

SECTION – B: STRATEGIC MANAGEMENT**Multiple Choice Questions**

1. O-Farm, an organic farm products brand has been operating in India since 2014. It has had a decent history of business with revenue of ₹ 50 crores in the previous year and a Compound Annual Growth Rate (CAGR) of 11% year on year.

While the company operated on “Kisaan Kalyan” i.e., farmer friendly agenda since its inception, the rough times ahead seem to call for changes. The recent amendments in Agriculture laws, though indirectly related to organic farming, have posed immense threat to how the business operates. The leaders have been proactive in shifting gears and budgeted funds for shifting focus to “Upphokta Sewa”, i.e., customer orientation.

To create newer demands and position themselves against the local farming practice changes, they reached out to West Asian and African Nations for their farm inputs, just like many other small traders from their segment. Accordingly, they ordered dry fruits from Afghanistan, whole wheat from Nigeria, and citrus fruits from Turkey. This has helped them get raw inputs at cheaper than usual rates and even better contractual terms, thus, reducing input costs and thereby, passing on the surplus margins to customers.

Further, the marketing team roped in big cricket stars and many social media influencers to aware customers about the brand’s customer orientation and product benefits. But, as the focus was on minimal spending, the team smartly locked in affiliate marketing terms with the influencers and even celebrities, instead of upfront promotion fee. This also helped in saving a lot of cost initially.

With the changing environment in the Indian subcontinent around agriculture production, the team is confident with its strategic positioning. The sales have been just at the break-even bars for now, and the projected CAGR is 19% year on year, taking the sales volume to 10X in the next 4 years.

Farming has been a respected profitable business with big players as huge as oil companies. Nonetheless, it is complex, as it involves a lot of stakeholders, especially as it still remains a labour intensive industry.

Based on the above Case Scenario, answer the Multiple Choice Questions.

- (i) O-Farm’s new strategy implementation as a result of amendment of Agriculture laws by the government, resonates with which of the following statements?
- (a) Organisational operations are highly influenced by ripple effect of environmental changes.
 - (b) Organisational structure is highly influenced by ripple effect of environmental changes.

- (c) Organisational operations are not affected by the ripple effect of environmental changes.
 - (d) Organisational structure can influence the environmental changes.
- (ii) The shift of O-Farm from “Kisaan Kalyan” to “Upbhokta Sewa” is a change in?
- (a) Mission
 - (b) Vision
 - (c) Promotion
 - (d) Product
- (iii) Which of the following was the first and major advantage for O-Farm that helped them achieve Cost Leadership in the market?
- (a) Economies of Scale was achieved very early on
 - (b) Prompt forecast of product’s demand
 - (c) Becoming customer oriented
 - (d) Well negotiated purchase contracts
- (iv) O-Farm’s marketing strategy is an example of which of the following marketing strategies?
- (a) Person Marketing
 - (b) Augmented Marketing
 - (c) Enlightened Marketing
 - (d) Synchro Marketing
- (v) The brand has achieved cost leadership through multiple strategies, but it would be a constant challenge to sustain this leadership because of which of the following reasons?
- (a) Competitors would imitate its modus operandi.
 - (b) Marketing cost will be huge as volumes increase given its choice of marketing strategy.
 - (c) Change in Agriculture Laws shall disrupt its supply chain time and gain.
 - (d) Sales volume will have to outperform its own targets and even that of competitors.

2. *Drishti Care* is a not-for profit eye hospital and research centre. Which one of the following statements is likely to relate to *Drishti Care's* vision, rather than its mission statement?
- (a) *Drishti Care* places patient care before all else.
 - (b) *Drishti Care* will be the global leader in cutting edge eye surgery.
 - (c) *Drishti Care* offers the highest level of patient care throughout country.
 - (d) *Drishti Care* consultants strive to continually improve surgical techniques.
3. ABC is a marketing consultancy business. ABC's most recent corporate analysis has identified that three new businesses have recently entered its market and started aggressively targeting ABC's key client. As part of ABC's corporate analysis, these three new businesses would be a
- (a) Strength
 - (b) Opportunity
 - (c) Weakness
 - (d) Threat
4. *Trekking Poles* is a small company based in the Himalayan ranges in India. It is known in the region for its hill walking sticks. *Trekking Poles* sell specialist walking equipment in their small shop at the foot of the mountains. They do not have a website yet are able to sell their products at premium prices. Which of the following one of Porter's generic strategies best fits *Trekking Poles*?
- (a) Cost leadership
 - (b) Differentiation
 - (c) Focused cost leadership
 - (d) Focused differentiation
5. A Ltd. has recently decided to install a new IT system to improve the efficiency of its payroll function. A Ltd. believes this will reduce the cost of running the payroll system by 20%. Which one of the following levels of strategy is the above IT system most closely linked to?
- (a) Corporate level
 - (b) Functional level
 - (c) Business level
 - (d) Strategic level

6. An organisation during its strategy planning envisaged entire scenarios and created a strategy framework. But in mean time after implementation, it realised that its framework is not effective in certain unique scenarios. What is the reason for the same?
- (a) Strategy is "partly proactive and Partly reactive"
 - (b) Lack of analysis and proper planning.
 - (c) Strategy is highly reactive and highly proactive.
 - (d) Improper creation of strategic framework

Descriptive Questions

Chapter 1-Introduction to Strategic Management

7. Mr. Mehta sharing with his friend in an informal discussion that he has to move very cautiously in his organization as the decisions taken by him has organisation wide impact and involves large commitments of resources. He also said that his decisions decide the future of his organisation. Where will you place Mr. Mehta in the organizational hierarchy and explain his role in the organization.
8. Define strategic management. Also discuss the limitations of strategic management.

Chapter 2-Dynamics of Competitive Strategy

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

10. Core competencies provide edge to a business over its competitors.

Chapter 3-Strategic Management Process

11. How strategic decisions differ in nature from other routine decisions taken in day-to-day working of an organization? Explain.
12. Explain the principal aspects of strategy-execution process.

Chapter 4-Corporate Level Strategies

13. *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.*

14. 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.

Chapter 5-Business Level Strategies

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

16. Explain in brief the various basis of differentiation strategy.

Chapter 6-Functional Level Strategies

17. State the factors of human resource that influence employee's competence.
18. Write short note on Publicity and Sales Promotion.

Chapter 7-Organisation and Strategic Leadership

19. *Bunch Pvt Ltd* is dealing in multiproduct like electronics and FMCG and are having outlets in different cities and markets across India. Due to scale of operation, it is having technical difficulty in dealing with distinct product line and markets especially in coordination and control related problems. Identify and suggest an ideal organizational structure for *Bunch Pvt Ltd* in resolving the problem?

20. How can you differentiate between transformational and transactional leaders?

Chapter 8-Strategy Implementation and Control

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

22. What is implementation control? Discuss its basic forms.

SUGGESTED ANSWERS

1. (i) (a) (ii) (b) (iii) (d) (iv) (c) (v) (b)
2. (b)
3. (d)
4. (d)
5. (b)
6. (a)
7. Mr. Mehta works in an organization at top level. He participates in strategic decision making within the organization. The role of corporate-level managers is to oversee the development of strategies for the whole organization. This role includes defining the mission and goals of the organization, determining what businesses it should be in, allocating resources among the different businesses, formulating and implementing strategies that span individual businesses, and providing leadership for the organization.
8. The term '**strategic management**' refers to the managerial process of developing a strategic vision, setting objectives, crafting a strategy, implementing and evaluating the strategy, and initiating corrective adjustments where deemed appropriate.

The presence of strategic management cannot counter all hindrances and always achieve success as there are limitations attached to strategic management. These can be explained in the following lines:

- ◆ **Environment is highly complex and turbulent.** It is difficult to understand the complex environment and exactly pinpoint how it will shape-up in future. The organisational estimate about its future shape may awfully go wrong and jeopardise all strategic plans. The environment affects as the organisation has to deal with suppliers, customers, governments and other external factors.
- ◆ **Strategic management is a time-consuming process.** Organisations spend a lot of time in preparing, communicating the strategies that may impede daily operations and negatively impact the routine business.
- ◆ **Strategic management is a costly process.** Strategic management adds a lot of expenses to an organization. Expert strategic planners need to be engaged, efforts are made for analysis of external and internal environments devise strategies and properly implement. These can be really costly for organisations with limited resources particularly when small and medium organisation create strategies to compete.
- ◆ **Competition is unpredictable.** In a competitive scenario, where all organisations are trying to move strategically, it is difficult to clearly estimate the competitive

responses to the strategies.

9. 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.

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.

10. A core competence is a unique strength of an organization which may not be shared by others. Core competencies are those capabilities that are critical to a business achieving competitive advantage. In order to qualify as a core competence, the competency should differentiate the business from any other similar businesses. An organization's combination of technological and managerial know-how, wisdom and experience are a complex set of capabilities and resources that can lead to a competitive advantage compared to a competitor.

According to C.K. Prahalad and Gary Hamel, major core competencies are identified in following three areas:

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

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

11. Strategic decisions are different in nature than all other decisions which are taken at various levels of the organization during day-to-day working of the organizations. The major dimensions of strategic decisions are given below:
 - ◆ Strategic issues require top management decisions.
 - ◆ Strategic issues involve the allocation of large amounts of company resources.
 - ◆ Strategic issues are likely to have a significant impact on the long term prosperity of the organisation.
 - ◆ Strategic issues are future oriented.
 - ◆ Strategic issues usually have major multifunctional or multi-business consequences.
 - ◆ Strategic issues necessitate consideration of factors in the organisation's external environment.
12. In most situations, strategy-execution process includes the following principal aspects:
 - ◆ Developing budgets that steer ample resources into those activities critical to strategic success.
 - ◆ Staffing the organisation with the needed skills and expertise, consciously building and strengthening strategy-supportive competencies and competitive capabilities, and organizing the work effort.
 - ◆ Ensuring that policies and operating procedures facilitate rather than impede effective execution.
 - ◆ Using the best-known practices to perform core business activities and pushing for continuous improvement.
 - ◆ Installing information and operating systems that enable company personnel to better carry out their strategic roles day in and day out.
 - ◆ Motivating people to pursue the target objectives energetically.
 - ◆ Creating a company culture and work climate conducive to successful strategy implementation and execution.
 - ◆ Exerting the internal leadership needed to drive implementation forward and keep improving strategy execution. When the organisation encounters stumbling blocks or weaknesses, management has to see that they are addressed and rectified quickly.

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

13. *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. 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. Concentric diversification amounts to related diversification.

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

14. Acquisition or merger with an existing concern is an instant means of achieving expansion. 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 materialise growth.

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.

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

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

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 its 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.

15. Yes, *Easy Access* and its rivals get advantage by this move. The new bureaucratic process is making it more complicated for organizations to start up and enter in *Easy Access* market, increasing barriers to entry and thereby reducing the threat of new entrants. New entrants can reduce an industry's profitability, because they add new production capacity, leading to increase in supply of the product, sometimes even at a lower price and can substantially erode existing firm's market share position. However, New entrants are always a powerful source of competition. The new capacity and product range they bring in throws up a new competitive pressure. The bigger the new entrant, the more severe the competitive effect. New entrants also place a limit on prices and affect the profitability of existing players, which is known as Price War.
16. There are several basis of differentiation, major being: Product, Pricing and Organization.
Product: Innovative products that meet customer needs can be an area where a company has an advantage over competitors. However, the pursuit of a new product offering can be costly – research and development, as well as production and marketing costs can all add to the cost of production and distribution. The payoff, however, can be great as customer's flock to be among the first to have the new product.
Pricing: It fluctuates based on its supply and demand and may also be influenced by the customer's ideal value for a product. Companies that differentiate based on product price can either determine to offer the lowest price or can attempt to establish superiority through higher prices.
Organisation: Organisational differentiation is yet another form of differentiation. Maximizing the power of a brand or using the specific advantages that an organization possesses can be instrumental to a company's success. Location advantage, name recognition and customer loyalty can all provide additional ways for a company differentiate itself from the competition.
17. Human resource management has been accepted as a strategic partner in the formulation of organization's strategies and in the implementation of such strategies through human resource planning, employment, training, appraisal and reward systems. The following points should be kept in mind as they can have a strong influence on employee competence:
 - i. **Recruitment and selection:** The workforce will be more competent if a firm can successfully identify, attract, and select highly competent applicants.
 - ii. **Training:** The workforce will be more competent if employees are well trained to perform their jobs properly.
 - iii. **Appraisal of performance:** The performance appraisal is to identify any performance deficiencies experienced by employees due to lack of competence.

Such deficiencies, once identified, can often be solved through counselling, coaching or training.

- iv. **Compensation:** A firm can usually increase the competency of its workforce by offering pay, benefits and rewards that are not only attractive than those of their competitors but also recognizes merit.

18. Publicity and Sales promotion are adopted by organizations when they are undertaking promotion in the overall marketing mix.

Publicity is a non-personal form of promotion similar to advertising. However, no payments are made to the media as in case of advertising. Organizations skillfully seek to promote themselves and their product without payment. Publicity is communication of a product, brand or business by placing information about it in the media without paying for the time or media space directly.

Thus, it is way of reaching customers with negligible cost. Basic tools for publicity are press releases, press conferences, reports, stories, and internet releases. These releases must be of interest to the public.

Sales promotion is an omnibus term that includes all activities that are undertaken to promote the business but are not specifically included under personal selling, advertising or publicity. Activities like discounts, contests, money refunds, installments, kiosks, exhibitions and fairs constitute sales promotion. All these are meant to give a boost to the sales. Sales promotion done periodically may help in getting a larger market share to an organization.

19. To deal with the problems facing by the *Bunch Pvt Ltd.*, we suggest *Multi divisional structure* for the organisation. Multidivisional (M-form) structure is composed of operating divisions where each division represents a separate business to which the top corporate officer delegates responsibility for day-to-day operations and business unit strategy to division managers. By such delegation, the corporate office is responsible for formulating and implementing overall corporate strategy and manages divisions through strategic and financial controls.

Multidivisional or M-form structure was developed in the 1920s, in response to coordination- and control-related problems in large firms. Functional departments often had difficulty dealing with distinct product lines and markets, especially in coordinating conflicting priorities among the products. Costs were not allocated to individual products, so it was not possible to assess an individual product's profit contribution. Loss of control meant that optimal allocation of firm resources between products was difficult (if not impossible). Top managers became over-involved in solving short-run problems (such as coordination, communications, conflict resolution) and neglected long-term strategic issues.

20. Difference between transformational and transactional leadership

1. Transformational leadership style uses charisma and enthusiasm to inspire people to exert them for the good of organization. Transactional leadership style uses the authority of its office to exchange rewards such as pay, status symbols etc.
2. Transformational leadership style may be appropriate in turbulent environment, in industries at the very start or end of their cycles, poorly performing organisations, when there is a need to inspire a company to embrace major changes. Transactional leadership style can be appropriate in static environment, in growing or mature industries and in organisations that are performing well.
3. Transformational leaders inspire employees by offering excitement, vision, intellectual stimulation and personal satisfaction. Transactional leaders prefer a more formalized approach to motivation, setting clear goals with explicit rewards or penalties for achievement and non-achievement. Transactional leaders focus mainly to build on existing culture and enhance current practices.

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

Three steps for initiating strategic change are:

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

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

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

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