

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

1. In July 2014, Fresh Air Hospitality and Resorts launched a major project called 'Fit in Future' after being in losses for three consecutive years. According to analysis by senior management many customers were not returning and repeat sales of rooms were low. The costs were also high with a lot of wastage in kitchen. If the losses were allowed to continue the survival of the organisation was doubtful.

'Fit in Future' project was organisation-wide, employee driven initiative that focused in reversing the trend and find ways to find out how the organisation can survive. Focus was to provide high-quality services while finding new ways of delivery to improve customer satisfaction and reduce costs. The idea was to create a conducive organisational culture and work climate. At the time, Shailja Mehta joined the organisation as the new Resident Manager. She brought with her considerable experience in improving the quality of services in restaurants, banquet sale and room reservations. She immediately set about spending two months talking to staff on the front line followed by a series of meetings, where discussions were held about bringing a guest-first approach. Some of the staff members expressed frustration that their suggestions on improving services were often not heard making them demotivated. The new manager noted their concerns. Over time, she offered enthusiasm and inspired staff to exert them for the good of the organization.

As an outcome of the project, it was decided that both in internal as well as external interactions, customers will be called guests and treated accordingly. There was general agreement that reducing wastages and improving the quality of services shall be chief priority from top to bottom. It was decided that the team leaders shall always work together with front-line staff for speedy decisions. Focussed training programmes were organised to train the front-line staff to remain well-groomed and courteous to guests at all times. Accordingly, a new system was put in place from January 2015. As a result of the efforts, the satisfaction level of guests improved, and their loyalty reflected in form of increase in repeat sales over next two years.

After two years, while the organisation was able to make some profits, they were still low considering the capital employed. In July 2018, Shailja Mehta suggested to make extensive study to radically redesign existing ways of doing work and deliver services.

Based on the above case scenario answer the following multiple-choice questions:

- (i) 'Fit in Future' project can be best related to:
- (a) Improving leadership
 - (b) Improving morale
 - (c) Coordination

- (d) Turnaround
 - (ii) Name the strategic tool to measure and set goals for wastage in kitchen as per best practices.
 - (a) Benchmarking
 - (b) Cost control
 - (c) Loss assessment
 - (d) Turnaround
 - (iii) The leadership style of Shailja Mehta can be best described as
 - (a) Autocratic
 - (b) Motivational
 - (c) Transactional
 - (d) Transformational
 - (iv) The suggestions made by Shailja Mehta in July 2018 are related to:
 - (a) Business Process Reengineering
 - (b) Leverage
 - (c) Organisational redesign
 - (d) Strategic Control
 - (v) To succeed Fresh Air Hospitality and Resorts needs to:
 - (i) Deliver better value to customers.
 - (ii) Improve efficiencies.
 - (iii) Fix minimum profit percentage over costs.
 - (a) (i) and (ii)
 - (b) (i) and (iii)
 - (c) (ii) and (iii)
 - (d) (i), (ii) and (iii)
2. Which of the following is more radical organisation design and is also called as non-structure which virtually eliminates in house business functions and outsources many of them?
- (a) Network Structure
 - (b) Strategic Business Unit
 - (c) Hourglass Structure

- (d) Divisional Structure
3. Smooth Ride and Comfort Ride are two car engine component manufacturers, manufacturing identical auto parts. Both units are almost identical in every aspect. As a Strategic Manager of Comfort Ride, which process would you suggest to the management so that it has an edge over its competitor Smooth Ride.
- (a) Management Business Process
(b) Strategic Business Process
(c) Business Process Reengineering
(d) Management Reengineering Process
4. Which approach of R & D to implement strategic decisions is a glamorous and exciting strategy but also a dangerous one?
- (a) Market new technology product
(b) Innovate imitator of successful products
(c) To be a low cost provider
(d) None of the above
5. Jaipur Mart an online marketplace where people from all over Rajasthan come and sell their goods is charging zero commission for listing goods but they take 1% of the sales per month from the seller. It is defined as?
- (a) Business Intent
(b) Business Idea
(c) Business Definition
(d) Business Model
6. Hupo a honey brand decided to start a new brand for making honey ginger candies to meet the rising demand. Identify their growth strategy?
- (a) Conglomerate Diversification
(b) Concentric Diversification
(c) Vertical Integration
(d) Horizontal Integration

Descriptive Questions

Chapter 1-Introduction to Strategic Management

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

8. Discuss the challenges faced by public sector units while designing for their organisations.

Chapter 2-Dynamics of Competitive Strategy

9. Distinguish between Market Development and Product Development under Ansoff's Product Market Growth Matrix.
10. Woodworld Ltd. is a company manufactures a variety of household furniture items. They offered traditional designs, low cost furniture items to low income group customers. During the last couple of years, the company has been observing a fall in the market share. This is due to the change in the taste and preferences, designing, better quality, increase in purchasing power of buyers towards the household furniture. The customers are switching away traditional designs and material that have been the backbone of Woodworld Ltd.

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

Chapter 3-Strategic Management Process

11. What should be the major components of a good mission statement?
12. Explain briefly the key areas in which the strategic planner should concentrate his mind to achieve desired results.

Chapter 4-Corporate Level Strategies

13. Write a short note on Merger and Acquisition Strategy.
14. Airlines industry in India is highly competitive with several players. Businesses face severe competition and aggressively market themselves with each other. Luxury Jet is a private Delhi based company with a fleet size of 9 small aircrafts with seating capacity ranging between 6 seats to 9 seats. These aircrafts are chartered by big business houses and high net worth individuals for their personalised use. With customised tourism packages their aircrafts are also often hired by foreigners. Identify and explain the Michael Porter's Generic Strategy followed by Luxury Jet.

Chapter 5-Business Level Strategies

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

Identify Porter's Five Forces that may be classified as significant for the company? Explain.

16. A startup company is thinking of launching of a low cost detergent powder in the market. The market of the said product is already dominated by a big FMCG player.

You are advised to put forward your suggestions to the management of the company to deal with the problems of 'Entry Barrier' while launching the low cost detergent powder.

Chapter 6-Functional Level Strategies

17. "Projected financial statement analysis is a central strategy-implementation technique." Justify the statement.
18. Modern marketing is highly promotion oriented. Discuss citing major direct promotional methods for products.

Chapter 7-Organisation and Strategic Leadership

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

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

Chapter 8-Strategy Implementation and Control

21. Zumba Robots, an electronic robot manufacturing company is a leader in its business segment. Over a period of time, it started losing its grip on the market as its overall position started to weaken. Discuss the type of audit that you would like to suggest to analyse the situation of the company?
22. What is strategic control? Briefly explain the different types of strategic control?

SUGGESTED ANSWERS

1. (i) (d) (ii) (a) (iii) (d) (iv) (a) (v) (a)
2. (a)
3. (c)
4. (a)
5. (d)
6. (b)

7. Each organization has to build its competitive advantage over the competitors in the business warfare in order to win. This can be done only by following the process of strategic management. Strategic Management is very important for the survival and growth of business organizations in dynamic business environment. Other major benefits of strategic management are as follows:
- ◆ Strategic management helps organizations to be more proactive rather than reactive in dealing with its future. It facilitates to work within vagaries of environment and remains adaptable with the turbulence or uncertain future. Therefore, they are able to control their own destiny in a better way.
 - ◆ It provides better guidance to entire organization on the crucial point – what it is trying to do. Also provides frameworks for all major business decisions of an enterprise such as on businesses, products, markets, organizational structures, etc.
 - ◆ It facilitates to prepare the organization to face the future and act as pathfinder to various business opportunities. Organizations are able to identify the available opportunities and identify ways and means as how to reach them.
 - ◆ It serves as a corporate defence mechanism against mistakes and pitfalls. It helps organizations to avoid costly mistakes in product market choices or investments.
 - ◆ Over a period of time strategic management helps organization to evolve certain core competencies and competitive advantages that assist in the fight for survival and growth.
8. Central, state, municipal agencies, Public Sector Units, departments are responsible for formulating, implementing, and evaluating strategies that use taxpayers' money in the most cost-effective way to provide services and programs. The Challenges faced by the public sector units while designing their organizations are on account of basic nature of such organizations.

Public sector units face the following challenges while designing strategies for their organizations:

- Operating with less strategic autonomy.
- Cannot diversify into unrelated businesses or merge with other firms.
- Strategists usually enjoy little freedom while altering the organization's mission or redirecting objectives when needed.
- Legislators and politicians control over major decisions and resources.
- Fear of media debate over the strategic issues.
- Chances of politicization of issues resulting fewer strategic choice.

9. Following are the differences between the market development and product development:

Market Development	Product Development
<p>Meaning</p> <ul style="list-style-type: none"> 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. <p>Strategy Application</p> <ul style="list-style-type: none"> 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. 	<p>Meaning</p> <ul style="list-style-type: none"> 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. <p>Strategy Application</p> <ul style="list-style-type: none"> 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.

10. Woodworld is having a product portfolio that is evidently in the decline stage. The product is being replaced with the latest designs with better quality of the product. Strategically, the company should minimize their dependence on the existing products and identify other avenues for the survival and growth. As a CEO of Woodworld Ltd., following can be the strategic options available with the CEO:
- Invest in new product development and switchover to the latest designs. Woodworld Ltd. also need time to invest in hiring interior designers.
 - They can acquire or takeover a competitor, provided they have or are able to generate enough financial resources.
 - They may also consider unrelated growth and identify other areas for expansion. This will enable Woodworld Ltd. to spread their risks.
 - In longer run, they should divest the existing products. However, they may continue with the existing products in a limited manner for such time there is demand for the product.
11. Mission statements broadly describe an organizations' present capabilities, customer focus, activities, and business makeup. Following points are useful while writing a good mission statement of a company:
- Good mission statement is highly personalized – unique to the organization for which it is developed.

- *Mission statement should emphasize on giving an organization its own special identity, business emphasis and path for development.
 - *Mission statement should clearly specify that, what needs it is trying to satisfy, customer groups it is targeting, technologies and competencies it uses and the activities it performs.
 - Technology, competencies and activities are important in defining a company's business because they indicate the boundaries on its operation.
 - The mission should not be to make profit.
12. A strategic manager defines the strategic intent of the organisation and take it on the path of achieving the organisational objectives. There can be a number of areas that a strategic manager should concentrate on to achieve desired results. They commonly establish long-term objectives in seven areas as follows.
- Profitability.
 - Productivity.
 - Competitive Position.
 - Employee Development.
 - Employee Relations.
 - Technological Leadership.
 - Public Responsibility.
13. Merger and acquisition in simple words are defined as a process of combining two or more organizations together. There is a thin line of difference between the two terms but the impact of combination is completely different in both the cases.

Merger is considered to be a process when two or more companies come together to expand their business operations. In such a case the deal gets finalized on friendly terms 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 the trade barriers.

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

14. The Airlines industry faces stiff competition. However, Luxury Jet has attempted to create a niche market by adopting focused differentiation strategy. A focused differentiation strategy requires offering unique features that fulfil the demands of a narrow market.

Luxury Jet compete in the market based on uniqueness and target a narrow market which provides business houses, high net worth individuals to maintain strict schedules. The option of charter flights provided several advantages including, flexibility, privacy, luxury and many a times cost saving. Apart from conveniences, the facility will provide time flexibility. Travelling by private jet is the most comfortable, safe and secure way of flying your company's senior business personnel.

Chartered services in airlines can have both business and private use. Personalized tourism packages can be provided to those who can afford it.

15. The competitive rivalry will be a significant force in case of company of Rajiv Arya as all the rivals are similar in sizes and are manufacturing similar products. It is difficult for any single manufacturer to dominate the market. Large number of patents will make it difficult for new entrants to break into the market. Further, as there are a large number of small suppliers the power that suppliers can exert will also be low.

There is no information relating to substitutes and bargaining power of customers in the information given in scenario. However, a domestic vacuum cleaner will directly compete with other options such as house maids. Availability of house maids at low cost can significantly disturb the sales of products.

Further, as the products are similar customers can easily shift from one company to another. This will only enhance competitive rivalry.

The competitive rivalry will be significant in Rajiv Arya's dealing industry as all rivals are similar in sizes and manufacture similar products, making it difficult for anyone manufacturer to dominates the market or gain market share. The large number of patents will make it hard for new entrants to break into the market, while the fact that Rajiv Arya buys from a large number of small suppliers suggests that supplier power is also low. Finally, there is no information relating to substitutes and bargaining power of customers in the information given in scenario.

16. There are number of factors that can act as entry barrier for the start-up company. An FMCG, big in size, is already dominating the market space and will act as a strong deterrent for the new start-up. The following will be some suggestions to the management of the start-up to deal with the problem of entry barriers:
1. The company is working on producing low cost detergent. Keeping other expenses also on the lower side the management can create price advantage that is competitive to the existing established players including the large FMCG.
 2. The company focussing on single product in comparison to multiple products of an FMCG can develop competencies to produce and sell the low cost detergent that

are difficult to deploy by the FMCG by its strategy that addresses needs of multiple products.

3. The start-up needs to have strong financial strength to sustain the onslaught from the dominant FMCG and other players. The start-up can identify sources of capital well in advance and be able to use it judiciously to their advantage.
 4. The start-up should identify the customer segments that are likely to switch to the product well in advance so as to target the same and generate the initial hold on the market. Once the product gets some hold and their brands get some identity, the market can be further developed to address other customers.
 5. The start-up should identify the environmental factors that go to their advantage. These may include special scheme of the government to encourage entrepreneurs, tax holiday, low interest rates, advantages available to small and medium sized enterprises alike.
 6. It has to create an image in the market that its products are qualitative and 'Made in India' to attract a particular segment of customers.
 7. They need to have a team of experts and dedicated management professionals who can implement strategies formulated by top management.
17. Projected financial statement analysis is a central strategy-implementation technique because it allows an organization to examine the expected results of various actions and approaches. This type of analysis can be used to forecast the impact of various implementation decisions. Nearly all financial institutions require a projected financial statement whenever a business seeks capital.

A projected income statement and balance sheet allow an organization to compute projected financial ratios under various strategy-implementation scenarios. When compared to prior years and to industry averages, financial ratios provide valuable insights into the feasibility of various strategy-implementation approaches.

A financial budget is also a document that details how funds will be obtained and spent for a specified period of time. Fundamentally, financial budgeting is a method for specifying what must be done to complete strategy implementation successfully.

Financial budgeting is a method for obtaining the most productive and profitable use of an organization's resources. Financial budgets can be viewed as the planned allocation of a firm's resources based on forecasts of the future.

18. Modern marketing is highly promotional oriented and include personal selling, advertising, publicity and sales promotion.

Personal selling – involves face to face interaction of salespersons with the prospective customers and provides a high degree of personal attention. It involves working with one customer at a time and hence not cost effective. The intention of oral communication is sale.

Advertising – is a non-personal, flexible and dynamic promotion method. The media for advertising are several and choice of an appropriate one is important for effectiveness of message. Sale of the product and the amount of expenditure cannot be directly measured.

Publicity – is also non-personal but no payments are made to the media. 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. It could be through press releases, press conferences, reports, etc.

Sales promotion – 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, exhibitions etc. are included.

19. Strong cultures promote good strategy execution when there's fit and hurt execution when there's negligible fit. A culture grounded in values, practices, and behavioral norms that match what is needed for good strategy execution helps energize people throughout the organization to do their jobs in a strategy-supportive manner. A culture built around such business principles as listening to customers, encouraging employees to take pride in their work, and giving employees a high degree of decision-making responsibility. This is very conducive to successful execution of a strategy of delivering superior customer service.

A work environment where the culture matches the conditions for good strategy execution provides a system of informal rules and peer pressure regarding how to conduct business internally and how to go about doing one's job.

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

20. Samar Electronics Limited transitioning into **network structure**. It is a newer and somewhat more radical organisational design. Its essential features are as follows:
1. It is termed as "non-structure" as it eliminates in house functions and outsources many of them.
 2. An organisation organised in this manner is often called "virtual organisation" because it is composed of a series of project groups or collaborations linked by constantly changing nonhierarchical, cob-web like structures.
 3. Network structures become most useful when the environment of a firm is unstable and is expected to remain so. Under such conditions, there is usually a strong need for innovation and quick response.
 4. Instead of having salaried employees, it may contract with people for a specific project or length of time.

5. Long term contracts with suppliers and distributors replace services that company could provide for itself.

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

1. The availability of numerous potential partners can be a source of trouble.
 2. Co-ordination among the functioning of business partners is perhaps, the biggest problem for the management in the networking structure.
 3. Employees may lack the level of confidence necessary to participate actively in organisation sponsored learning experiences.
21. The audit of management performance with regard to its strategies helps 'Zumba Robots' identify problem areas and correct the strategic approaches that have not been effective so far. A strategy audit is a review of a company's business plan and strategies to identify weaknesses and shortcomings and enable a successful development of the company. An assessment of the external environment shows where changes happen and where organization's strategic management no longer match the demands of the marketplace. Based on such analysis, Zumba Robots can improve business performance by periodically conducting such an audit.
22. Strategic Control focuses on the dual questions of whether: (1) the strategy is being implemented as planned; and (2) the results produced by the strategy are those intended.

There are four types of strategic control:

- ◆ **Premise control:** A strategy is formed on the basis of certain assumptions or premises about the environment. Premise control is a tool for systematic and continuous monitoring of the environment to verify the validity and accuracy of the premises on which the strategy has been built.
- ◆ **Strategic surveillance:** Strategic surveillance is unfocussed. It involves general monitoring of various sources of information to uncover unanticipated information having a bearing on the organizational strategy.
- ◆ **Special alert control:** At times, unexpected events may force organizations to reconsider their strategy. Sudden changes in government, natural calamities, unexpected merger/acquisition by competitors, industrial disasters and other such events may trigger an immediate and intense review of strategy.
- ◆ **Implementation control:** 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.