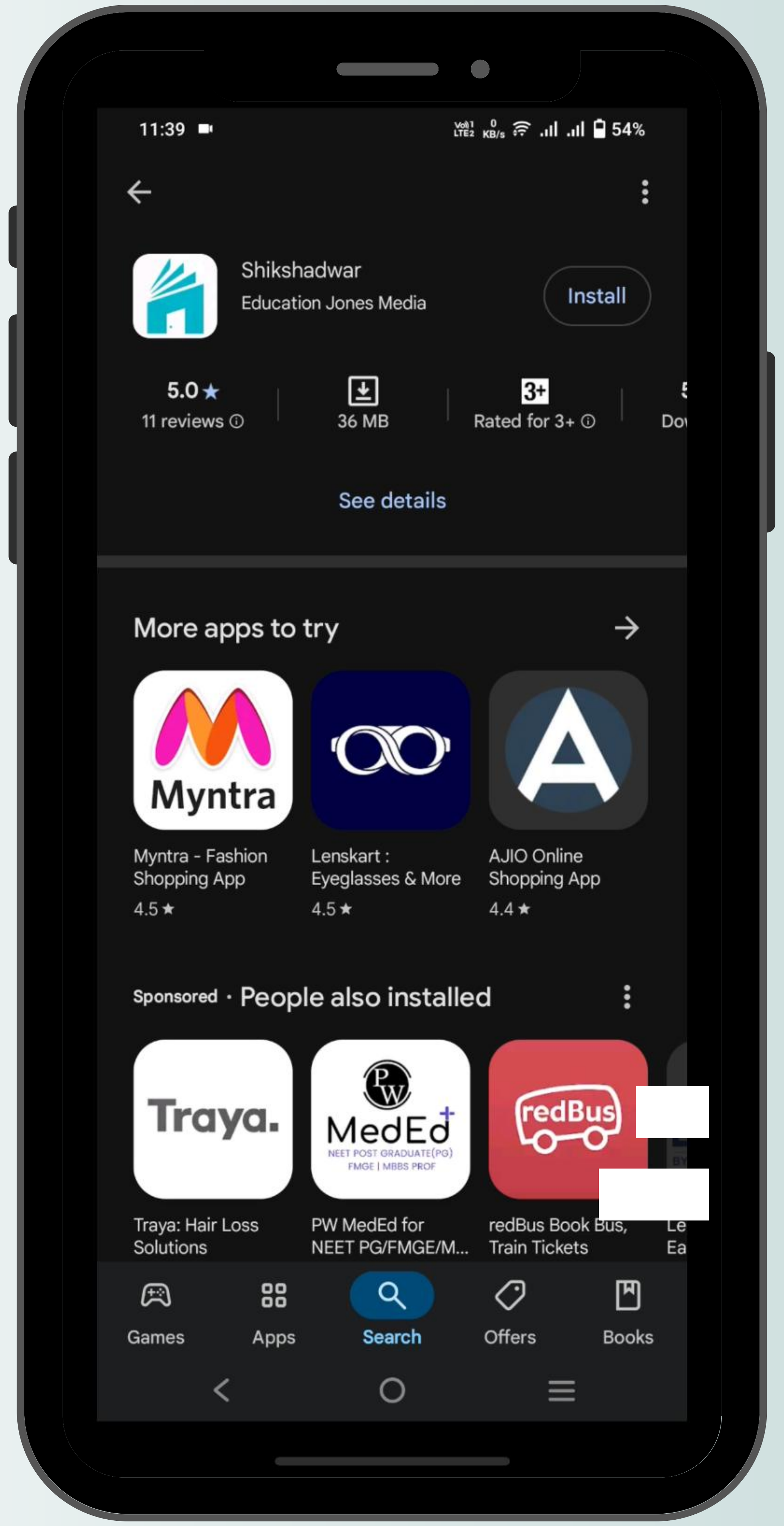

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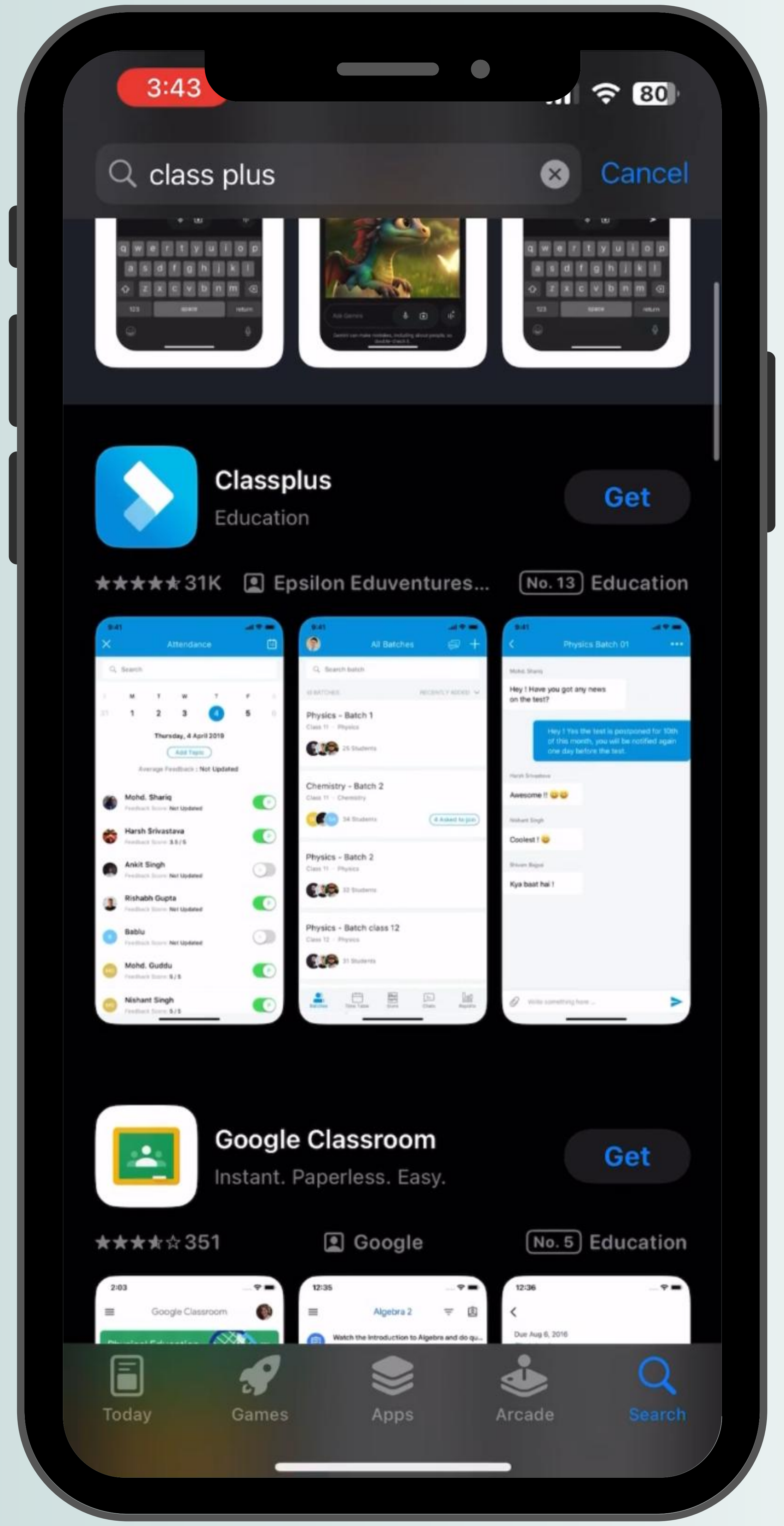

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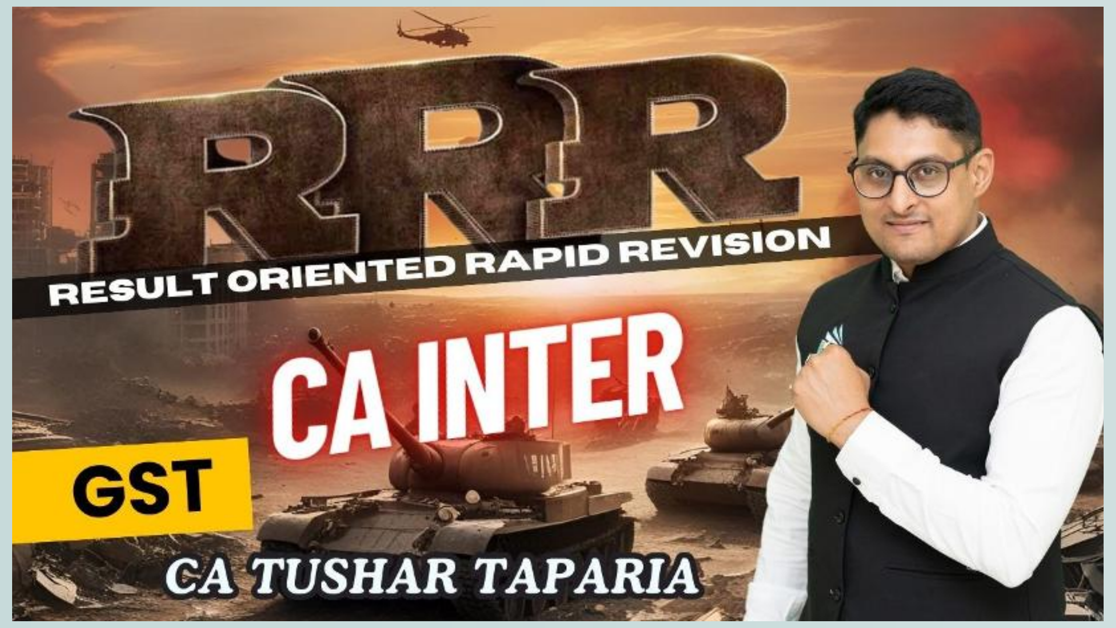
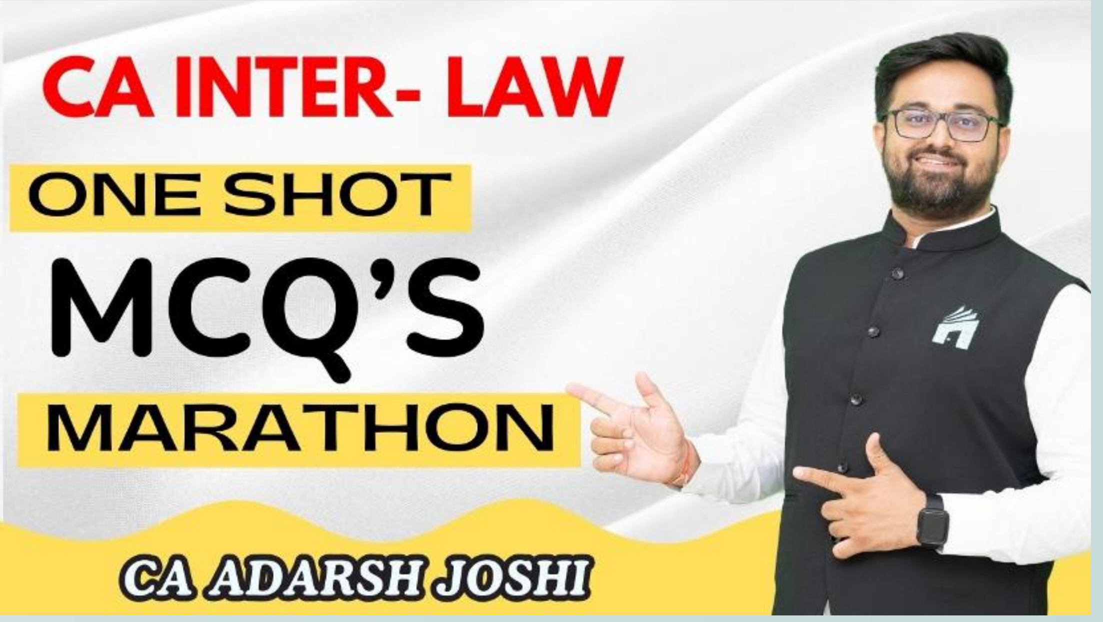
CA INTERMEDIATE MAY 25

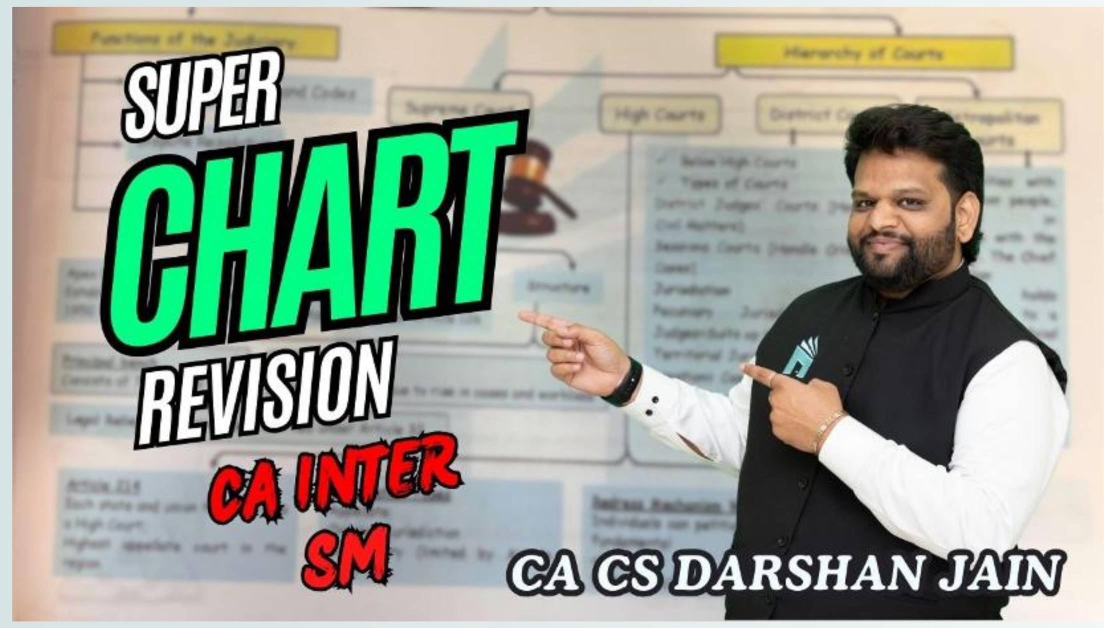
Marathons Live Streams



RRR - Result Oriented Rapid Revision

Most Imp Questions





One Shot MCQ's Marathon

Super Chart Revision

Amendments Ki Pathshala

20 -20 Series

CA INTERMEDIATE MAY 25

Marathons Schedule With Links

DATE	TIME	EDUCATOR	SUBJECT	TOPICS	YOUTUBE LINK
17/4/2025	8.00 AM	CA ADARSH JOSHI	LAW	RRR	WATCH NOW
18/4/2025	12.00 NOON	CA TUSHAR TAPARIA	GST	RRR	WATCH NOW
19/4/2025	8.00 AM	CA CS DARSHAN JAIN	FM	RRR	WATCH NOW
20/4/2025	8.00 AM	CA ADARSH JOSHI	LAW	ONE SHOT MCQ MARATHON	WATCH NOW
21/4/2025	2.00 PM	CA TUSHAR TAPARIA	GST	GST AMENDMENTS & ITS IMPORTANT QUESTIONS	WATCH NOW
23/4/2025	8.00 AM	CA CS DARSHAN JAIN	FM	ONE SHOT MCQ MARATHON	WATCH NOW

DATE	TIME	EDUCATOR	SUBJECT	TOPICS	YOUTUBE LINK
24/4/2025	2.00 PM	CA TUSHAR TAPARIA	DT	DT AMENDMENTS & ITS IMPORTANT QUESTIONS	WATCH NOW
27/4/2025	8.00 AM	CA CS DARSHAN JAIN	SM	ONE SHOT MCQ MARATHON	WATCH NOW
4/5/2025	8.00 AM	CA ADARSH JOSHI	LAW	MOST IMPORTANT QUESTIONS	WATCH NOW
6/5/2025	3.00 PM	CA TUSHAR TAPARIA	TAXATION	20-20	WATCH NOW
12/5/2025	8.00 AM	CA CS DARSHAN JAIN	FM	20-20	WATCH NOW
13/5/2025	8.00 AM	CA CS DARSHAN JAIN	SM	SUPER CHART REVISION	WATCH NOW

STRATEGIC CHOICES

SM RTP MTP PYP

Case Scenario Based Qs.

QUE 1 (SM/MTP NOV 18 S2/RTP NOV 22/MTP NOV 23 S2)

Atrix Ltd. is a company engaged in the designing, manufacturing, and marketing of mechanical instruments like speed meters, oil pressure gauges, and so on. Their products are fitted into two and four wheelers. During the last couple of years, the company has been observing a fall in the market share. This is on account of shift to the new range of electronic instruments. The customers are switching away mechanical instruments that have been the backbone of Atrix Ltd.
As a CEO of Atrix Ltd., what can be the strategic options available with you.

Or

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 backbone of Woodworld Ltd.
As a CEO of Woodworld Ltd., what can be the strategic options available with you.

ANSWER:

Atrix is having a product portfolio that is evidently in the decline stage. The product is being replaced with the technologically superior 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 Atrix Ltd., following can be the strategic options available with the CEO:

a) Invest in new **product development** and switchover to the new technology.

b) Atrix Ltd. also need time to **invest in emerging new technology**.

c) They can **acquire or takeover** a competitor, provided they have or are able to generate enough financial resources.

d) They may also consider **unrelated growth** and identify other areas for expansion. This will enable Atrix Ltd. to spread their risks.

e) In longer run, they should **divest the existing products.**

f) However, they may **continue with the existing products in a limited manner** for such time there is demand for the product.

QUE 2 (SM/PYP MAY 19)

Gautam and Siddhartha two brothers are the owners of a cloth manufacturing unit located in Faridabad. They are doing well and have substantial surplus funds available within the business. They have different approaches regarding corporate strategies to be followed to be more competitive and profitable in future.

Gautam is interested in acquiring another industrial unit located in Faridabad manufacturing stationery items such as permanent markers, notebooks, pencils and pencil sharpeners, envelopes and other office supplies. On the other hand, Siddhartha desires to start another unit to produce readymade garments.

Discuss the nature of corporate strategies being suggested by two brothers and risks involved in it.

Or

Shoaib and Salim, two brothers are the owners of a cloth manufacturing unit located in Lucknow. They are doing well and have substantial surplus funds available within the business. Shoaib is interested in acquiring another industrial unit located in Lucknow manufacturing tableware such as dinner sets, cups and saucers, bowls. etc. On the other hand, Salim desires to start another unit to produce readymade garments.

Discuss the nature of corporate strategies being suggested by two brothers. Which one is better?

ANSWER:

1. Gautam wishes to diversify in a business that is not related to their existing line of product and can be termed as **conglomerate diversification**. He is interested in acquiring another industrial unit located in Faridabad manufacturing stationery items such as permanent markers, notebooks, pencils and pencil sharpeners, envelopes and other office supplies, which is not related to their existing product. In conglomerate diversification, the new businesses/ products are disjointed from the existing businesses/ products in every way; it is an unrelated diversification. In process/ technology/ function, there is no connection between the new products and the existing ones. Conglomerate diversification has no common thread at all with the firm's present position.

2. On the other hand, Siddhartha seeks to move forward in the chain of existing product by adopting **vertically integrated diversification/ forward integration**. The cloth being manufactured by the existing processes can be used as raw material of garments manufacturing business. In such diversification, firms opt to engage in businesses that are related to the existing business of the firm. The firm remains vertically within the same process and moves forward or backward in the chain. It enters specific product/process steps with the intention of making them into new businesses for the firm. The characteristic feature of vertically integrated diversification is that here, the firm does not jump outside the vertically linked product-process chain.

3. Both types of diversifications have their own risks –
   In conglomerate diversification, there are no linkages with customer group, customer marketing functions and technology used, which is a risk. In the case of vertical integrated diversification, there is a risk of lack of continued focus on the original business.

QUE 3 (SM/PYP NOV 19/PYP JULY 21/ /MTP MAY 24 S1)

An XYZ Company is facing continuous losses. There is decline in sales and product market share. The products of the company became uncompetitive and there is persistent negative cash flow. The physical facilities are deteriorating and employees have low morale. At the board meeting, the board members decided that they should continue the organization and adopt such measures that the company functions properly. The board has decided to hire young executive Shayamli for improving the functions of the organization. What corporate strategy should Shayamli adopt for this company and what steps to be taken to implement the corporate strategy adopted by Shayamli?

Or

The CEO of a textile mill is convinced that his loss making company can be turned around. Suggest an action plan for a turnaround to the CEO.

ANSWER:

XYZ Company is facing continuous losses, decline in sales and product market share, persistent negative cash flow, uncompetitive products, declining market share, deterioration in physical facilities, low morale of employees. In such a scenario, Shayamli may choose **turnaround strategy** as this strategy attempts to reverse the process of decline and bring improvement in organizational health. This is also important as Board has decided to continue the company and adopt measures for its proper functioning.

ACTION PLAN FOR TURNAROUND

1. **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.
   - Once the problems are identified, the resources should be focused toward those areas essential to efficiently work on correcting and repairing any immediate issues.
2. **Stage Two –Analyze the situation and develop a strategic plan**
   - Before you make any major changes; determine the chances of the business's survival.
   - Identify appropriate strategies and develop a preliminary action plan.
   - For this one should look for the viable core businesses, adequate bridge financing and available organizational resources.
   - Analyze the strengths and weaknesses in the areas of competitive position.
   - Once major problems and opportunities are identified, develop a strategic plan with specific goals and detailed functional actions.

3. **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.
- The plan typically includes human resource, financial, marketing and operations actions to restructure debts, improve working capital, reduce costs, improve budgeting practices, prune product lines and accelerate high potential products.
- A positive operating cash flow must be established as quickly as possible and enough funds to implement the turnaround strategies must be raised.

4. **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. Prepare cash forecasts, analyze assets and debts, review profits and analyze other key financial functions to position the organization for rapid improvement
- During the turnaround, the "product mix" may be changed, requiring the organization to do some repositioning. Core products neglected over time may require immediate attention to remain competitive. Some facilities might be closed; the organization may even withdraw from certain markets to make organization leaner or target its products toward a different niche.
- Morale building is another important ingredient in the organization's competitive effectiveness. Reward and compensation systems that encourage dedication and creativity amongst employees to think about profits and return on investments.

5. Stage Five –Returning to normal

- In the final stage of turnaround strategy process, the organization should begin to show signs of profitability, returnon 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.

QUE 4 (SM/ RTP MAY 20)

Oregano is a large supermarket chain. It is considering the purchase of a number of farms that provides Organo with a significant amount of its fresh produce. Organo feels that by purchasing the farms, it will have greater control over its supply chain. Identify and explain the type of diversification opted by Organo?

ANSWER:

1. Organo is a large supermarket chain. The Diversification Opted by Organo is **backward integration** as by purchase of number of farms, it will have greater control over its supply chain.

2. Backward integration is a step towards creation of effective supply by entering business of input providers.

3. It is a Strategy employed to expand profits and gain greater control over production of a product whereby a company will purchase or build a business that will increase its own supply capability or lessen its cost of production.

QUE 5 (SM/RTP MAY 19)

With the global economic recession Soft Cloth Ltd. incurred significant losses in all its previous five financial years. Currently, they are into manufacturing of cloth made of cotton, silk, polyster, rayon, lycra and blends. Competition is also intense on account of cheap imports. The company is facing cash crunch and has not been able to pay the salaries to its employees in the current month.

Suggest a grand strategy that can be opted by Soft Cloth Ltd.

ANSWER:

1. Soft Cloth Ltd. is facing internal as well as external challenges. The external environment is in economic recession and the organization is facing cash crunch.

2. The company needs to work on **Retrenchment Strategy**. The retrenchment strategy is suitable in case of issues such as:

i. Persistent negative cash flow.
ii. Uncompetitive products or services
iii. Declining market share
iv. Deterioration in physical facilities
v. Overstaffing, high turnover of employees, and low morale
vi. Mismanagement

3. There are Different kind of retrenchment Strategies Like Turnaround Strategy , Divestment Strategy & Liquidation Strategy.

3. If the organization chooses to focus on ways and means to reverse the process of decline, it adopts at **turnaround strategy.**

4. If it cuts off the loss-making units, divisions, or SBUs, curtails its product line, or reduces the functions performed, it adopts a **divestment strategy**.

5. If none of these actions work, then it may choose to abandon the activities totally, resulting in a **liquidation strategy**.

QUE 6 (SM/PYP JAN 21/MTP MAY 22)

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.

ANSWER:

1. 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.

2. Retrenchment may be done either internally or externally.

3. 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.

A divestment strategy may be adopted due to various reasons:

a) The management no longer wishes to remain in business either partly or wholly due to continuous losses and unviability.

b) The management feels that business could be made viable by divesting some of the activities or liquidation of unprofitable activities.

c) A business that had been acquired proves to be a mismatch and cannot be integrated within the company.

d) Persistent negative cash flows from a particular business create financial problems for the whole company, creating the need for divestment of that business.

e) Severity of competition and the inability of a firm to cope with it may cause it to divest.

f) It is not possible for the business to do Technological upgradation that is required for the business to survive, a preferable option would be to divest.

g) A better alternative may be available for investment, causing a firm to divest a part of its unprofitable business.

QUE 7
(PYP DEC 21/ RTP NOV 20 / RTP MAY 23 /MTP MAY 18 S1/MTP NOV 18 S1/MTP MAY 19 S2 /MTP NOV 19 S1/ MTP MAY 20 S1)

Under what conditions would you recommend the use of Turnaround strategy in an organization? What could be a suitable work plan for this?

Or

"There are certain conditions or indicators which point out that a turnaround is needed if the company has to survive". Discuss.

Or

General public is discerning from buying air conditioning units based on the Health Ministry guidelines regarding emergence of a contagious viral pandemic. Consequently, Nebula Pvt. Ltd, a manufacturer of evaporation coils used in air conditioning units has faced significant loss in working capital due to sharp fall in demand. The company conducted financial assessment and developed a workable action plan based on short- and long-term financial needs. But for immediate needs, an emergency plan has been implemented. It includes selling scrap, asset liquidation and overheads cost reduction. Further, to avoid any such untoward event in future, they plan to diversify into newer business areas along with its core business.
Identify and explain the strategy opted by M/s. Nebula Pvt. Ltd.?

ABC Inc. a successful company in the healthcare industry, was facing a decline due to outdated technology and lack of innovation. The company was losing market share and struggling to retain customers. In an effort to reverse the trend, the management decided to implement a strategy. They hired new talent, invested in research and development, and streamlined their operations to increase efficiency. Through these efforts, ABC Inc. was able to introduce new products and services, reposition themselves in the market, and eventually regain their competitive edge. The company's revenue and profits increased, and they were once again on the path to success.

Discuss the strategy which has been implemented by the management of ABC Inc.

Or

Arena Ltd. manufactures computers that are of low in production cost, competitive price, and quality to their competitor's product. Profits and market share are declining day by day. Shreekanth, a senior executive realizes that drastic strategies have to be created for the survival of a company. After SWOT analysis by assessing the strengths and weaknesses, they come up with the conclusion that they cannot compete in the computers with the competitors. The management directs Shreekanth to act quick and develop a suitable strategic plan.

Discuss the strategy which can be opted by Shreekanth.

Or

Why a Turnaround Strategy is required for a business ?

ANSWER:

There are certain conditions or indicators which point out that a turnaround is needed if the company has to survive. These danger signals are:

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

ACTION PLAN FOR TURNAROUND

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- Morale building is another important ingredient in the organization's competitive effectiveness. Reward and compensation systems that encourage dedication and creativity amongst employees to think about profits and return on investments.

5. **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.

QUE 8
(PYP NOV 18/ PYP NOV 19/PYP DEC 21/RTP MAY 22 /RTP MAY 19 / MTP NOV 21 S2/MTP MAY 23 S1/ MTP MAY 24 S2)

Strategic alliances are formed if they provide an advantage to all the parties in the alliance. Do you agree? Explain in brief the advantages of a strategic alliance.

Or

GWA, a leading Japan based automobile company decided to make India a hub for the company's 250cc motor cycle to be manufactured in collaboration with the TPR Group, a leading Indian 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.

Or

Jeff Inc., a leading USA based Mobile company decides to make India a hub for the company's Android Mobile having largest storage memory to be manufactured in collaboration with the Desi Group, a leading Indian mobile manufacturer. The production is to be exported to the company's home market as well as to other European countries. What is this growth strategy called? Point out the most important advantages both the companies expect from such strategy/collaboration.

ADVANTAGES OF STRATEGIC ALLIANCE

Organizational

- Strategic alliance helps to learn necessary skills and obtain certain capabilities from strategic partners.
- Strategic partners may also help to enhance productive capacity, provide a distribution system, or extend supply chain.
- Strategic partners may provide a good or service that complements thereby creating a synergy. Having a strategic partner who is well-known and respected also helps add legitimacy and creditability to a new venture.

Economic

- There can be reduction in costs and risks by distributing them across the members of the alliance.
- Greater economies of scale can be obtained in an alliance, as production volume can increase, causing the costper unit to decline.
- Finally, partners can take advantage of co-specialization, creating additional value, such as when a leading computer manufacturerbundles its desktop with a leading monitor manufacturer’s monitor.

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 the pooling of resources and skills. This may also help with future business opportunities and the development of new products and technologies.
- Strategic alliances may also be used to get access to new technologies or to pursue joint research and development.

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 and position.

QUE 9 (PYP MAY 22/RTP NOV 19/RTP NOV 23)

ABC Steel industries find 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.

Or

What is stability strategy? What are the reasons to pursue stability strategy?

ANSWER:

1. ABC Steel Industries has opted to implement **Stability strategy.**

2. Stability strategy is to stabilise- it may be opted to safeguard its existing interests and strengths, to pursue well established and tested objectives, to continue in the chosen business path, to maintain operational efficiency on a sustained basis, to consolidate the commanding position already reached, and to optimise returns on the resources committed in the business.

3. A stability strategy is pursued by a firm when:
   - It continues to serve in the same or similar markets and deals in same or similar products and services.
   - This strategy is typical for those firms whose product have reached the maturity stage of product life cycle or those who have a sufficient market share but need to retain that. They have to remain updated and have to pace with the dynamic and volatile business world to preserve their market share.

4. Stability strategy should not be confused with 'do nothing' strategy. Small organizations may also follow stability strategy to consolidate their market position and prepare for the launch of growth strategies.

Major reasons for Stability strategy are:

i. A product has reached the maturity stage of the product life cycle.
ii. The staff feels comfortable with the status quo as it involves less changes and less risks.
iii. It is opted when the environment in which an organisation is operating is relatively stable.
iv. Where it is not advisable to expand as it may be perceived as threatening.
v. After rapid expansion, a firm might want to stabilize and consolidate itself.

QUE 10 (PYP NOV 22)

A company started its operation in 2015 with Product Alpha. In early 2021, with intent to have its better presence in the market, the company diversifies by acquiring a company with product Beta. After sometime, it was observed that product Beta is not faring well. Aggressive competition was therein market for the product. It was also revealed that though customers are not price sensitive, but product was not keeping pace with the fast-changing unique features as expected by its customers.

Company has tried one of the retrenchment strategies by putting efforts to improve its internal efficiency, but could not get desired results. In the situation, company is of a considered view to remain and grow in product alpha and to decouple with product Beta from its portfolio.

As a strategist, suggest the retrenchment strategy to be adopted by the company. Also delineate reasons why a company should adopt such strategy?

ANSWER:

1. As per the facts of the case, company had tried to improve its internal efficiency. In other words, had tried turnaround strategy but could not get the desired results. Company does not want to go for complete close down of business. Rather it wants to continue and grow in its original business i.e. product Alpha.

2. As a strategist, it is advisable that the company should adopt divestment strategy. In the given situation where the business of product Beta is not faring well and became unprofitable and unviable due to aggressive competition in the market, the best option for the company is to divest the product Beta which is lossmaking business.

3. 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.

A divestment strategy may be adopted due to various reasons:

a) The management no longer wishes to remain in business either partly or wholly due to continuous losses and unviability.

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d) Persistent negative cash flows from a particular business create financial problems for the whole company, creating the need for divestment of that business.

e) Severity of competition and the inability of a firm to cope with it may cause it to divest.

f) It is not possible for the business to do Technological upgradation that is required for the business to survive, a preferable option would be to divest.

g) A better alternative may be available for investment, causing a firm to divest a part of its unprofitable business.

QUE 11 (PYP MAY 18/MTP NOV 23 S2)

XYZ Ltd. is a multi-product company, suffering from continuous losses since last few years and has accumulated heavy losses which have eroded its net worth.

What strategic option is available to the management of this sick company? Advise with reasons.

ANSWER:

1. XYZ Ltd has huge accumulated losses that have eroded its net worth. XYZ Ltd may analyse its various products to take decisions on the viability of each.

2. The company needs to work on **Retrenchment Strategy**. The retrenchment strategy is suitable in case of issues such as:

i. Persistent negative cash flow.
ii. Uncompetitive products or services
iii. Declining market share
iv. Deterioration in physical facilities
v. Overstaffing, high turnover of employees, and low morale
vi. Mismanagement

3. Retrenchment becomes necessary for coping with hostile and adverse situations in the environment and when any other strategy is likely to be suicidal. The nature, extent and timing of retrenchment are matters to be carefully decided by management, depending upon each contingency.

4. There are Different kind of retrenchment Strategies Like Turnaround Strategy , Divestment Strategy & Liquidation Strategy.

5. If the organization chooses to focus on ways and means to reverse the process of decline, it adopts at **turnaround strategy.**

6. If it cuts off the loss-making units, divisions, or SBUs, curtails its product line, or reduces the functions performed, it adopts a **divestment strategy.**

7. If none of these actions work, then it may choose to abandon the activities totally, resulting in a **liquidation strategy.**

QUE 12 (PYP MAY 23)

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:

i. 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?
ii. In case, HLP is sold out to HPPL & HLP ceased to exist, what type of growth strategy will this Strategic deal be?
iii. What are the differences between the above two identified Growth strategies?

Answer:

1. 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.

2. 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.

3. 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.

4. Merger is considered to be a process when two or more organizations join 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.

5. 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 economic recession or during declining profit margins. In this process, one that is financially stronger and bigger establishes it power. The combined operations then run under the name of the powerful entity. A deal in case of an acquisition is often done in an unfriendly manner; it is more or less a forced association.

QUE 13 (RTP NOV 23/MTP NOV 22 S1)

Jynklo Ltd. is an established online children gaming company in Japan. They are performing good in the gaming industry. The management of Jynklo Ltd. has decided to expand its business. They decided to start a premium sports drink named JynX for athletes. Identify and explain the growth strategy adopted by Jynklo Ltd.?

ANSWER:

1. Currently Jynklo Ltd. is performing Good in the children gaming industry. But now its management has decided to expand their business by starting a premium sports drink named JynX for athletes. As there are no linkages in both products with respect to customer groups, customer functions, or the technologies being used, so Jynklo Ltd. have opted **Conglomerate diversification**.

2. Jynklo Ltd. diversifies in a business that is not related to their existing line of product and can be termed as conglomerate diversification.

3. In conglomerate diversification, the new businesses/ products are disjointed from the existing businesses/products in every way; it is an unrelated diversification.

4. In process/ technology/ function, there is no connection between the new products and the existing ones.

5. Conglomerate diversification has no common thread at all with the firm's present position.

QUE 14 (RTP NOV 18/ RTP NOV 22/MTP MAY 19 S2/ MTP NOV 21 S1/MTP MAY 22 S1/MTP NOV 22 S2/MTP NOV 23)

Aurobindo, the pharmaceutical company wants to grow its business. Draw Ansoff's Product Market Growth Matrix to advise them of the available options.

Or

Sky chemical industry intends to grow its business. Advise the company on the available options using Ansoff's product market growth matrix.

Or

How Ansoff's Product Market Growth Matrix is a useful tool for business organizations?

ANSWER:

1. The Ansoff's product market growth matrix (proposed by Igor Ansoff) is an useful tool that helps businesses decide their product and market growth strategy.

2. With the use of this matrix, a business can get a fair idea about how its growth depends upon its markets in new or existing products in both new and existing markets.

3. Based on the matrix, Aurobindo may segregate its different products. Being in pharmaceuticals, development of new products is result of extensive research and involves huge costs. There are also social dimensions that may influence the decision of the company.

4. The Ansoff's product market growth matrix is as follows:

	Existing Products	**New Products**
Existing Markets	Market Penetration	Product Development
New Markets	Market Development	Diversification

Ansoff's Product Market Growth Matrix

5. It can adopt Market penetration, product development, market development or diversification simultaneously for its different products.

a) **Market penetration** refers to a growth strategy where the business focuses on selling existing products into existing markets. It is achieved by making more sales to present customers without changing products in any major way.

b) **Market development** refers to a growth strategy where the business seeks to sell its existing products into new markets. It is a strategy for company growth by identifying and developing new markets for the existing products of the company.

c) **Product development** refers to a growth strategy where business aims to introduce new products into existing markets. It is a strategy for company growth by offering modified or new products to current markets.

d) **Diversification** refers to a growth strategy where a business markets new product in new markets. It is a strategy by starting up or acquiring businesses outside the company's current products and markets.

6. As market conditions change overtime, a company may shift product-market growth strategies. For example, when its present market is fully saturated a company may have no choice other than to pursue new market.

QUE 15 (RTP NOV 23)

ABC Corporation is a conglomerate with a diverse portfolio of businesses. One of its businesses is a well-established division in a mature and stable market. The division has maintained a high market share over the years but is experiencing slow growth due to market saturation. The management team is contemplating the best course of action for this division. How should ABC Corporation approach this division according to the BCG growth-share matrix, and what would be the rationale behind it?

ANSWER:

1. According to the BCG growth-share matrix, the division in a mature and stable market falls into the **"Cash Cows"** category. "Cash Cows" are low-growth, high market share businesses that generate cash with low costs.

2. The recommended approach for ABC Corporation would be to adopt the **"Hold"** strategy. This means the company should preserve the A market share of the division and continue generating cash with low costs.

3. Since the market is mature and growth opportunities are limited, the division's focus should be on maintaining profitability and using the generated cash to support other high-potential businesses within the conglomerate.

4. By holding onto the "Cash Cow" division, ABC can leverage its stability and cash flow to invest strategically in other areas of the business for future growth and innovation.

QUE 16 (RTP MAY 24)

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?

ANSWER:

1. In the BCG Growth-Share Matrix, divisions or business units are classified into four categories: Stars, Cash Cows, Question Marks, and Dogs.

2. These classifications are based on a combination of market share and market growth rate.

3. A "Star" in the BCG Matrix represents a business unit with a high market share in a high-growth market.

4. In the scenario, the newly established **software development unit** would be classified as a "Star." The software development unit is described as "newly established," suggesting that it is operating in a high-growth market.

5. Additionally, the potential for high market share can be inferred if the unit is strategically positioned to become a leader in the software development industry.

6. Stars typically require significant investment to fuel their growth, but they have the potential to become future Cash Cows as the market matures.

7. Therefore, the software development unit's high growth potential and the opportunity to capture a substantial market share align with the characteristics of a BCG Matrix "Star."

QUE 17 (RTP NOV 21)

Ajanta & Sons Limited are manufacturers of domestic household security alarms for high income group homeowners in India. The company is currently reviewing two strategic options.

Option 1: Selling the same alarms although with different coverings to smaller and low- income group households at a lower price.

Option 2: Development of new, more sophisticated alarms and a wide range of security services (guards and surveillance) for sale to industrial clients for higher prices.

The management team of Ajanta & Sons Limited are keen to analyse the two options using Ansoff's matrix.

ANSWER:

1. Selling the same alarms with different coverings to smaller and low-income group households at a lower price represents **Market Development** as the same products are being sold into a new market. Market development refers to a growth strategy where the business seeks to sell its existing products into new markets. It is a strategy for company growth by identifying and developing new markets for the existing products of the company.

1. While the development of new and more sophisticated alarms and a wide range of security services (guards and surveillance) for sale to industrial clients for higher prices is classified as **Diversification**, because it involves a new product, being sold in a new market. Diversification refers to a growth strategy where a business markets new products in new markets. It is a strategy by starting up or acquiring businesses outside the company's current products and markets.

QUE 18 (RTP NOV 19)

Pizza Galleria was India's first pizza delivery chain enjoying monopoly for several years. However, after 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 last four years the chain has suffered significant losses. The chain wishes to know whether they should go for turnaround strategy. List out components of action plan for turnaround strategy.

ANSWER:

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

i. Persistent negative cash flow from business.
ii. Uncompetitive products or services.
iii. Declining market share.
iv. Deterioration in physical facilities.
v. Over-staffing, high turnover of employees, and low morale.
vi. Mismanagement.

2. 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.

3. The chain may attempt to leverage the potential Indian market by engaging a new logistics partner.

4. It may bring innovation in food items, as well as quality and improvements in the overall dine-in and delivery experience.

5. During the turnaround, the "product mix" may be changed, requiring the organization to do some repositioning.

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

Stage One – Assessment of current problems:
Stage Two – Analyze the situation and develop a strategic plan:
Stage Three – Implementing an emergency action plan:
Stage Four – Restructuring the business:
Stage Five – Returning to normal:

QUE 19 (RTP NOV 18)

Vastralok Ltd., was started as a textile company to manufacture cloth. Currently, they are in the manufacturing of silk cloth. The top management desires to expand the business in the Cotton cloth manufacturing. To expand they decided to purchase more machines to manufacture cotton cloth.
Identify and explain the strategy opted by the top management of Vastralok Ltd.

ANSWER:

1. Vastralok Ltd. is currently manufacturing silk cloth and its top management has decided to expand its business by manufacturing cotton cloth. Both the products are similar in nature within the same industry. The strategic diversification that the top management of Vastralok Ltd. has opted is **concentric** in nature.

2. They were in business of manufacturing silk and now they will manufacture cotton as well. They will be able to use existing infrastructure and distribution channel.

3. Concentric diversification amounts to related diversification.

4. In concentric diversification, the new business is linked to the existing businesses through process, technology or marketing. The new product is a spin-off from the existing facilities and products/processes. This means that in concentric diversification too, there are benefits of synergy with the current operations.

QUE 20 (RTP NOV 21/MTP MAY 19 S1)

Leatherite Ltd., was started as a leather company to manufacture footwear. Currently, they are in the manufacturing of footwears for males and females. The top management desires to expand the business in the leather manufacturing goods. To expand they decided to purchase more machines to manufacture leather bags for males and females. Identify and explain the strategy opted by the top management of Leatherite Ltd.

ANSWER:

1. Leatherite Ltd. is currently manufacturing footwears for males and females and its top management has decided to expand its business by manufacturing leather bags for males and females. Both the products are similar in nature within the same industry. The strategic diversification that the top management of Leatherite Ltd. has opted is **concentric** in nature.

2. They were in business of manufacturing leather footwears and now they will manufacture leather bags as well. They will be able to use existing infrastructure and distribution channel.

3. Concentric diversification amounts to related diversification.

4. In concentric diversification, the new business is linked to the existing businesses through process, technology or marketing. The new product is a spin-off from the existing facilities and products/processes. This means that in concentric diversification too, there are benefits of synergy with the current operations.

QUE 21 (RTP MAY 22)

Racers Ltd. manufactures bicycles. Until recently it has adopted a differentiation strategy, offering high quality bicycles which Racers Ltd. sells at a high profit margin. In recent years, Racers Ltd. has entered a period of decline due to the market becoming flooded with cheaper, high-quality bicycles from abroad, where labour costs are lower. Racers Ltd. has therefore decided to adjust its strategy and adopt a focus approach, targeting its bicycles towards professional athletes. This will allow Racers Ltd. to continue earning high margins, though the size of its potential market will likely fall.

Identify and explain the need of adopting this strategy by Racers Ltd. to manage decline?

ANSWER:

1. Racers Ltd. has adopted **Turnaround strategy**. This involves Racers Ltd. Repositioning itself in the market in an attempt to once again gain competitive advantage.

2. Turnaround is needed when an enterprise's performance deteriorates to a point that it needs a radical change of direction in strategy, and possibly in structure and culture as well.

3. It is a highly - targeted effort to return an organization to profitability and increase positive cash flows to a sufficient level.

4. It is used when both threats and weaknesses adversely affect the health of an organization so much that its basic survival is difficult.

5. The overall goal of turnaround strategy is to transform an underperforming or distressed company to normalcy in terms of acceptable levels of profitability, solvency, liquidity and cash flow.

6. To achieve its objectives, turnaround strategy must reverse causes of distress, resolve the financial crisis, achieve a rapid improvement in financial performance, regain stakeholder support, and overcome internal constraints and unfavourable industry characteristics.

QUE 22 (RTP MAY 21)

Mini theatre Ltd. was a start-up venture of three young IIM graduates. They developed an application to watch web-based content like web series, TV Shows, theatre shows, etc. after purchasing their exclusive rights. They were successful in getting many consumers enrolled with them. After a certain span of time, the company realized that some regional content like 'Bangla movies', 'Gujarati shows' etc. were having high cost and less viewership. The leadership team of Mini theatre Ltd. decided to sell the rights and curtail any further content development in these areas.

Identify and explain the corporate strategy adopted by the leadership team of Mini theatre Ltd.

ANSWER:

1. The leadership team of Mini theatre Ltd. decided to cuts off the loss-making units like regional content like 'Bangla movies', 'Gujarati shows' etc. as they were having high cost and less viewership & The leadership team of Mini theatre Ltd. decided to sell the rights and curtail any further content development in these areas. Thus it adopts a **divestment strategy**.

2. Divestment strategy involves the sale or liquidation of a portion of business, or a major division, profit centre or SBU. Divestment is usually a part of rehabilitation or restructuring plan and is adopted when a turnaround has been attempted but has proved to be unsuccessful. The option of a turnaround may even be ignored if it is obvious that divestment is the only answer.

QUE 23 (MTP MAY 23)

ABC Ltd. intends to grow its business. Its top management argues that its 'Corporate Strategy' will ensure the growth of the firm. Do you agree with the top management's argument? Give reasons.

ANSWER:

1. Yes, agreeing with the top management's argument. Corporate strategy is basically the growth design of the firm; it spells out the growth objective- the direction, pace and timing of the firm's growth. It also spells out the strategy for achieving the Growth.

2. Corporate Strategies that can help Growth in Business are –
   a) **Market Penetration** – It Helps to Sell Existing products more in Existing Market
   b) **Market Development** – It helps Sell Existing products in New market
   c) **Product Development** – It Helps sell New products in Existing market
   d) **Concentric Diversification (vertically & Horizontally)** – It helps Diversify into Related Business
   e) **Conglomerate Diversification** - It helps Diversify into unRelated Business
   f) **Innovation** – It helps Upgradation of existing product lines & process in accordance with requirement of market
   g) **Mergers & Acquisitions** – It helps Business to Empower Themselves with Combined Synergy of Resources
   h) **Strategic Alliances** - It helps Business to Empower Themselves with Combined Synergy of Resources of alliance partners

QUE 24 (MTP MAY 22 S1)

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, FlyPens. Identify and explain the growth strategy opted by FlyBee?

ANSWER:

1. 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, FlyPens. FlyBee that is hitherto not into producing pens starts producing them and other similar products is following **concentric diversification** which is basically related diversification.

2. In Concentric diversification, the new business is linked to the existing businesses through existing systems such as processes, technology or marketing.

3. The new product is a spin-off from the existing facilities and products/processes. There are benefits of synergy with the current operations.

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

QUE 25

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 Rs.)	Percent Revenues	Profits (in Rs)	Percent profits	% Market share	% Industry Growth rate
A	6 crores	48	120 lakhs	48	80	+15
B	4 crores	32	50 lakhs	20	40	+10
C	2 crores	16	75 lakhs	30	60	-20
D	50 Lakhs	4	5 lakhs	2	6	-10
Total	**12.5 crores**	**100**	**250 lakhs**	**100**	**100**	

ANSWER:

1. Using the BCG approach, a company classifies its different businesses on a two-dimensional growth-share matrix. In this 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.

2. 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:

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

Product A (Star) is in best position as it has a high relative market share and a high industry growth rate.

Product B (Question Mark) has a low relative market share, yet competes in a high growth industry.

Product C (Cash Cow) 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 (Dog) is in the worst position as it has a low relative market share, and competes in an industry with negative growth rate.

QUE 26

In the context of Ansoff's Product-Market Growth Matrix, identify with reasons, the type of growth strategies followed in the following cases:

1. A leading producer of tooth paste, advises its customers to brush teeth twice a day to keep breath fresh.

2. A business giant in hotel industry decides to enter into dairy business.

3. One of India's premier utility vehicles manufacturing company ventures to foray into foreign markets.

4. A renowned auto manufacturing company launches ungeared scooters in the market.

ANSWER:

The Ansoff's product market growth matrix (proposed by Igor Ansoff) is an useful tool that helps businesses decide their product and market growth strategy. This matrix further helps to analyse different strategic directions.

According to Ansoff , The Strategies being Followed in Different cases are

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 product 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.

QUE 27 (RTP MAY 2018)

Swift Insurance is a company engaged in the business of providing medical insurance maintaining a market share of 25 to 30 per cent in last five years. Recently, the company decided to enter into the business of auto insurance by having foreign collaboration. Identify the strategy being followed by the Swift Insurance with its advantages.

ANSWER:

1. Overall Swift Insurance is following **growth or expansion strategy** as it is redefining the business and enlarging its scope. The step will also substantially increase investment in the business.

2. The new business is related and at the same time caters to a different segment and accordingly can be termed as related diversification. The new business falls within the scope of general insurance and horizontally related to the existing business.

In the process of expansion, the company will be able to exploit:

i. Its brand name.
ii. The marketing skills available.
iii. The existing sales and distribution infrastructure.
iv. Research and development.
v. Economies of scale

QUE 28

XYZ Co. was formed by the merger between a number of chemical companies. Since it aimed at expanding its presence in a large number of value-added specialty chemical operations; within a few years the company involved in activities like bulk chemicals, explosives, fertilizers, paints and commodity plastics. But expanding the scope of business to so many businesses; little it did for the bottom line.

On analyzing, the top management found that although many of the businesses were linked in some way to the chemical industry, but there were far fewer synergies among the operations that it had initially thought. The top management explored and concluded that there was little commonality between bulk chemicals and fertilizers, between plastics and paints, between explosives and advanced materials. In other words, the value created by the diversification was questionable. After reading this scenario, what do think has gone wrong in this case? How do you think this problem can be rectified?

ANSWER:

1. In the present scenario, the problem is related to **diversification strategy** to expand and mark its presence. Diversification can be either related or unrelated.

2. **Related diversification** is when the new business is linked to the existing businesses through process, technology or marketing. The new product is a spin-off from the existing facilities and products/processes. This means that in related diversification there are benefits of synergy with the current operations as the new product is only connected in a loop-like manner at one or more points in the firm's existing process/technology/ product chain.

3. Whereas, in **Unrelated diversification**, no such linkages exist; the new businesses/ products are disjointed from the existing businesses/products in every way. In process/technology/function, there is no connection between the new products and the existing ones. Conglomerate diversification has no common thread at all with the firm's present position.

4. In the present case, the company tried to diversify in products like bulk chemicals, explosives, fertilizers, paints and commodity plastics thinking that the diversification is linked in some way to the chemical industry. But when the bottom line did not improve with this diversification; the top management explored and found that there were far fewer synergies among the company's operations that it had initially thought. There was little commonality between bulk chemicals and fertilizers, between plastics and paints, between explosives and advanced materials which means that the company made a dire mistake in understanding whether the diversification was related or unrelated.

5. The probable solution for this would be breaking up the company into constituent parts; may be two or three and put the related businesses into the relevant SBUs and consider selling off the businesses that are totally unrelated or totally get into unrelated diversification and form a structure accordingly.

Descriptive Qs. (SM,PYP,RTP,MTP)

QUE 29 (PYP NOV 20/MTP NOV 19 S1/ MTP MAY 21 S2/ MTP NOV 21 S2)

Differentiate between divestment and liquidation strategy.

Or

Briefly describe the meaning of divestment and liquidation strategy and establish difference between the two.

ANSWER:

Divestment Strategy:	Liquidation Strategy:
Divestment strategy involves the sale or liquidation of a portion of business, or a major division, profit center or SBU.	It involves closing down a firm and selling its assets.
Divestment is usually a part of rehabilitation or restructuring plan and is adopted when a turnaround has been attempted but has proved to be unsuccessful. Option of a turnaround may even be ignored if it is obvious that divestment is the only answer.	Liquidation becomes only option in case of severe and critical conditions where either turnaround and divestment are not seen as solution or have been attempted but failed.
Efforts are made for the survival of organization.	Liquidation as a form of retrenchment strategy is considered as the most extreme and unattractive.
Survival of organization helps in retaining personnel, at least to some extent.	There is loss of employment
Divestment is to be viewed as an integral part of corporate strategy without any stigma attached.	Liquidation is attached with stigma of failure.

QUE 30 (PYP MAY 22/ /MTP MAY 24 S1)

What do you understand by diversification? Distinguish between concentric and conglomerate diversification.

ANSWER:

Diversification is defined as entry into new products or product lines, new services or new markets, involving substantially different skills, technology and knowledge. Diversification endeavours can be related or unrelated to existing businesses of the firm.

Following are the differences between the concentric diversification and conglomerate diversifications:

Points	Concentric Diversification	Conglomerate Diversification
Meaning:	It occurs when a firm adds related products or markets.	It occurs when a firm diversifies into areas that are unrelated to its current line of business.
Linkage:	The new business is linked to the existing businesses through process, technology or marketing.	Here no such linkages exist; the new business/product is disjointed from the existing businesses/products.
Reasons for pursuing:	The mostcommon reason for pursuing a concentric diversification is that opportunities in a firm's existing line of business are available.	The common reason for pursuing a conglomerate growth strategy is that opportunities in a firm's current line of business are limited or opportunities outside are highly lucrative.
Example	Dominos Selling garlic breads With Pizza.	A cement manufacturer diversifies into the manufacture of steel and rubber products.

QUE 31 (PYP NOV 23)

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.

ANSWER:

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

2. Growth/Expansion strategy is implemented by redefining the business by enlarging the scope of business and substantially increasing investment in the business. It is a strategy that can be equated with dynamism, vigour, promise and success.

3. It is often characterized by significant reformulation of goals and directions, major initiatives and moves involving investments, exploration and onslaught into new products, new technology and new markets, innovative decisions and action programme and so on.

MAJOR REASONS FOR GROWTH /EXPANSION STRATEGY

1. It may become imperative when environment demands increase in pace of activity.

2. Strategists may feel more satisfied with the prospects of growth from expansion; chief executives may take pride in presiding over organizations perceived to be growth-oriented.

3. Expansion may lead to greater control over the market vis-a-vis competitors.

4. Advantages from the experience curve and scale of operations may accrue.

5. Expansion also includes intensifying, diversifying, acquiring and merging businesses.

QUE 32 (PYP MAY 24)

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.

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:

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

2. **Increases Productivity:** Innovation leads to simplification and in most cases automation of existing tasks. Productivity is defined as a measure of final output from a task or a process, and 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 organisationas a whole.

3. **Gives Competitive Advantage:** Being ahead of competition is a need, and businesses spend majority of their strategic time building solutions to achieve this advantage. An interesting concept about innovation is - the faster a business innovates, the farther it goes from its competitor's 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 the existing customers but helps acquire new ones with ease.

QUE 33 (PYP MAY 24)

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

ANSWER:

1. 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.

2. 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.**

3. **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.

4. 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.

5. 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.

QUE 34 (RTP NOV 22/ MTP MAY 21 S1/MTP MAY 23 S2)

Distinguish between Market Development and Product Development under Ansoff's Product Market Growth Matrix.

ANSWER:

Basis	Market Development	Product Development
Meaning	It refers to a growth strategy where the business seeks to sell its existing products into new markets. It is a strategy for company growth by identifying and developing new markets for current company products.	It refers to a growth strategy where business aims to introduce new products into existing markets. It is a strategy for company growth by offering modified or new products to current markets.
Strategy Application	It may be achieved through new geographical markets, new product dimensions or packaging, new distribution channels or different pricing policies to attract different customers or create new market segments	It is for company's growth and requires the development of new competencies and the business to develop modified products which can appeal to existing markets
Example	*Gucci, a luxury clothing brand, selling its luxury clothing in Chinese markets, is market development.*	*Gucci, a luxury clothing brand, selling casual clothing in European markets, is product development.*

QUE 35 (RTP MAY 22)

Explain strategic implications of each of following types of business in a corporate portfolio.

a) Star
b) Question Mark
c) Cash Cow
d) Dogs

ANSWER:

In the BCG growth-share matrix portfolio of investments are represented in two- dimensional space. The vertical axis represents market growth rate, and the horizontal axis represents relative market share.

The strategic implications for various business types under BCG in the corporate portfolio are:

1. **Stars**

- Stars are products or SBUs that are growing rapidly.
- They also need heavy investment to maintain their position and finance their rapid growth potential.
- They represent best opportunities for expansion.

2. **Cash Cows**

- Cash Cows are low-growth, high market share businesses or products.
- They generate cash and have low costs.
- They are established, successful, and need less investment to maintain their market share.
- In long run when the growth rate slows down, stars become cash cows.

3. **Question Marks**

- Question Marks , sometimes called problem children or wildcats, are low market share business in high-growth markets.
- They require a lot of cash to hold their share. They need heavy investments with low potential to generate cash.
- Question marks if left unattended are capable of becoming cash traps.
- Since growth rate is high, increasing it should be relatively easier. It is for business organisations to turn them stars and then to cash cows when the growth rate reduces.

4. **Dogs**

- Dogs are low-growth, low-share businesses and products.
- They may generate enough cash to maintain themselves, but do not have much future.
- Sometimes they may need cash to survive.
- Dogs should be minimised by means of divestment or liquidation.

QUE 36 (RTP MAY 18/RTP NOV 18)

Explain the meaning of the Combination strategies.

ANSWER:

1. Combination Strategies refer to a mix of different strategies like stability; expansion, diversification or retrenchment to suit particular situations that an enterprise is facing.

2. For instance, a strategy of diversification/acquisition may call for retrenchment in some obsolete product lines.

QUE 37 (RTP NOV 20/RTP MAY 22)

Explain the role of ADL Matrix in assessing competitive position of a firm.

ANSWER:

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 rare and typically short-lived. There's little, if any, competition, usually a result of bringing a brand-new product to market or having built an extremely strong reputation in the market

2. **Strong** – Market share is strong and stable, regardless of what your competitors are doing.

3. **Favorable** – Your business line enjoys competitive advantages in certain segments of the market. However, there are many rivals of equal strength, and you have to work to maintain your advantage.

4. **Tenable** – Your position in the overall market is small, and market share is based on a niche, a strong geographic location, or some other product differentiation. Strong competitors are overtaking your market share by building their products and defining clear competitive advantages.

5. **Weak** – There's continual loss of market share, and your business line, as it exists, is too small to maintain profitability.

QUE 38 (RTP NOV 18/ RTP NOV 20)

What is Divestment strategy? When is it adopted?

ANSWER:

1. Divestment strategy involves the sale or liquidation of a portion of business, or a major division, profit centre or SBU.
2. Divestment is usually a part of rehabilitation or restructuring plan and is adopted when a turnaround has been attempted but has proved to be unsuccessful.
3. The option of a turnaround may even be ignored if it is obvious that divestment is the only answer.
4. **REASONS FOR DIVESTMENT STRATEGY**
   a) The management no longer wishes to remain in business either partly or wholly due to continuous losses and unviability.
   b) The management feels that business could be made viable by divesting some of the activities or liquidation of unprofitable activities.
   c) A business that had been acquired proves to be a mismatch and cannot be integrated within the company.
   d) Persistent negative cash flows from a particular business create financial problems for the whole company, creating the need for divestment of that business.
   e) Severity of competition and the inability of a firm to cope with it may cause it to divest.
   f) It is not possible for the business to do Technological upgradation that is required for the business to survive, a preferable option would be to divest.
   g) A better alternative may be available for investment, causing a firm to divest a part of its unprofitable business.

QUE 39 (RTP MAY 20/RTP NOV 22/MTP NOV 20 S1)

Write short note on expansion through acquisitions and mergers.

ANSWER:

1. Acquisition or merger with an existing concern is an instant means of achieving the expansion.
2. It is an attractive and tempting proposition in the sense that it circumvents the time, risks and skills involved in screening internal growth opportunities, seizing them and building up the necessary resource base required to materialize growth. Organizations consider merger and acquisition proposals in a systematic manner, so that the marriage will be mutually beneficial, a happy and lasting affair.
3. Apart from the urge to grow, acquisitions and mergers are resorted to for purposes of achieving a measure of synergy between the parent and the acquired enterprises. Synergy may result from such bases as physical facilities, technical and managerial skills, distribution channels, general administration, research and development and so on. Only positive synergistic effects are relevant in this connection which denotes that the positive effects of the merged resources are greater than the effects of the individual resources before merger or acquisition.
4. 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.
5. **Merger** is 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 and both the organizations share profits in the newly created entity. In a merger two organizations combine to increase their strength and financial gains along with breaking of the trade barriers.
6. When one organization takes over the other organization and controls all its business operations, it is known as **acquisition**. In acquisition, one financially strong organization overpowers the weaker one. Acquisitions often happen during recession in economy or during declining profit margins. In this process, the stronger one overpowers the weaker one. The combined operations then run under the name of the powerful entity. A deal in case of an acquisition is often done in an unfriendly manner, it is more or less a forced association where the powerful organization acquires the operations of the company that is in a weaker positionand is forced to sell its entity.

QUE 40 (RTP NOV 18)

Distinguish between the following:

Forward Integration and Backward Integration.

Answer:

1. Forward and backward integration form part of **Vertically Integrated Diversification.**

2. In **vertically integrated diversification**, firms opt to engage in businesses that are vertically related to the existing business of the firm. The firm remains vertically within the same process.

3. While diversifying, firms opt to engage in businesses that are linked forward or backward in the chain and enters specific product/process steps with the intention of making them into new businesses for the firm.

4. **Backward integration** is a step towards creation of effective supply by entering business of input providers. Strategy employed to expand profits and gain greater control over production of a product whereby a company will purchase or build a business that will increase its own supply capability or lower its cost of production.

5. On the other hand, **forward integration** is moving forward in the value chain and entering business lines that use existing products. Forward integration will also take place where organizations enter into businesses of distribution channels.

QUE 41 (RTP MAY 21/ RTP NOV 23/MTP MAY 21 S1)

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

ANSWER:

1. **Stability strategies**, as name suggests, 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.

2. On the other hand, **expansion strategy** is aggressive strategy as it involves redefining the business by adding the scope of business substantially, increasing efforts of the current business. In this sense, it becomes 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.

QUE 42 (RTP MAY 19/ RTP NOV 21)

Explain the term Merger and Acquisition as a growth strategy. Differentiate between both of them. State the situations in which such strategies are considered by any organization.

ANSWER:

1. Acquisition or merger with an existing concern is an instant means of achieving the expansion.
2. It is an attractive and tempting proposition in the sense that it circumvents the time, risks and skills involved in screening internal growth opportunities, seizing them and building up the necessary resource base required to materialize growth. Organizations consider merger and acquisition proposals in a systematic manner, so that the marriage will be mutually beneficial, a happy and lasting affair.
3. Apart from the urge to grow, acquisitions and mergers are resorted to for purposes of achieving a measure of synergy between the parent and the acquired enterprises. Synergy may result from such bases as physical facilities, technical and managerial skills, distribution channels, general administration, research and development and so on. Only positive synergistic effects are relevant in this connection which denotes that the positive effects of the merged resources are greater than the effects of the individual resources before merger or acquisition.
4. 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.
5. **Merger** is 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 and both the organizations share profits in the newly created entity. In a merger two organizations combine to increase their strength and financial gains along with breaking of the trade barriers.
6. When one organization takes over the other organization and controls all its business operations, it is known as **acquisition**. In acquisition, one financially strong organization overpowers the weaker one. Acquisitions often happen during recession in economy or during declining profit margins. In this process, the stronger one overpowers the weaker one. The combined operations then run under the name of the powerful entity. A deal in case of an acquisition is often done in an unfriendly manner, it is more or less a forced association where the powerful organization acquires the operations of the company that is in a weaker positionand is forced to sell its entity.

QUE 43 (RTP MAY 22/MTP NOV 22 S2)

Diversification endeavors can be categorized into four broad classifications. State the basis for this classification and name the four categories. How is concentric diversification different from Conglomerate Diversification? Explain.

ANSWER:

Diversification strategy involves expansion into new businesses that are outside the current business and markets of an organisation. Based on the nature and extent of their relationship to existing businesses, diversification can be classified into four broad categories:

i. Concentric Diversification (Vertically integrated)
ii. Concentric Diversification (Horizontally integrated)
iii. Conglomerate diversification
iv. Innovation

Following are the differences between the concentric diversification and conglomerate diversifications:

Points	Concentric Diversification	Conglomerate Diversification
Meaning:	It occurs when a firm adds related products or markets.	It occurs when a firm diversifies into areas that are unrelated to its current line of business.
Linkage:	The new business is linked to the existing businesses through process, technology or marketing.	Here no such linkages exist; the new business/product is disjointed from the existing businesses/products.
Reasons for pursuing:	The mostcommon reason for pursuing a concentric diversification is that opportunities in a firm's existing line of business are available.	The common reason for pursuing a conglomerate growth strategy is that opportunities in a firm's current line of business are limited or opportunities outside are highly lucrative.
Example	Dominos Selling garlic breads With Pizza.	A cement manufacturer diversifies into the manufacture of steel and rubber products.

QUE 44 (RTP MAY 23/MTP NOV 23 S1)

Redefinition of business is involved in both "Expansion" and "Retrenchment" strategy, however, method involved in their execution is completely different. Explain.

or

Distinguish between the following:
Expansion Strategy and Retrenchment Strategy.

ANSWER:

1. Expansion strategy is implemented by redefining the business by adding the scope of business substantially increasing the efforts of the current business. On the other hand, Retrenchment strategy involves redefinition of business by divesting a major product line or market.

2. Expansion is a promising and popular strategy that tends to be equated with dynamism, vigour, promise and success. Retrenchment or retreat becomes necessary or expedient for coping with particularly hostile and adverse situations in the environment and when any other strategy is likely to be suicidal.

3. Expansion may take the enterprise along relatively unknown and risky paths, full of promises and pitfalls. Retrenchment involves regrouping and recouping of the resources.

4. Expansion can be Done by Adopting Intensification strategies , Diversification Strategies , mergers & Acquisition Strategies & By Strategic Alliance. Retrenchment can be done by adopting Turnaround , Divestment & Liquidation Strategy.

QUE 45

What strategic alternative should be followed during recession?

ANSWER:

1. **Stability strategy** is an advisable option for the organizations facing recession.

2. During recession businesses face reduced demand for their products even at low prices. Funds become scarce, expenditure on expansion is stopped, profits decline and businesses try to minimize the costs

3. They work hard to maintain the existing market share, so that company survives the recessionary period.

QUE 46

Distinguish between the following:

Vertically Integrated Diversification and Horizontally Integrated Diversification. .

ANSWER:

1. In **vertically integrated diversification,** firms opt to engage in businesses that are related to the existing business of the firm. The firm remains vertically within the same process. Sequence moves forward or backward in the chain and enters specific product/process steps with the intention of making them into new businesses for the firm.

2. On the other hand, **horizontal Integrated Diversification** is the acquisition of one or more similar business operating at the same stage of the production-marketing chain that is going into complementary products, by-products or taking over competitors' businesses

3. A large supermarket chain considers to purchase a number of farms that would provide it a significant amount of fresh produce is a example of **Vertical Integrated Diversification.**

4. a notebook manufacturer starts to manufacture pencils and when they enter pencil manufacturing is a example of **horizontal Integrated Diversification**

QUE 47

Describe the construction of BCG matrix and discuss its utility in strategic management.

ANSWER:

1. Companies that are large enough to be organized into strategic business units face the challenge of allocating resources among those units. In the early 1970's the Boston Consulting Group developed a model for managing portfolio of different business units or major product lines.

2. The BCG growth-share matrix facilitates portfolio analysis of a company having invested in diverse businesses with varying scope of profits and growth. The BCG matrix can be used to determine what priorities should be given in the product portfolio of a business unit.

3. Using the BCG approach, a company classifies its different businesses on a two-dimensional growth share matrix. Two dimensions are market share and market growth rate.
   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's strength in the market.

4. Different types of business represented by either products or SBUs can be classified for portfolio analyses through BCG matrix.
   They have been depicted by meaningful metaphors, namely:
   a) **Stars** are products or SBUs that are growing rapidly. They also need heavy investment to maintain their position and finance their rapid growth potential. They represent best opportunities for expansion.

   b) **Cash Cows** are low-growth, high market share businesses or products. They generate cash and have low costs. They are established, successful, and need less investment to maintain their market share. In long run when the growth rate slows down, stars become cash cows.

   c) **Question Marks** sometimes called problem children or wildcats, are low market share business in highgrowth markets. They require a lot of cash to hold their share. They need heavy investments with low potential to generate cash. Question marks if left unattended are capable of becoming cash traps. Since growth rate is high, increasing it should be relatively easier. It is for business organizations to turn them stars and then to cash cows when the growth rate reduces.

   d) **Dogs** are low-growth, low-share businesses and products. They may generate enough cash to maintain themselves, but do not have much future. Sometimes they may need cash to survive. Dogs should be minimized by means of divestment or liquidation.

5. **The BCG matrix is useful for classification of products, SBUs, or businesses, and for selecting appropriate strategies for each type as follows.**
   a) Build with the aim for long-term growth and strong future.
   b) Hold or preserve the existing market share.
   c) Harvest or maximize short-term cash flows.
   d) Divest, sell or liquidate and ensure better utilization of resources elsewhere.

6. Thus, BCG matrix is a powerful tool for strategic planning analysis and choice.

QUE 48

What strategic option is available to the management of a sick company dealing in an electric home appliance? Give reasons for your answer.

ANSWER:

1. A sick company has huge accumulated losses that have eroded its net worth. The electric home appliance company may analyse its various products to take decisions on the viability of each.

2. The company needs to work on **Retrenchment Strategy**. The retrenchment strategy is suitable in case of issues such as:

i. Persistent negative cash flow.
ii. Uncompetitive products or services
iii. Declining market share
iv. Deterioration in physical facilities
v. Overstaffing, high turnover of employees, and low morale
vi. Mismanagement

3. Retrenchment becomes necessary for coping with hostile and adverse situations in the environment and when any other strategy is likely to be suicidal. The nature, extent and timing of retrenchment are matters to be carefully decided by management, depending upon each contingency.

4. There are Different kind of retrenchment Strategies Like Turnaround Strategy , Divestment Strategy & Liquidation Strategy.

5. If the organization chooses to focus on ways and means to reverse the process of decline, it adopts at **turnaround strategy.**

6. If it cuts off the loss-making units, divisions, or SBUs, curtails its product line, or reduces the functions performed, it adopts a **divestment strategy.**

7. If none of these actions work, then it may choose to abandon the activities totally, resulting in a **liquidation strategy.**

QUE 49

What are mergers & Acquisitions? Discuss with example of two companies resorting to this strategy?

ANSWER:

1. Acquisition or merger with an existing concern is an instant means of achieving the expansion.
2. It is an attractive and tempting proposition in the sense that it circumvents the time, risks and skills involved in screening internal growth opportunities, seizing them and building up the necessary resource base required to materialize growth. Organizations consider merger and acquisition proposals in a systematic manner, so that the marriage will be mutually beneficial, a happy and lasting affair.
3. Apart from the urge to grow, acquisitions and mergers are resorted to for purposes of achieving a measure of synergy between the parent and the acquired enterprises. Synergy may result from such bases as physical facilities, technical and managerial skills, distribution channels, general administration, research and development and so on. Only positive synergistic effects are relevant in this connection which denotes that the positive effects of the merged resources are greater than the effects of the individual resources before merger or acquisition.
4. 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.
5. **Merger** is 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 and both the organizations share profits in the newly created entity. In a merger two organizations combine to increase their strength and financial gains along with breaking of the trade barriers.
6. When one organization takes over the other organization and controls all its business operations, it is known as **acquisition**. In acquisition, one financially strong organization overpowers the weaker one. Acquisitions often happen during recession in economy or during declining profit margins. In this process, the stronger one overpowers the weaker one. The combined operations then run under the name of the powerful entity. A deal in case of an acquisition is often done in an unfriendly manner, it is more or less a forced association where the powerful organization acquires the operations of the company that is in a weaker positionand is forced to sell its entity.

Some of the recent / popular instances of Merger & acquisition are listed below:

- Zomato Acquiring Ubereats
- Tata’s acquisition of British Jaguar Land Rover
- Vodafone Merging With Idea to Form VI

QUE 50 (PYP NOV 18)

There is no such thing as backward integration. Comment

Incorrect:

Organisations may diversify into new businesses that are vertically integrated with their existing business. Backward integration firms create effective supply by entering business of input providers. This strategy is employed to expand profits and gain greater control over production.

QUE 51 (PYP NOV 18)

Acquiring of ambulance services by a hospital is an example of forward integration strategy. Comment

Incorrect:

Acquiring of ambulance services by a hospital is an example of backward integration strategy. Backward integration is a step towards creation of effective supply by entering business of input providers. Forward integration is moving forward in the value chain.

QUE 52 (RTP NOV 18)

Stability strategy is not a 'do-nothing' strategy. Comment

Correct:

Stability strategies are implemented by approaches wherein few functional changes are made in the products or markets. It is not a 'do nothing' strategy. It involves keeping track of new developments to ensure that the strategy continues to make sense. This strategy is typical for mature business organizations. Some small organizations will also frequently use stability as a strategic focus to maintain comfortable market or profit position.

QUE 53 (RTP MAY 18)

Turnaround should succeed liquidation strategy. Comment

Incorrect:

A retrenchment strategy considered the most extreme and unattractive is liquidation strategy, which 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 employees, termination of opportunities a firm could pursue, and the stigma of failure. In an ideal scenario, turnaround should be attempted first and should precede option of liquidation.

QUE 54 (MTP NOV 18 S2)

"B" in BCG Matrix stands for balance. Comment

Incorrect:

The acronym BCG stands for Boston Consulting Group, an organization that developed a matrix to portray an organizational corporate portfolio of investment. This matrix depicts growth of business and the business share enjoyed by an organization. The matrix is also known for its cow and dog metaphors and is popularly used for resource allocation in a diversified company.

QUE 55

Growth share matrix is popularly used for resource allocation. Comment

Correct:

Growth share matrix also known for its cow and dog metaphors is popularly used for resource allocation in a diversified company. Primarily it categorizes organizations/products on the basis two factors consisting of the growth opportunities and the market share enjoyed.

QUE 56

Divesting a major product line or market is termed as retrenchment strategy. Comment

Correct:

An organization can redefine its business by divesting a major product line or market. The divesting can be termed as retrenchment strategy. The enterprise may withdraw from marginal markets, withdraw some brands or sizes of products. It may also withdraw some of slow-moving products. In an extreme manner it may seek retirement either from the production or the marketing activity.

QUE 57

Acquisition is a type of growth strategy. Comment

<u>Correct:</u>
An acquisition is a type of growth strategy through which one firm buys a controlling or complete interest in another firm. Acquisition of an existing concern is an instant means of achieving growth through expansion and/or diversification. Ideally, acquisition strategy should be used when the acquiring firm is able to enhance its economic value through ownership and the use of the assets that are acquired.

QUE 58

Diversification only involves entering in new businesses that are related to the existing business of an organization. Comment

Incorrect:

Although, organizations can diversify into businesses that are vertically or horizontally related to the existing businesses, the diversification is not limited to the related businesses. In conglomerate diversification; the new businesses/ products are disjointed from the existing businesses/products in every way. There is no connection between the new products and the existing ones in process, technology or function.

QUE 59

Vertical diversification integrates firms forward or backward in the product chain. Comment

Correct:

In vertically integrated diversification, firms opt to engage in businesses that are related to the existing business of the firm. It moves forward or backward in the chain and enters specific product with the intention of making them part of new businesses for the firm.

QUE 60

Concentric diversification amounts to unrelated diversification. Comment

Incorrect:

Concentric diversification amounts to related diversification. Concentric diversification takes place when the products or services added are in different industry but are similar to the existing product or service line with respect to technology or production or marketing channels or customers

QUE 61

Liquidation is the last resort option for a business. Comment

Correct:
Liquidation as a form of retrenchment strategy is considered as the most extreme and unattractive. 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 employees, termination of opportunities a firm could pursue, and the stigma of failure. The company management, government, banks and financial institutions, trade unions, suppliers, creditors, and other agencies are extremely reluctant to take a decision, or ask for liquidation.