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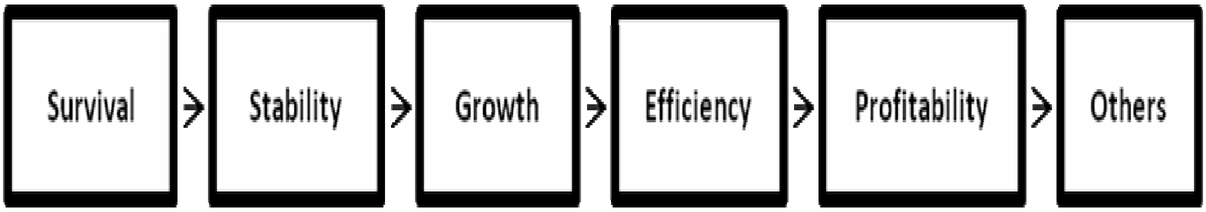
FAST TRACK NOTES IN
STRATEGIC MANAGEMENT_34e

Index for Fast Track Material in Strategic Management

1. BUSINESS ENVIRONMENT

1. Objectives of a Business organisation (N12, M14 – 4M, PM, RTP- M 12)

In addition to the profitability objective, businesses have many other objectives as given below:



Survival:

a) Survival is the basic objective of every business.

b) Survival represents the will and anxiety to remain in business as long as possible.

Stability: A stable and steady enterprise can ensure:

a) Smooth work flow,
b) Less dynamism from managers, and
c) Less managerial tensions.

Growth:

a) This objective is related to dynamism, vigour, promise & success

b) Growth may be measured by way of increase in assets, manufacturing facilities, sales volume, new products, higher profits and market share, increase in manpower employment, etc.

Efficiency:

a) It means designing and achieving suitable input output ratios of funds, resources, facilities and efforts.

Profitability:

a) Profit is the overall measure of performance and it is the main objective of business.

b) Profit maximisation has a long-term perspective and includes development of wealth, increased goodwill and benefits to all shareholders.

Others: Other objectives of a business include:

a) technological dynamism,
b) self-reliance,
c) competitive strength,
d) customer service and product quality ,
e) employee satisfaction and welfare
f) contribution to societal welfare,
g) Compliance with laws and government regulations, etc.

2. Interactions / Exchanges / Relationship between an organisation and its environment (M 13 - 3M)

1. **Exchange of Information:**

Inflow	**a)** The organisation analyses the variables in external environment and generates important information for planning, decision-making and control purposes.
Outflow	The organisation itself transmits information to several external agencies either voluntarily, inadvertently (=unintentionally) or legally.

2. **Exchange of Resources:**

Inflow	An organisation receives inputs – men, money, materials, methods, machinery from the external environment.
Outflow	The organisation is dependent on external environment for distribution and disposal of its output i.e. products and services.

3. **Exchange of Influence and Power:**

Inflow	External environment (Government, competitors, markets, customers, suppliers, investors, etc.) holds considerable power over the planning and decision-making process of the organization.
Outflow	In some aspects, the firm can influence external environment. The organisation can dictate the terms to the external forces and mould them to its will.

3. State the Characteristics of Business Environment? (N11, 13 - 3M, PM)

The important characteristics of Business Environment are:

1. **Pervasiveness:** A business enterprise can't operate in vacuum and it interacts with environment irrespective of its size, objectives, nature of business, products / services, years of standing, etc.
2. **Complexity:** Business environment consists of number of factors, events, conditions and influences arising from different sources. They interact with each other continuously.
3. **Dynamism:** As business environment is completely dynamic in nature, it is continuously changing in shape and character.
4. **Multi-faceted:** The shape and character of environment depends on the perception. A particular change may be treated as an opportunity by one firm while other firm may treat it as a threat.
5. **Significant Impact:** The growth and profitability of a firm depends critically on the environment.

4. What are the basic goals of Environmental Analysis? (PM)

1. **To understand changes:** An analysis of the environment will provide information about the current and potential changes taking place in the environment.
2. **To Generate inputs for decision making:** Environmental analysis will provide inputs for strategic decision making. The information collected should be relevant, timely and useful for strategic decision making.
3. **To Facilitate & Foster Strategic Thinking:** Environmental analysis will lead to strategic thinking i.e. it will be a rich source of ideas and understanding of the context within which a firm operates.

5. What are the Broad Categories or Components of Environmen (N 11 - 4M, M 12 - 3M, PM)

The environment of a business can be categorized into - (a) Micro-Environment, & (b) Macro-Environment.

Micro- Environment:

a) Micro environment is the immediate environment with in which the firm operates.

b) It is also known as internal environment or task environment.

c) It affects business and marketing in the daily operating level.

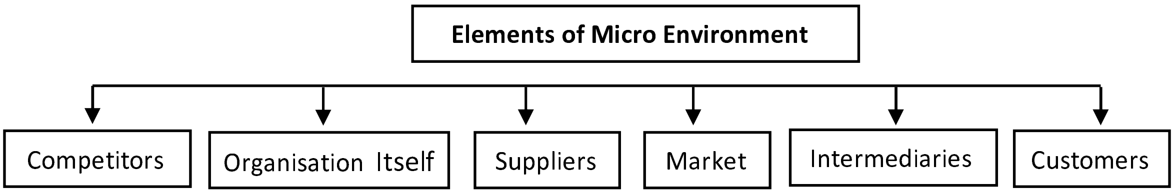
Macro - Environment:

a) Macro-Environment constitutes the general environment, which affects the working of all firms.

b) It is beyond the direct influence and control of the firm. But it shows powerful influence over the functioning of the business.

6.	Explain the elements of Micro Environment.	(PM)

It consists of such factors that affect the functioning of a business firm in the daily operating level. These factors are individual firm specific and are controllable to some extent.



1. **Competitors:**

a) Competitors refer to other business entities that compete for resources as well as markets.

b) The major aspects to be considered for analyzing competition are: number of competitors, nature of products / product versions, long-term objectives of competitors, present strategies being followed, aggressiveness of competitors.

2. **Organization Itself:**

a) An organization must understand its own strengths and weaknesses.

b) The following organisations or groups affect the organization's environment:

i) Owners, **ii)** Governing Body, **iii)** Employees.

3. **Suppliers:**

a) Suppliers provide inputs like Raw Materials, Components, Equipment, Services, etc.

b) Aspects of Supplier Environment that have impact on the business are:

• Availability of Materials & Services. • Extent of competition/availability of more suppliers. • Cost structure of materials & services	• Quality • Bargaining power. • Timeliness of supply.

4. **Market:** Important issues relating to the market are:

• Actual and potential size, • Growth prospects & attractiveness, • Cost structure of the market, • Price sensitivity of the market,	• Technological structure of the market, • Existing distribution system of the market, • Maturity level of the market, • Possibility of market segmentation & differentiation.

5. **Intermediaries:** Intermediaries in the marketing channel i.e. Wholesalers, Retailers and Dealers establish an important link between the organisation and its customers.

6. **Consumers/Customers:**

a) The aim of any business is to attract and retain customers.

b) Aspects to be considered in respect of consumers are: potential consumers/ customer groups, benefits & utilities that consumers/ customers expect, buying patterns of consumers, changes in consumer tastes, preferences and expectations.

7.	State the Elements of Macro Environment? (RTP – M13) (PM)

Macro Environment: It constitutes the general environment, which affects the working of all firms. Macro environmental factors are largely external to the firm and are uncontrollable in nature.

Elements of Macro Environment

- Socio Cultural Environment
- Population & Demographic Environment
- Economic Environment
- Legal-Political Environment
- Technological Environment
- Global Environment

8.	Explain the factors in Socio - Cultural Environment which have an impact on business.

1. is a combination of factors like social traditions, values and beliefs, level and standards of literacy and education, ethical standards and state of society, extent of social stratification, conflict and cohesiveness, etc. which determine the functioning of an organisation.

2. Important factors in this environment that influence the activities of a business are:

a) **Social concerns,** e.g. the role of business in society, environmental pollution, corruption, use of mass media and consumerism.

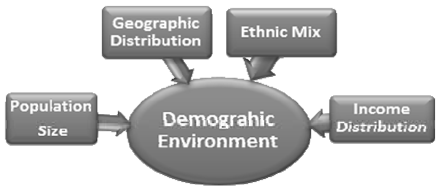
b) **Social attitudes and values,** e.g., expectations of society from business, social customs, beliefs, rituals and practices, changing lifestyle patterns and materialism.

c) **Family structure** and changes therein.

d) **Role of women** in society, position of children and adolescents in family and society.

e) **Educational levels,** awareness and consciousness of rights and work ethics of members of society.

9.	Write short notes on Demographic Environment.



1. "Demographics" denote the characteristics of population living in an area, district, country, or in the world.

2. It includes factors such as race, age, income, educational attainment, asset ownership, home ownership, employment status and location, etc.

3. The following factors should be considered in the analysis of Demographic Environment:

a) **Population size:** It is important to firms that require a "critical mass" of potential customers.

b) **Geographic distribution of population**

c) **Ethnic mix:** It refers to the cultural composition of population.

d) **Income distribution of people.**

10.	Write short notes on Economic Environment.

1. It refers to the nature and direction of economy in which company competes or may compete.

2. Key economic factors to be considered are:

a) **<u>Rates:</u>** Interest Rates, Tax Rates, Inflation Rates, Money Market Rates, Exchange Rates, etc.

b) **<u>GDP Aspects:</u>** Monetary and fiscal policies, Government budget deficits, GDP trends, Consumption patterns, Unemployment trends.

c) **Customer related:** Demand shifts for different categories of goods and services, Income differences by region and consumer groups, Propensity to spend, Level of disposable income, etc.

d) **External Trade:** Economic conditions of foreign countries, Import/export factors, Coalitions of Countries/ Regional blocks.

e) **General:** Availability of credit, Trade Block Formations, Price Fluctuations, Shift to a service economy, Worker productivity levels, Stock market trends.

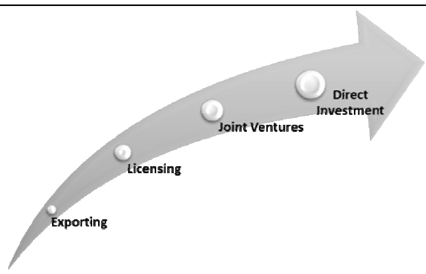
11. Write short notes on Global Environment. (PM, RTP- N11)

1. Globalization refers to the process of integration of the world into one huge market. This unification leads to the removal of all trade barriers among countries, including political and geographical barriers.
2. At the organisational level, Globalisation has two effects:
   a) The company can establish several manufacturing locations around the world and offer products in several diversified industries, and
   b) It should have the ability to compete in domestic markets with foreign competitors.

12. What is a Multinational or Global Company? (N 08 - 4M, M 12, N 12, 13 - 3M, PM)

1. **Meaning:** A Multinational Company (MNC) or a Transnational Company (TNC) is the one that by operating in more than one country, gains R&D, production, marketing and financial advantages in its costs and reputation that are not available to purely domestic competitors.
2. **Features:**
   a) MNC is a conglomerate of multiple units (located in different parts of the globe) but all linked by common ownership.
   b) A Multi National Company Views the world as one market, minimizes the importance of national boundaries, and raises its capital and markets its products, wherever it can do the job best.

13. What are the different methods/modes of Expansion into Foreign Markets?



1. **Exporting:**
   a) Exporting is marketing of domestically produced goods in a foreign country.
   b) Exporting does not require separate production facilities. So, it does not require new investment.
2. **Licensing:**
   a) Licensing permits a company in the target country to use the property of the licensor.
   b) The licensee pays a fee in exchange for the rights to use the intangible property and for the technical assistance.
3. **Joint Venture:** Joint ventures are favoured when:
   a) The partner's strategic goals converge while their competitive goals diverge;
   b) The partners' size, market power and resources are small when compared to the industry leaders; and
   c) Partners' are able to learn from one another while limiting access to their own proprietary skills.
4. **Direct Investment:**
   a) Direct investment is the ownership of facilities in the target country.
   b) It involves the transfer of resources including capital, technology and personnel.
   c) It may be made through the acquisition of an existing entity or the establishment of a new enterprise.

14.	Explain different Strategic Approaches for Globalization.(N 08 - 4M, M 12, N 12, 13 - 3M, PM)

<u>THERE ARE THREE MAJOR STRATEGIC OPTIONS FOR GOING INTERNATIONAL:</u>

a) **<u>Multi- domestic:</u>** The organization decentralizes its operational decisions and activities to each country in which it operates and customizes its products and services to each market.

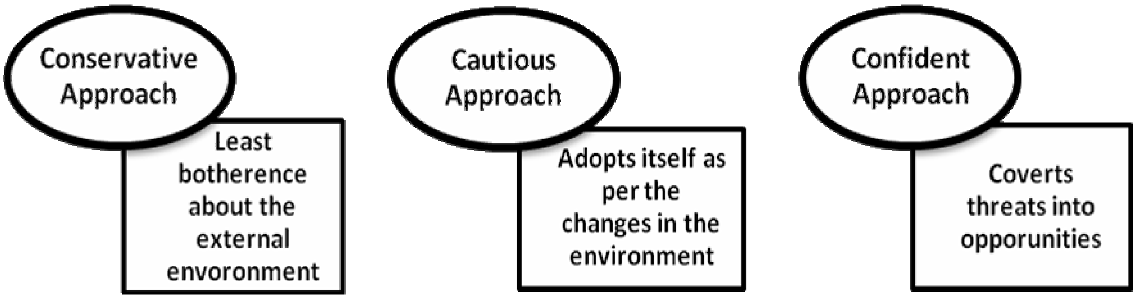
b) **<u>Global:</u>** The organization offers standardized products and uses integrated/ centralised operations.

c) **<u>Transnational:</u>** The organization seeks the best of both multi- domestic and global strategies by globally centralizing operations while tailoring products and services to the local market.

Strategic Approach	Operations	Products/ Services
Multi- domestic	Decentralized	Customized
Global	Centralised	Standardised
Transnational	Centralised	Customised

15.	What are the different Strategic Responses to the Environment? (RTP- M13)

1. <u>Conservative Approach - Least Resistance:</u>



a) Some simple goal-maintaining units manage to survive by way of coping with their changing external environments.

b) They are not ambitious and are least bothered about the environmental changes.

2. <u>Cautious Approach - Proceed with Caution:</u>

a) Some firms take an intelligent interest, to adapt with the changing external environment.

b) They try to monitor the changes in environment, analyse their impact on their own goals and activities and try to prepare specific strategies for survival, stability and strength.

3. <u>Confident Approach - Dynamic Response:</u>

a) Some firms treat external environmental forces as partially manageable and controllable by their actions and they try to convert those threats into opportunities.

b) Within certain limits, such firms <u>can shape part of its external environment</u> on reciprocal basis.

16.	Meaning and nature of competition (PM, RTP- M12)

1. **<u>Pervasiveness:</u>** Competition exists in any business environment.

2. **<u>Effect of competition:</u>** When preparing and implementing their plans, businesses have to consider the strategies, profits levels, costs, products and services of the competitors.

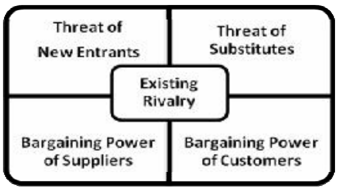
3. **<u>Business response:</u>** Competition leads to newer products, processes, better quality in products and improved customer service. Hence we can say that Competition is not bad for organisations but it serves as a stimulator for their growth.

17.	Explain Michael Porter's Five Forces Model of Competition analysis (N 11 – 3M, PM, RTP- M12)

1. It is a powerful and widely used tool for systematically diagnosing the principal competitive pressures in a market and assessing the strength and importance of each.
2. **Competitive Pressures:** This model states that the state of competition in an industry is the result of competitive pressures operating in five areas of the overall market:
   - **a)** Competition among rival sellers in the industry.
   - **b)** Competitive pressures associated with the threat of new entrants into the market.
   - **c)** Competitive pressures coming from companies in other industries.
   - **d)** Competitive pressures arising from supplier bargaining power.
   - **e)** Competitive pressures arising from buyer bargaining power.
3. **Steps:** The steps to determine competition in a given industry are:
   - **a)** Identify the specific competitive pressures associated with each of the five forces.
   - **b)** Evaluate how strong the pressures from each of the five forces are.
   - **c)** Determine whether the collective strength of the five competitive forces is conducive to earning attractive profits or not.

18.	Explain the five forces of Porter's competition analysis. Under Porter's model, new entrants are insignificant source of competition. Comment. (N09 – 10M, N11, 12 – 3M, PM, RTP- M14)

1. **Rival sellers:** Existing Competitors influence prices as well as the costs of competing in the industry.
2. **New entrants:** They provide competition in the form of - (a) more capacity, (b) new product version / range, and (c) lower prices and cheaper substitutes.



3. **Substitute products:** They are a latent / indirect source of competition in an industry. If they can offer price advantage and/or performance improvement to the consumer can significantly affect the competitive character of an industry.
4. **Supplier bargaining power:** Suppliers exercise bargaining power over companies if they are few in number or supply specialized offering. They determine the cost of raw materials and other inputs of the industry and therefore, industry attractiveness and profitability.
5. **Customer bargaining power:** Bargaining power of the buyers influence - (i) product prices, and also (ii) costs and investments of the producer, because powerful buyers, usually barging for better services which influence cost and investment on part of the producer.

INTRESTING QUESTIONS FROM PAST EXAMINATIONS

1.	What is Environmental Scanning?

Meaning: It is the process of gathering information regarding company's environment, analyzing it and forecasting the impact of all predictable environmental changes.

Factors to be considered:

1. **Events** are important and specific occurrences taking place in different environmental sectors.

2. **Trends** are the general tendencies or the courses of action along which events taking place. For example, changes in the consumer behavior, technology, etc.
3. **Issues** are the current concerns or problems that arise in response to events and trends.
4. **Expectations** are the demands made by interested groups in the light of their concern for issues.

2.	**Can a change in elected government affect the business environment? Explain.**

Yes. The type of government running a country is a powerful influence on business.

1. Businesses are highly guided and influenced by government actions. Change in the elected government relates to the change in political environment.
2. To an extent, even legal environment may change with the changes in the Government. It has a strong bearing on the conduct of business.
3. The government's policy of promoting select sectors further impacts the functioning of business organizations.
4. Businesses are affected by the factors such as political stability, the political ideology and practices of the ruling party, the purposefulness and efficiency of governmental agencies, the extent and nature of governmental intervention in the economy and the industry, Government policies (fiscal, monetary, industrial, labour and export-import policies), specific legal enactments and framework and so on.

3.	**Explain how technological factors present an opportunity as well as threat to a particular business organization. (PM, RTP- M 14)**

1. Technology is <u>the most dynamic</u> of all the environmental factors. Changes in technology vitally affect the enterprise's costs, profitability, plant location decisions, product lines, growth and development.
2. Technology can act as both opportunity and threat to a business.
3. It can act <u>as opportunity</u> as business can take advantage of adopting technological innovations to their strategic advantage.
4. At the same time technology can act <u>as threat</u> if organisations are not able to adopt it to their advantage.

4.	**What is Globalisation? Why do companies go global? (RTP- N11)**

<u>Meaning:</u> Globalisation refers to the process of integration of the world into one huge market. This unification leads to the removal of all trade barriers among countries, including political and geographical barriers.

<u>Reasons for globalization:</u> Major reasons for going global are as follows:

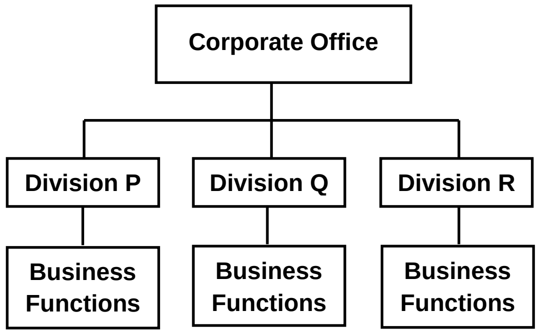
1. There is rapid shrinking of time and distance across the globe on account of faster communication, speedier transportation, growing financial flows and rapid technological changes.
2. Saturation in domestic markets.
3. A successful new product does not remain limited to one geographical area or country. It gradually generates demand from other parts of the globe.
4. To obtain/ procure raw materials at low cost.
5. Companies set up overseas plants to reduce high transportation costs.
6. To take advantage of low cost of labour.

THE END

2. STRATEGIC MANAGEMENT PROCESS

1.	**Define the term Strategy. Businesses have to respond to hostile environment with Strategy. Comment.**

Strategy: "Strategy is the unified, comprehensive, and integrated (= included) plan designed to assure that the basic objectives of the enterprise are achieved."- William F. Glueck.



Firms can effectively deal with the hostile external environment if they adopt a strategic approach. The following points support the given statement in the question.

Features of Strategy:

1. Strategy is a game plan used by the management to:
   - **a)** stake out (= keep watch on) market position,
   - **b)** conduct its operations smoothly,
   - **c)** attract and please customers,
   - **d)** compete successfully, and
   - **e)** achieve organisational objectives.
2. Strategy is a long range blueprint of an organisation's desired image, direction and destination.
3. Strategy is a consciously chosen and flexibly designed scheme of corporate intent (= intention, goal, target) and action:

2.	**State the characteristics of a Corporate Strategy? "Strategies are not perfect or flawless. They are not a substitute for sound, alert and responsible management". Discuss. (PM)**

1. **Long-Range:** Strategy is generally long-range in nature.
2. **Action oriented:** It is action- oriented
3. **Integrated:** It is multi-pronged and integrated.
4. **Flexible:** It is flexible and dynamic.
5. **Formulated at top level:** Strategy is formulated at the top level management.
6. **Purposive:** It is generally designed to cope up with a competitive and complex setting.
7. **Goal-Oriented:** It flows out of the goals and objectives of the enterprise
8. **Efficiency:** Strategy is concerned with efficiency.
9. **Harmonised:** It provides an integrated and unified framework for managers, affecting all sub-systems in an organisation.

3.	**What are the various strategic levels in an organisation? (PM)**

BASED ON THE SIGNIFICANCE OF DECISIONS TAKEN BY THEM, FOLLOWING ARE THE STRATEGIC LEVELS OF MANAGEMENT IN AN ORGANISATION:

1. **Corporate Level:** CEO, Senior Executives, Board of Directors, and Corporate Staff.
2. **Business Level:** Divisional Managers, in charge of separate areas of activity and their staff.
3. **Functional Level:** Operational managers handling individual functions e.g. Finance, Production, Marketing, R&D, Materials, Management, Personnel, etc.

4.	**Write short notes on Corporate Level Management.**	**(PM)**

1. It consists of Chief Executive Officer (CEO), other Senior Executives, the Board of Directors and Corporate Staff.
2. They occupy the apex of decision-making within the organization.
3. Their roles includes defining the mission and goals of the organisation, 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 organisation.

5.	**Write short notes on Business Level Managers.**	**(PM)**

1. The Principal General Manager at the Business Level or the Business-Level Manager is the Head of the concerned division.
2. The strategic role of these managers is to translate the general statements of direction and intent that come from the corporate level into concrete strategies for individual businesses.
3. They design and implement robust strategies that will contribute towards the maximization of long-run profitability. They are held responsible for the performance.

6.	**What are the activities performed by Functional Level Managers?**	**(PM)**

1. Responsible for the specific business functions/ tasks/ operations (e.g. Human Resources, Purchasing, Product Development, Customer Service, etc.) that constitute a Company or one of its divisions.
2. They have a major strategic role to develop functional strategies in their area that help to fulfill the strategic objectives set by Business-Level and Corporate-Level General Managers.
3. They provide most of the information required by Business-Level and Corporate-Level General Managers to formulate realistic and achievable strategies because they are closer to the customer.

7.	**What is Strategic Management? What are its objectives? Also state the Process of Strategic Management? (N 07 - 5M, PM, RTP- N11, M12, M14)**

Meaning: Strategic Management refers to the Managerial process of:

a) Forming a strategic vision,
b) Setting objectives,
c) Crafting a strategy,
d) Implementing and executing the strategy, and
e) Making necessary corrective adjustments in the vision, objectives, strategy and execution, which are deemed appropriate, over a period of time.

Objectives: The objectives of Strategic Management are –

a) To create Competitive Advantage
b) To guide the Company through all changes in the environment.

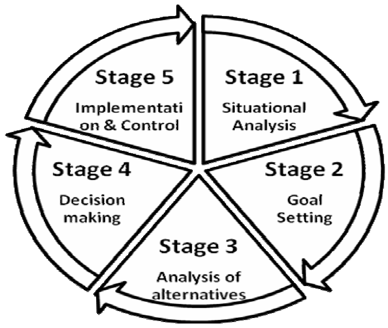
Strategic Management process: The strategy making and implementing process consists of five inter-related managerial tasks.

1. Setting vision and mission.
2. **Setting objectives:** Converting the strategic vision into specific performance outcomes or goals, for the Company to achieve.
3. Crafting a strategy to achieve the desired outcomes.
4. Implementing and executing the chosen strategy efficiently and effectively.
5. Evaluating performance& initiating corrective adjustments in vision, long-term direction, objectives, strategy or execution.

8.	Explain the Framework of Strategic Management. (PM, RTP- M12, M14)

Strategic Management consists of following stages:

1. **Stage 1- Situational Analysis/ Strategic Analysis/ SWOT Analysis:**
   - **a)** The initial stage consists of doing a situational analysis of the firm in the environmental context.
   - **b)** The firm must find out its relative market position, corporate image, its strengths and weaknesses, and also environmental threats and opportunities.
2. **Stage 2 - Goal Setting:** After finalising its vision and mission, goals should be set for the organisation.
3. **Stage 3 - Analysis of Alternatives:** At this stage, various alternatives for achieving the goals are considered. The long-term and short-term effects of each alternative are evaluated.
4. **Stage 4 - Decision Making:** Out of all the alternatives generated in the previous stage, the firm should select the best suitable alternative, in line with its SWOT analysis.
5. **Stage 5 – Implementation& Control:** During the implementation and control stage of the appropriate strategy, the organisation should continuously perform the situational analysis (Stage 1) and repeat the stages again.



9.	Explain the Importance or Benefits of Strategic Management. Do you think that Companies should manage strategically? Discuss (N 07-5M, M 12, 13 - 3M, PM, RTP- M12)

The importance of Strategic Management is highlighted as under:

1. **Decision-making:** Strategic Management provides the framework for all major business decisions.
2. **Pathfinder:** Strategic planning works as the pathfinder to various business opportunities.
3. **Core Competencies:** Strategic Management provides a firm with certain core competencies and competitive advantages in its fight for survival and growth.
4. **Future-driven:** Strategic Management is concerned with ensuring a good future for the firm.
5. **Influences and Adaptation:** Strategic Management plays a vital role in influencing the environmental forces in its favour.

10.	List the Features/ Major Dimensions of Strategic Decision Making. (RTP – M13) (N 11, 13 – 3M, PM)

The features / major dimensions of Strategic Decisions are:

1. **Top-Management:** Problems calling for strategic decisions should be considered by top management.
2. **Resources:** Strategic issues involve commitment of resources i.e. large amounts of Company's financial investment.
3. **Long-Term Effect:** The results of strategic implementation should be analysed and reviewed on a long term basis and not immediately.
4. **Future oriented:** Strategic thinking involves predicting the future environmental conditions and how to orient for the changed conditions.
5. **Multi-functional Effects:** Strategic decision making involves an organisation in its totality. They affect different sections of the organisation with varying degrees.
6. **Analysis of Environmental factors:** Strategic decision-making in organisation involves orienting its internal environment to the changes of external environment.

11. What do you mean by Strategic Vision? What are its elements? (N12 - 3M, PM, RTP- M12)

Meaning: A Strategic Vision is a road map of a company's future, providing specifics about technology and customer focus, the geographic and product markets to be pursued, and the capabilities it plans to develop and the kind of company that the management is trying to create.

ELEMENTS OF STRATEGIC VISION: **(M 13 - 3M)**

a) Through vision statement, a firm clarifies its aspirations, where exactly it would like to reach and what it would like itself to be.

b) A vision serves as a reference point in evolving the objectives as well as the strategies of the firm.

c) Good visions are clear, inspiring and motivating.

d) A vision helps the people at various levels in an organisation to understand in what direction they should move.

12. How to develop Strategic Vision?

a) The entrepreneurial challenge in developing strategic vision is to think creatively about how to prepare a company for the future.

b) Forming a strategic vision is an exercise in intelligent entrepreneurship.

c) A well-articulated strategic vision creates enthusiasm for the course management has chartered and engages members of the organisation.

d) The best worded vision statement clearly and crisply illuminate the direction in which organisation is headed.

13. What do you mean by Mission? Bring out its features. (PM, RTP- N11)

Mission:

a) Mission is defined as "an enduring statement of purpose that distinguishes one organisation from other similar organisations".

b) The mission is the purpose or reason for the organisations existence.

c) Clarifying the mission and defining the business is the starting point of strategic planning.

Features:

a) It helps to define performance standards.

b) It satisfies the firm's presence and existence

c) Vision comes alive, through the Mission.

d) It is a firm's guiding principle, common purpose which the entire firm shares and pursues.

e) It is the foundation from which the networks of corporate aims are built.

f) It is a proclamation to insiders and outsiders as to what the organisation stands for.

g) It inspires employees to work more productively by providing focus and common goals.

h) It tries to establish a link between its internal & external environment.

14. Why should organisations have mission? (RTP- N11)

a) To ensure unanimity of purpose within the organization.

b) To provide a basis for motivating the use of organisation's resources

c) To develop a basis or standard for allocating organisational resources.

d) To establish a general tone or organisational climate.

e) To serve as a focal point for employees in the organisation.
f) To facilitate the translation of objectives and goals into a work structure.
g) To specify organizational purposes and the translation of these purposes into goals.

15.	What are the guidelines in the formulation of Mission Statement? (N 09- 2M, M10 - 4M, PM, RTP- N11)

1. A mission statement should give special identity to the organization.
2. A Company's business is defined by its goals, the nature of target customer groups, the technologies and competencies it uses, and the activities it performs. This should be specified in the Mission.
3. Mission statements should be highly personalized i.e. unique to the firm.
4. Profit making should not be the only mission of a business.
5. Mission statements should contain elements of long-term strategy as well as desired outcomes.
6. Mission statements should be precise, clear, feasible, distinctive and motivating.
7. Mission statements should serve as justification for the presence and existence of the firm.

16.	What do you mean by Objectives?

The accomplishment of vision and mission of an organisation requires the formulation of objectives.

1. Objectives are the performance targets of an organisation.
2. They act as yardstick for tracking the performance and progress of an organisation.
3. Business organisations translate their vision and mission into objectives.
4. Objectives provide the basis for strategic decision making.
5. Goals are open-ended in nature and they denote the future states or outcomes. Objectives are close-ended attributes which are more precise and specific.

However, the terms "Objectives" and "Goals" can be used interchangeably.

17.	State the Characteristics of Objectives?

OBJECTIVES SHOULD:

1. Define the organization's relationship with its environment.
2. Facilitate achievement of mission and purpose.
3. Provide the basis for strategic decision-making
4. Provide standards for performance appraisal (= evaluation).
5. Be understandable.
6. Be concrete and specific.
7. Relate to a time frame.
8. Be measurable and controllable.
9. Be challenging enough to motivate people into performance.
10. Be correlated and inter-related with each other.
11. Be set within constraints.

INTRESTING QUESTIONS FROM PAST EXAMINATIONS

1.	**What do you understand by 'shared vision' and 'vision shared'?**

1. Individuals in organisations relate themselves with the vision of their organisations in different manner.
2. When the individuals are able to bring organisational vision close to their hearts and minds they have "shared vision". Shared vision is a force that creates a sense of commonality that permeates the organization and gives coherence to diverse activities.
3. 'Vision shared' shows imposition of vision from the top management. It may demand compliance rather than commitment.
4. For success of organisations having shared vision is better than vision shared.

THE END

3. STRATEGIC ANALYSIS

1.	What are the elements to be considered in conducting a "Strategic Situational Analysis"? (M 12 – 4M, PM, RTP – M13)

THE ELEMENTS TO BE CONSIDERED IN "STRATEGIC SITUATIONAL ANALYSIS" ARE:

1. **Product:** The nature of the product produced by the company should be analysed with respect to its utility, life, need satisfying ability, cost, price, re-using possibility, etc. The manager should also classify the company's product into – (a) Core or main product, (b) supporting/secondary/allied product or service.
2. **Competition:** The main competitors, their expected moves, their competitive advantages, etc. should be reviewed carefully in order to adjust our strategies.
3. **Distribution:** The company's distribution channel should be reviewed i.e. ways of capturing the market and the mode through which the products are to reach the prospective (=potential) customers.
4. **Environment:** The external and internal environmental factors, including economic or sociological factors, that have an impact on the firm's performance, should be listed for situational analysis.
5. **Strengths, Weaknesses, Opportunities and Threats:** Current opportunities that are available in the market, the main threats that business is facing and may face in the future, the strengths that the business can rely on and any weakness that may affect the business performance, are to be considered.

2.	List out the factors to be considered in Industry and Competition Analysis. (RTP – M13)

A business firm should consider the following factors in its industry and competition analysis.

a) Key industry traits i.e. dominant economic features of the industry.

b) Nature and strength (i.e. intensity) of the competition.

c) Triggers (i.e. driving forces) of industry change.

d) Market position i.e. identifying the companies that are in the strongest / weakest positions.

e) Competitive intelligence i.e. expected strategic moves of rivals.

f) Key Success Factors.

g) Industry's profit outlook, i.e. prospects and financial attractiveness of the industry.

3.	Write short notes on Strategic Group Mapping

1. **Meaning:** Strategic Group Mapping is one of the analytical tools/techniques, for evaluating the market position of the competitors/rivals in the industry, by comparing the market positions of each firm separately or grouping them into like positions.
2. **Procedure:**

Step	Description
1.	Identify the competitive characteristics that differentiate firms in the industry.
2.	Plot the firms on a two-variable map, using pairs of differentiating characteristics.
3.	Classify firms that follow the same strategy into one strategic group.
4.	Determine the position of each strategic group, making it proportional to the size of the group's respective share of total industry sales revenue.

4.	What are the characteristics of a Strategic Group? (PM, RTP- N11)

1. **Meaning:** A strategic group consists of rival firms with similar competitive approaches and positions in the market.

2. **Areas:** Companies in the same strategic group have similarity in any one or more of the following aspects:

   a. Product – lines, **b.** Product attributes, **c.** Price / Quality range, **d.** Distribution and Marketing Channels, **e.** Technological approaches, **f.** Services and technical assistance of buyers.

5.	What are the Key Success Factors for competitive success? (PM, RTP- M12)

1. **Meaning:** Key Success Factors (KSFs) are the elements that affect the ability of a firm/industry to prosper in the market place. They constitute the rules that shape whether a company will be financially or competitively successful.
2. **Items:** Some of the Key Success Factors of a business are:
   - **a)** Strategic elements in production, marketing, etc.
   - **b)** Product attributes and strengths,
   - **c)** Internal and External Resources,
   - **d)** Core Competencies,
   - **e)** Competitive capabilities, and

6.	What do you mean by SWOT ANALYSIS? (PM, RTP- M12)

SWOT analysis enables a firm in the identification of strategic alternatives by analysing its various internal strengths and weaknesses, external opportunities and threats.

The components of SWOT analysis are:

1. **Strength:** An inherent capability of the firm to gain strategic advantage over its competitors,
2. **Weakness:** An inherent limitation or constraint of the firm which creates strategic disadvantage to it.
3. **Opportunity:** It is a favourable condition in the firm's environment which enables it to strengthen its position.
4. **Threat:** An unfavourable condition in the firm's environment which causes a risk for, or damage to the firm's position.

7.	Explain the Significance of SWOT Analysis. (PM, RTP- M12, M14- 3M)

1. **Business Models:** SWOT analysis provides a logical framework for systematic and sound analysis of issues which show impact on - (i) business situation, (ii) generation of alternative strategies, (iii) Choice of strategy.
2. **Comparative analysis:** It presents the information in a structured manner so as to compare external opportunities and threats with internal strengths and weaknesses.
3. **Strategy Identification: SWOT** analysis helps to identify appropriate strategies.
4. **To analyse organisation's performance:** An organisation's performance in market place is influenced by 3 factors: Organisation's current market place, Nature of environmental opportunities and threats and Organisation's capability to capitalise the opportunity and its ability to protect against threats.

8.	Write short notes on TOWS matrix. How can TOWS Matrix be used for analyzing strategic situation of a company? (PM)

1. Heinz Weihrich has developed a matrix called TOWS Matrix by comparing the strengths and weaknesses of an organization (internal) with that of market opportunities and threats (external).
2. TOWS Matrix uses the inputs viz. Strengths, Weaknesses, Opportunities and Threats.

3. This matrix takes into account various environmental and organizational factors, so as to facilitate strategy formulation and ensure efficient utilisation of organisational resources.
4. The various combinations in TOWS Matrix are given below:

TOWS Matrix
Heinz Weihrich

Internal Environmental factors

External Factors	Organisational Strengths	Organisational Weaknesses
Opportunities	**Strength & Opportunity (SO):** To capitalize or build upon existing or emerging opportunities based on available strengths.	**Weakness & Opportunity (WO):** » To overcome organizational weaknesses if existing, » To exploit/utilize emerging opportunities.
Threats	**Strength & Threat (ST):** To minimize existing or emerging threats.	**Weakness & Threat (WT)** » To minimize or overcome weaknesses, » To cope with existing or emerging threats as far as possible.

9.	What do you mean by Portfolio Analysis (in the context of Strategic Management)? (RTP – M13) (N 12 -2M)

a) A business portfolio is a collection of businesses and products that make up the company.

b) Portfolio analysis can be defined as a set of techniques that facilitate in taking strategic decisions with regard to individual products or businesses in a firm's portfolio.

c) It is a tool by which management identifies and evaluates various businesses, product-lines, business units and investments of the company and the returns expected / obtained from them.

10.	Bring out the advantages of Portfolio Analysis.

1. **Channelisation:** It helps a multi-product, multi-business firm to channelise its resources (at the corporate level) to the businesses that have greater potential.
2. **Strategy formulation:** Based on the portfolio analysis, firms will develop growth strategies for adding new products or businesses to the portfolio. The strategy may relate to Stability or Expansion or Retrenchment or an appropriate combination thereof.

11.	What are the important concepts in the context of Portfolio Analysis?

The three important concepts in the context of Portfolio Analysis are:

1. **Strategic Business Unit (SBU):**

   a) **Meaning:**

      i) SBU is a unit of the company that has separate mission and objectives, and which can be planned independently from other businesses of the company.

      ii) SBU can be a company division, or a product line within a division, or even a single product or brand.

      iii) Every SBU has a manager who is responsible for strategic planning and profit.

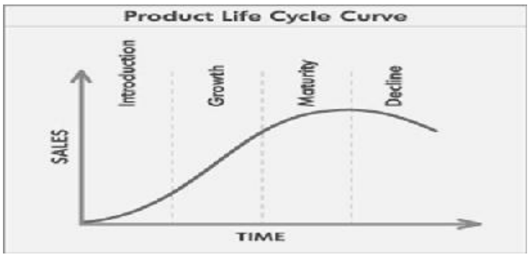
2. **Experience Curve:** **(N 12 - 3M, MTP Sept 14- 3 M)**

   a) **Meaning:** The concept of Experience Curve is based on common experience that Average Cost per unit declines as a firm accumulates experience in terms of volume of production.

   b) **Features:** It results from factors like – (i) Learning Effects, (ii) Economies of Scale, iii) Product Re-design, and (iv) technological improvements in production.

3. **Product Life Cycle:** **(MTP Sept, Oct 14- 3 M)**

PLC is an S-shaped curve which shows the relationship of sales with respect to time that passes through the four successive stages explained below:



State	Introduction	Growth	Maturity	Decline
Sales volume	Initial stage, hence low	Rise in sales levels at increasing rates.	Rise in sales levels at decreasing rates.	Sales level off and then start decreasing.
Price of products	High to cover initial costs and promotional expenses.	Retention of high level prices except in certain cases.	Prices fall closer to cost, due to the effect of competition.	Gap between price and cost is further reduced.
Ratio of SOH to Sales	Highest, because of the efforts needed to inform potential customers.	Total expenses will rise, while ratio of SOH to sales is reduced due to increase in sales.	Ratio reaches a normal % of sales. Such normal % becomes the industry standard.	Reduced sales promotional efforts because the product is no longer in demand.
Competition	Negligible and insignificant.	Entry of large number of competitors.	Fierce competition.	Starts disappearing due to withdrawal of products.
Profits	Nil, due to heavy initial costs.	Increase at a rapid speed.	Normal rate of profits since costs and prices are normalised.	Declining profits due to price competition, new products, etc.

12. BCG Growth- Share Matrix

BCG – Concept:

1. **Stage 1:** Under the BCG approach, a company classifies its different businesses on a two-dimensional Growth – Share matrix. In this matrix:
2. **Stage 2:** Using the BCG matrix, firms can identify 4 different types of products or SBUs:

Item	Features
Stars – Products or SBUs that grow rapidly	Stars can generate their own internal cash flows in view of: Low cost advantage, Large scale economies, Cumulative production experience. They represent best opportunities for expansion.
Cash Cows – Low growth, high market share SBUs or products	They generate cash and have low costs. They are established, successful and need less investment to maintain their market share.
Question Marks or Problem Children or Wild Cats	Low market-share business in high-growth markets. They need heavy investments but have low potential to generate cash. Question marks if left unattended may become cash traps.

Dogs – Low growth, low share SBUs & 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 through divestment or liquidation.

3. **Stage 3:** After classifying the SBUs as above, the role of each SBU is determined on the basis of the following strategies. The four strategies that help to determine the role of SBUs are: **(M 07 -2M)**
   a) **Build (Stars):** To increase market share, by foregoing short-term earnings in favour of building a strong future with large market share.
   b) **Hold (Question Marks):** To preserve market share.
   c) **Harvest (Cash Cows):** To increase short-term cash flows, irrespective of long-term effect.
   d) **Divest (Dogs):** To sell or liquidate the business because resources can be better used elsewhere.

13. **Explain the General Electric (GE) Model of Portfolio Analysis. ("Stop- Light" Strategy Model) (PM, RTP- M14)**

1. **<u>Factors/ Dimensions:</u>** The General Electric Model is similar to the BCG Growth Share Matrix. The two dimensions analysed in GE Model are – (a) Market Attractiveness, and (b) Business position.

Market Attractiveness ↓ / Business position →	High	Med	Low
High	Invest	Invest	Protect
Med	Invest	Protect	Harvest
Low	Protect	Harvest	Divest

2. **<u>Evaluation of SBU:</u>** Each SBU is labeled as high, medium or low, on the above dimensions. The following criteria are adapted for evaluation of SBU:

Evaluating Competitive Strength/ Business Position	Evaluating Market Attractiveness
• Size	• Size
• Growth	• Growth
• Share by segment	• Customer satisfaction levels
• Customer loyalty	• **Competition:** Quality, Types, Effectiveness, Commitment
• Margins	• Price levels
• Distribution	• Profitability
• Technology skills	• Technology
• Patents	• Government regulations
• Marketing	• Sensitivity to economic trends.

3. **<u>Strategy:</u>** Overall ratings for both dimensions are calculated for each SBU. Appropriate strategy (as indicated in the above matrix) is adopted based on the classification of SBU.

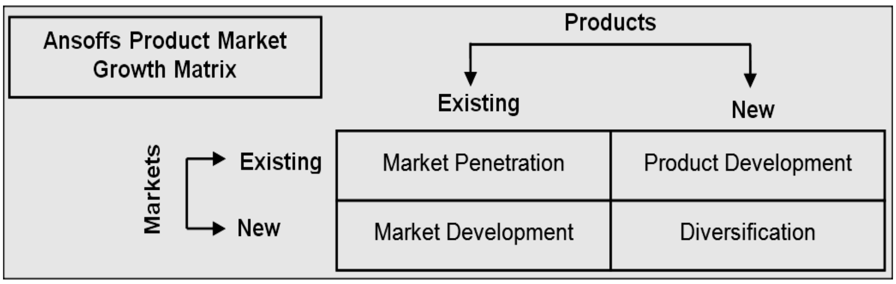
14.	**Explain the ADL Matrix.**	**(N 12 -1M)**

Arthur D. Little consulting company developed the ADL matrix in the late 1970. It involves a 2 dimensional matrix based on 2 parameters.

1. **Firm's competitive position:** The five categories for competitive position are as follows
   - **a) Dominant:** This is rare and typically short lived. The competition is very less, usually as a result of bringing a brand new product to the market or by building an extremely strong reputation in the market.
   - **b) Strong:** Here the firm's market share is strong and stable, regardless of what its competitors are doing.
   - **c) Favourable:** Here the firm's business line enjoys competitive advantage in certain segments of the market. However, there are many competitors of equal strength and the firm has to work to maintain its competitive advantage.
   - **d) Tenable:** The firm's position in the overall market is small, and the market share is based on a niche, a strong geographic location, or some other product differentiation.
   - **e) Weak:** Here, there is a continuous loss of market share and the firm's business line is too small to maintain profitability.
2. **The state of industry maturity:** There are 4 categories of industry maturity (also referred to as industry life cycle).
   - **a) Embryonic:** This is the introduction stage, characterised by rapid market growth, very little competition, new technology, high investment & high prices.
   - **b) Growth:** The industry continues to strengthen, sales increases, few competitors exist and the company enjoys rewards for bringing a new product to the market.
   - **c) Mature:** The industry is stable, there is a well established customer base, market share is stable, there are lots of competitors and energy is put to differentiate from competitors.
   - **d) Aging:** Demand decreases, companies start abandoning the market, the fight for market share among remaining competitors gets too expensive & companies begin leaving or consolidating until the markets demise.

15.	**Explain the Growth Strategies under Ansoff's Product- Market Growth Matrix.**	**(PM)**

Igor Ansoff's Product Market Growth Matrix helps businesses to decide their product and market growth strategy on the basis of following:



Strategy	Meaning	Other Points
Market Penetration	To sell existing products into existing markets.	**1.** Penetration i.e. making increased sales to present customers, without changing products in a major way, might require greater spending on advertising or personal selling. **2.** Market Penetration can be achieved by: **a)** Increasing Market Share, **b)** Increasing Product Usage/ Utilities,

		c) Increasing the frequency of usage, **d)** Increasing the quantity used, or **e)** Finding new applications for current users.
Market Development	To sell existing products into new markets.	This strategy may be achieved through: **a)** new geographical markets, **b)** new product dimensions or packaging, **c)** new distribution channels, **d)** different pricing policies to attract different customers, **e)** Creating new market segments.
Product Development	To introduce new products into existing markets	**1.** The company seeks growth by offering modified or new products to current markets. **2.** Product Development can be achieved by: **a)** Adding new features to the product, product refinement, **b)** Developing a new generation product.
Diversification	To sell new products in new markets.	**a)** It involves starting up or acquiring businesses outside the company's current products and markets. **b)** This strategy is risky, because it does not rely on either the company's successful product or its position in already established markets.

INTRESTING QUESTIONS FROM PAST EXAMINATIONS

1. How is TOWS Matrix an improvement over the SWOT Analysis? Describe the construction of TOWS Matrix. (PM)

1. Through SWOT analysis organisations identify their strengths, weaknesses, opportunities and threats.
2. Heinz Weihrich developed a matrix called TOWS matrix by matching strengths and weaknesses of an organization with the external opportunities and threats.
3. The incremental benefit of the TOWS matrix lies in systematically identifying relationships between these factors and selecting strategies on their basis. The matrix is outlined below:
4. Through TOWS matrix four distinct alternative kinds of strategic choices can be identified.
   - **a) SO (Maxi-Maxi):** SO is a position that any firm would like to achieve. The strengths can be used to capitalize or build upon existing or emerging opportunities.
   - **b) ST (Maxi-Mini):** ST is a position in which a firm strives to minimize existing or emerging threats through its strengths.
   - **c) WO (Mini-Maxi):** The strategies developed need to overcome organizational weaknesses if existing or emerging opportunities are to be exploited to maximum.
   - **d) WT (Mini-Mini):** WT is a position that any firm will try to avoid. An organization facing external threats and internal weaknesses may have to struggle for its survival.

2. To which industries the following developments offer opportunities and threats? "Increasing trend in India to organize IPL (Cricket) type of tournaments in other sports also." **(PM)**

1. An opportunity is a favourable condition in the organisation's environment which enables it to strengthen its position.
2. On the other hand a threat is an unfavourable condition in the organisation's environment which causes a risk for, or damage to, the organisation's position.

3. The IPL (Cricket) tournament is highly profit and entertainment driven. A number of entities and process are involved in this IPL type tournament. IPL (Cricket) type of tournament would offer opportunities/threats to the following industries:

4. **Opportunities to:**
   - Stadiums.
   - Sports Industry.
   - Manufactures of sports items.
   - Media Industry – Sports channels / television, advertisers.

5. **Threats to:**
   - Entertainment industry like TV serials, cinema theatres, Entertainment theme parks as competitors will be fighting for the same viewers/target customers.
   - Tourism and hotel Industry.
   - Event Management.

THE END

4. STRATEGY FORMULATION

1. What is Corporate Strategy? Bring out its features. (N 12 - 4M, M 14- 3, PM)

1. Corporate strategy consists of competitive moves and business approaches to produce successful performance.
2. It is the growth design of the firm and it spells out the growth objective of the firm.
3. **Features of corporate strategy:**
   - **a) Alignment:** It ensures that the firm aligns itself with the external environment effectively.
   - **b) Balance:** It helps to achieve balance between the firm's objectives and actual performance.
   - **c) Competitive advantages:** It helps to identify, create and maintain competitive advantage for the firm.
   - **d) Decision-making:** It is concerned with choice i.e. changes / additions / deletions to the firm's products, markets, distribution channels, production technologies, etc.
   - **e) Enterprise-wide effect:** Any corporate strategy has its effect on every department / activity of the firm.
   - **f) Futuristic:** Corporate strategy focuses on shaping the future of the firm.
   - **g) Growth:** Strategy is intended to facilitate the firm's growth.
   - **h) Proactive and reactive:** Strategy is a combination of – (a) pro-active actions of the firm to improve its market position and performance, and (b) re-active measures to face unanticipated developments and new environmental conditions.

2. Strategy of a company is partly Pro-active and partly Re-active. Explain. (N 12 -3M, PM, RTP- M14)

A company's strategy is an effective combination of – (a) pro-active actions of the firm to improve its market position and performance, and (b) re-active measures to face unanticipated developments and new environmental conditions.

A Company's Strategy is a judicious blend of

- **Pro-active measures** i.e. careful planning and deliberate management
  - To take 'change' of external opportunities.
  - To strengthen the firm's market position and performance
- **Reactive measures** i.e. adopting to changes or developments
  - To manage unforeseen development & changes.
  - To adjust adapt and to avoid unanticipated threats.

3. Explain the concept of Strategic Intent.

1. **<u>Meaning:</u>** A Firm exhibits "Strategic Intent", when it
   - **a)** Vigorously pursues an ambitious strategic objective, and
   - **b)** Concentrates its full resources and competitive actions on achieving that objective.
2. **<u>Example:</u>** A company's strategic intent can be - to become the dominant company in the industry, by-
   - **a)** Delivering the best customer service in the industry (or the world),
   - **b)** Turning a new technology into products that can change the way people work and live, and
   - **c)** Unseating the existing industry leader.

Strategic intent is also known as BHAG (Big Hairy Audacious Goal of a company.

4.	**Write short notes on Michael Porter's Generic Strategies.** **(M 10 - 10M, RTP- M12)**

1. **Classification:** According to Michael Porter, Generic or basic strategies allow organisations to gain competitive advantage from 3 different bases:
   a) **Cost leadership:** Producing standardised products at a very low cost per unit, for price-sensitive consumers.
   b) **Differentiation:** Producing unique products and services and targeting consumers who are relatively price – insensitive.
   c) **Focus:** Products and services that fulfill the needs of small groups of consumers.
2. **Factors:** Porter suggested that the appropriate strategy may be based on evaluation of following:
   a) **Sharing:** Managers should perform cost-benefit analysis to evaluate "sharing opportunities" among a firm's existing and potential business units.
   b) **Transfer of skills:** Firms can "transfer" skills and expertise among autonomous business units effectively in order to gain competitive advantage.
   c) **Size:** Large firms with greater access to resources can adopt cost leadership and/or differentiation strategy while small firms have to adopt focus strategy.
   d) **Others:** In addition to the above, the type of industry and the intensity of competition also play an important role in deciding the appropriate strategy.

5.	**Write short notes on Cost Leadership Strategy.**

1. **Situations:** Cost Leadership Strategy attempts to make the firm a low-cost producer in the industry. This strategy is more effective when:
   a) Market consists of many price sensitive buyers.
   b) There are only very few ways to achieve product differentiation
   c) Buyers do not care much about differences from one brand to another brand,
   d) There is large number of buyers with significant bargaining power.
2. **Effect:** It aims to lower cost and under-price competitors, in order to gain market share and sales. In this process, some competitors may be driven out of the market entirely.
3. **Procedure:** Cost leadership strategy can be achieved by –

• High efficiency, Low Overheads, • Effective Budgetary Control, • Wide spans of control, • Limited Perquisites for Managers,	• Reduction of waste and inefficiency, • Rewards linked to cost containment, and • Employee participation in cost control efforts.

6.	**Write short notes on Differentiation Strategy**

1. **Situations / Requirements:** Differentiation strategy requires-
   a) Suitable facilities to attract scientists and creative people,
   b) Strong co-ordination between the R&D and marketing functions, and
   c) Possibility of creating customer loyalty by offering special features.
2. **Effect:** It allows a firm to charge a higher price for its product and to gain customer loyalty because customers may become strongly attached to the differentiation features.
3. **Advantages:** Successful differentiation can lead to

• Premium price for the firm • Sustaining competitive advantage • Increase in number of units sold • Increase in brand loyalty by the customers.	• Improved service, • Less maintenance, • Greater convenience or more features,

7. Explain Focus Strategy.

1. **Situations:** Focus strategy is effective
   - **a)** When consumers have distinctive preferences or requirements,
   - **b)** When rival firms are not attempting to specialise in the same target segment.
   - **c)** For medium and large size firms.
2. **Effect:** A firm using a focus strategy may concentrate on a particular group of customers, geographic markets, or on particular product lines, in order to serve a well-defined but narrow market better than competitors, who serve a broader market.
3. **Requirements:** A successful focus strategy depends on an industry segment
   - **a)** that is of sufficient size,
   - **b)** has good growth potential, and
   - **c)** is not critical to the success of other major competitors.

8. What are Grand Strategies/ Directional Strategies (or) Master Strategies? What are the broad categories of Corporate Strategies?

Strategy	Basic Feature
Stability	The firm stays with its current businesses and product markets; maintains the existing level of effort; and is satisfied with incremental growth.
Expansion	Here, the firm seeks significant growth-maybe within the current businesses; maybe by entering new business that are related to existing businesses; or by entering new businesses that are unrelated to existing businesses.
Retrenchment	The firm retrenches some of the activities in a given business (es), or drops the business as such through sell-out or liquidation.
Combination	The firm combines the above strategic alternatives in some permutation/combination so as to suit the specific requirement of the firm.

9. Bring out the features of Stability Strategy.

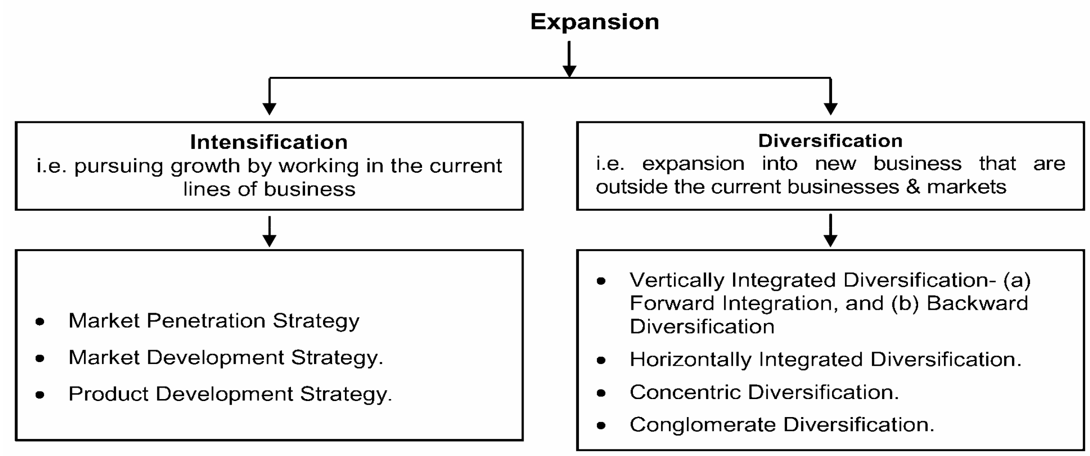
1. **Approach:** In this strategy, the Firm – (a) stays with its current business and product- market postures and functions, (b) maintains the existing level of effort, and (c) is satisfied with incremental growth.
2. **Efficiency:** The endeavor is to enhance functional efficiencies in an incremental way, through better deployment and utilization of resources.
3. **Modest Growth:** The growth objective of firms employing this strategy will be quite modest.
4. **Risk:** It is basically a safety-oriented, status quo-oriented strategy. The risk is also less.
5. **Resources:** The Firm seeks to deal in the same markets/ products/ services.
6. **New Investment:** It does not warrant much of fresh investments.
7. **No Redefinition:** Stability strategy does not involve a redefinition of the business of the corporation
8. **Frequency:** It is a fairly frequently employed strategy.

10. What are the reasons for adopting Stability Strategy?

1. It is less risky, involves less changes, and people feel comfortable with things as they are.
2. The environment faced is relatively stable.
3. Expansion may be perceived as being threatening.
4. Consolidation is sought through stabilizing after a period of rapid expansion.

11. Features of Expansion Strategy

1. **Approach:** The Firm seeks significant growth by – (a) Entering new business related to existing business, or by (b) Entering new businesses that are unrelated to existing businesses.
2. **Efficiency:** A Firm opting for expansion strategy can generate many alternatives within the strategy and pick the one that suits it most, thus leading to overall efficiency.
3. **High Growth:** Expansion Strategy leads to high growth rate.
4. **Risk:** Risk is higher in Expansion Strategy than in Stability Strategy.
5. **Resource:** Under Expansion, the Firm seeks to mobilize and utilize all its resources by venturing into new/unexplored areas of activity.
6. **Investments:** It involves renewal of the Firm through fresh investments and new business/ products/ markets.
7. **Redefinition:** Expansion Strategy involves a re-definition of the business of the Firm.
8. **Classification:** Expansion Strategy can be analyzed as under



12. Reasons for adopting 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.
3. Increasing size may lead to more control over the market vis-à-vis competitors.
4. Advantages from the experience curve and scale of operations may accrue.

13. Concept of Expansion through Diversification

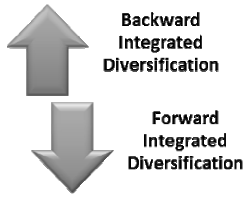
1. Diversification refers to the entry into new products or product lines, new services or new markets, involving substantially different skills, technology and knowledge.
2. **Reasons:**
   a) **Innovation:** Innovative and creative Firms look for opportunities and challenges to grow, to venture into new areas of activity.

b) **Capacity Utilization:** Firms which have excess capacity or capability in manufacturing facilities, investible funds, marketing channels, competitive standing, market prestige, etc. can diversify into new lines of activity.

c) **Synergy:** Sales and profits of existing products can be improved by adding suitable related or new products, because of linkages in technology and/or in markets.

14. Concept of Vertical and Horizontal Integration Diversification (N 12 -3M)

<u>Vertically Integrated Diversification Strategy:</u>



1. **Related:** Here, the firm engages in businesses that are related to its existing business.
2. **Forward and Backward:** The firm moves forward or backward in the chain, and enters specific product/process steps with the intention of making them into new business for the Firm.

<u>Horizontally Integrated Diversification Strategy:</u>This involves adding/acquisition of one or more similar businesses at the same stage of the production – marketing chain. This can be achieved by-

a) Taking over Competitor's products,

b) Production of Complementary products,

c) Sale of By- products,

d) Entering into Repairs and servicing of products.

15. What are the reasons for adopting Related and Unrelated Diversification Strategies?

Related Diversification	Unrelated Diversification
a) To exchange or share assets or competencies, by exploiting- **i)** Brand Name, **ii)** Marketing Skills, **iii)** Sales and Distribution Capacity, **iv)** Manufacturing Skills, **v)** R&D, and **vi)** New Product Capacity, **b)** To achieve economies of scale.	**a)** To manage and allocate cash flow. **b)** To obtain high ROI. **c)** To enhance market power. **d)** To re-focus a Firm, objectives and operations. **e)** To reduce risk by operating in multiple product markets. **f)** To obtain tax benefits. **g)** To Better utilization of the Liquid Assets.

16. Explain the concept of Expansion through Mergers and Acquisitions. (RTP- M12)

1. Expansion through Mergers and Acquisitions is an attractive method of Diversification. 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.
2. **<u>Reasons:</u>**

   a) To meet the basic business urge to grow.

   b) To achieve a measure of synergy between the Parent and the acquired enterprises, which results from factors like physical facilities, technical and Managerial skills, distribution channels, general administration, R&D, etc.

17. Bring out the features of Retrenchment Strategy. (PM)

1. **<u>Meaning:</u>** Retrenchment or Retreat Strategy is resorted to save the enterprise's vital interests, to minimize the adverse effects of advancing forces.
2. **<u>Approach:</u>** The Firm retrenches some of the activities in a given business(es), or drops the business as such through sell-out or liquidation.

3. **Redefinition:** Retrenchment Strategy constitutes re-definition of the business of the Firm.
4. **Ways of retrenchment:**
   - **a)** Cutting back on capital and revenue expenditure, e.g. R&D projects, advertising, executives perks, etc.
   - **b)** Reduction in inventory levels, production volumes, manpower, dividend rates, etc.
   - **c)** Withdrawal of some products/ product versions, winding up some branch offices, etc.
   - **d)** Disposal/Sale of manufacturing facilities and product divisions,
   - **e)** Retirement either from the production or the marketing stage.
   - **f)** Offering itself for take-over by another more viable enterprise.
   - **g)** Seeking liquidation or winding up (corporate death).
5. **Types:** Retrenchment may be done either – (a) Internally (i.e. Turnaround) or (b) Externally (i.e. Divestment or Liquidation).

18. What are the reasons for adopting Retrenchment Strategy? (M 08 - 5M, M 10 - 2M)

1. Obsolescence of product/process.
2. High Competition.
3. Industry overcapacity.
4. Management no longer wishes to remain in business either partly or wholly due to continuous losses and unavailability.
5. Unmanageable threats from environment, due to intense competition, reduced margins, etc.
6. To ensure stability by reallocation of resource from unprofitable to profitable businesses.
7. Failure of Strategy.

19. How will a firm implement Turnaround Strategy? (M08 - 5M, PM, RTP- M14)

1. **Meaning:** Turnaround Strategies are those which are formulated by laying emphasis on improving internal efficiency so as to bring about internal retrenchment.
2. **Indicators:** The danger signals create the need for a Turnaround Strategy are-
   - **a)** Negative Cash Flow and Profits,
   - **c)** Declining Market value,
   - **b)** Mismanagement.
   - **d)** Deterioration in physical facilities,
   - **e)** Over manning, high turnover of employees, & low morale,
   - **f)** Uncompetitive products or services, and
3. **Elements/Procedure:** The elements that contribute to Turnaround are

a) Changes in the Top Management	**e)** Identifying quick-payoff activities,
b) Initial credibility-building actions	**f)** Asset Liquidation for generating cash,
c) Neutralizing external pressures	**g)** Creating scope for Revenue Generation,
d) Better internal co-ordination	**h)** Focus on Quick Cost Reductions.

20. What is a Divestment Strategy? Explain why is it adopted? (N 12 -3M, PM)

1. **Meaning:**
   - **a)** Divestment Strategy involves the sale or liquidation of portion of business, or a major division, profit centre or SBU.
   - **b)** It is adopted when a turnaround has been attempted but has proved to be unsuccessful.

2. **Reasons:** Divestment Strategy may be adopted due the following reasons-

   a) Acquired business proves to be a mismatch and cannot be integrated within the Company.

   b) Negative cash flows from a particular business create financial problems for the whole Company.

   c) Inability to cope with the prevailing severe/intense competition.

   d) Inability to invest in the technological up gradation required to survive in business.

   e) Availability of a better alternative for investment.

21.	Write short notes on Liquidation Strategy. (RTP- M14)

1. **Meaning:** Liquidation Strategy involves closing down a firm and selling off all its assets and paying off its liabilities. It is the most extreme strategy, and is considered as the last resort, i.e. when turnaround and divestment will not be successful.
2. **Effects:**

   a) Loss of employment for workers,

   b) Termination of opportunities, if the business has other activities/ventures,

   c) Stigma of failure.
3. **Process:** When liquidation is evident, the Firm should chalk out an abandonment plan. Planned Liquidation will ensure that assets are disposed- off and liabilities settled in the best interests of the firm and its shareholders/owners.

22.	What are the reasons for adopting Combination Strategy?

1. **Meaning:** Stability, Expansion and Retrenchment alternatives are not mutually exclusive. Hence, a combination thereof can be adopted. An enterprise may seek stability in R&D area of activity, expansion in some product lines and retrenchment in the less profitable products.
2. **Reasons:** Some reasons for adopting Combination Strategy are-

   a) The organisation is large and faces complex environment.

   b) The organisation is composed of different business, each of which lies in a different industry requiring a different purpose.

23.	What is meant by Functional Strategies? In terms of level where will you put them? Are functional strategies really important for business? (M 07 - 4M, N 13 – 3M, PM)

1. Once corporate and business strategies are developed, management need to formulate and implement strategies for each functional area.
2. In terms of the levels of strategy formulation, functional strategies operate below the SBU or business-level strategies.
3. The need for Functional Strategies can be explained as under-

   a) Strategies formulated at corporate level <u>should be translated into operational plans</u> for each functional area. Only then, the plans will be practically feasible.

   b) Functional Strategies <u>act as basis for controlling activities</u> in the different functional areas of business.

   c) Functional strategies <u>help in bringing harmony and coordination</u> as they remain part of major strategies.

   d) Similar situations occurring in different functional areas can be handled in a consistent manner, by the functional managers.

24.	Discuss the concept of Marketing Mix.	(PM, RTP- M12)

The Marketing Mix is the set of controllable marketing variables that the Firm blends-

a) To influence the demand for its products, and

b) To produce the response it wants, in the target market.

These variables are often referred to as the "Seven Ps" of Marketing.

Variable	Areas of Strategy/ Matters
Product: Goods & services offered by the Company, to the target market	• To manage existing product(s) over time. • To add new products and drop failed products. • To decide on branding, packaging, and other product features (e.g. Warranties).
Price: Amount of money that customers have to pay to obtain the product.	• Location of customers and effect on Price. • Price flexibility. • Pricing of related items within a product line, • Terms of Sale, • New Product Pricing, i.e. penetration or skimming pricing.
Place: All Company activities that make the product available to target customers.	• To manage the channel(s) by which ownership of product is transferred from producers to customers. • To review the system(s) by which goods are moved from where production locations to sales outlets. • To decide terms of business (e.g. Wholesalers and Retailer).
Promotion: Activities that communicate the merits of the product and persuade target consumers to buy it.	• To combine individual methods such as advertising, personal selling, and sales promotion into a co-ordinated campaign. • To effectively counter/manage the Competitor's strategies in promotion, &retain the Firm's customers.
People: All human actors who play a part in delivery of the market offering and thus influence the buyer's perception, namely the firm's personnel.	• To determine extent of co-ordination between Firm's personnel (in rendering services) to the customer. • To identify ways and means to improve healthy business relations with customers.
Physical Evidence: The environment in which the market offering is delivered, and where the Firm and customer interact.	• To identify the impact of service environment on the customer and level of his satisfaction.
Process: The actual procedures, mechanisms and flow of activities by which the product/service is delivered.	• To simplify the 'process flow' by eliminating unnecessary or non-value added activities and processes. • To obtain cost reduction advantage by simplifying essential activities and processes.

25.	What are the areas/ issues in finance where strategy-formulation is required?

Capital Structure	To decide on the combination of funding i.e. Short-term Debt, Long-term Debt, Preference Capital or Equity Capital.
Capital Budgeting	• To lease or buy Fixed Assets, • To identify profitable options in Capital Rationing Situations.
Working Capital	• To extend the time of accounts receivable, or restrict credit periods. • To decide on discount rates to be offered for payment within a specified period of time.

	• To determine • The amount of cash that should be kept on hand.
Dividends	• To determine an appropriate divided payout ratio, • To decide on timing and quantum of interim dividend.

26. **Explain the factors to be considered in formulating strategy for acquiring capital, i.e., source of funds.** **(N 11 - 3M)**

1. **Internal or External:** The ratio of external funding (Fresh Issue of Shares, New Loans), to internal funding, should be determined.
2. **Debt-Equity Ratio Mix and Leverage Effect:** An enterprise should have enough debt in its capital structure, to boost its ROE and EPS by utilizing debt to products and projects, where ROCE is greater than rate of interest on debt.
3. **Control:** If Special Stock/Shares are issued to finance a strategy implementation, ownership and control of the entity may get diluted.
4. **Other Considerations:** Risk, Cost, Gearing Effect, Floatation Costs and Procedures, Gestation Period for returns from Project, if any, legal requirements, working capital funding approaches, nature of share price movements, terms of repayment in case of Loans.

27. **What are the various methods for determining the Net Worth of a business?** **(M 11 - 4M, M 13 – 2M, RTP-M12, M13, M14, PM)**

Method	Net Worth of the Firm is computed as under-
Asset-based or Balance Sheet based	**a)** Net Worth=Fixed Assets + Net Working Capital – Long - Term Debt.**(OR)** **b)** Net Worth = Equity Share Capital + Preference Share Capital + Reserves and Surplus – Miscellaneous Expenditure and Accumulated Losses. **(Note:** An appropriate amount may be adjusted for Goodwill, and overvalued or undervalued assets.)
Profit based	Net Worth = 5 Times × Current Annual Profit **Note:** This approach in determining a Firm's value is based on the assumption that the worth of any business should be based largely on the future benefits its owners may derive through Net Profits.
Comparative Price	Net Worth or Selling Price of a similar Company is considered.
P/E based	Net Worth=PE Ratio × Average Net Income for the past 5 years. **Note:** PE Ratio = Market Price per Share ÷ Earnings per Share.
Outstanding Shares method	Net Worth = Current Market Price per share × No. of Shares outstanding (i.e. issued and paid-up) **Note:** A Premium may be added towards the amount the acquirer may be ready to pay, in order to obtain control over the Company.

28. **Write short notes on Production strategy formulation.**

1. Production Strategy is related to- (a) Production System, (b) Operational Planning and Control, and (c) Research and Development (R&D).
2. Production Strategies have an effect on- (a) nature of product/service, (b) markets to be served, and (c) the manner in which the markets are to be served.

29. **List a few areas/ issues for which the R&D Strategies are formulated.**

The following are the areas/ issues for which R&D Strategies should be formulated-

1. Emphasize on product or process improvements.
2. Focus on basic or applied research.
3. Be leader or followers in R&D.
4. Develop robotics or manual-type processes.
5. Spend a high, average, or low amount of money on R&D.
6. Perform R&D within the Firm or to contract R&D to outside Firms.
7. Use University Researchers or Private Sector Researchers.

30. **Write short notes on Logistics Strategy.** **(N13 – 4M, RTP- M12, PM)**

1. **Meaning:** Management of Logistics is a process which integrates the flow of supplies into, through and out of an organisation. The objective is to ensure that the right materials are available at the right place, at the right time, of the right quality, and at the right cost.
2. **Issues:** Logistics Strategy deals with the following issues
   - **a)** Sources of Raw Materials and Components available,
   - **b)** Number of manufacturing locations, and the products manufactured therein,
   - **c)** Modes of transportation used for various materials and components,
   - **d)** Nature of Materials Handling Equipment used,
   - **e)** Nature of distribution facilities.
   - **f)** Method for deploying inventory in the logistics network.
   - **g)** Ownership of transport vehicles by the Firm.

31. **What is Supply Chain Management? What are the requirements for the successful implementation of supply chain management system? Explain. (N 11 – 3M, N 13 – 7M, PM)**

Meaning:

a) SCM refers to the linkages between suppliers, manufacturers and customers.

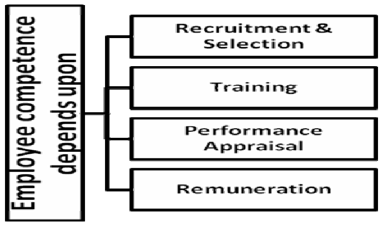
b) SCM is defined as the process of planning, implementing, and controlling the supply chain operations.

c) It encompasses all movement and storage of raw materials, work-in-process inventory, and finished goods from point-of-origin to point-of-consumption.

IMPLEMENTING SUPPLY CHAIN MANAGEMENT SYSTEMS:

1. **Product development:** Customers and suppliers must work together in the product development process. This enables an organisation in developing and launching products in shorter time and remain competitive.
2. **Procurement:** Procurement requires careful resource planning, quality issues, identifying sources, negotiation, order placement, inbound transportation and storage. Suppliers are involved in planning the manufacturing process.
3. **Manufacturing:** Flexible manufacturing processes must be used to respond to market changes. Manufacturing should be done on the basis of just-in-time (JIT) and minimum lot sizes.
4. **Physical distribution:** Availability of the products at the right place at right time is important for each channel participant.

5. **Outsourcing:** The Company has to focus on those activities where it has competency and everything else will be outsourced



6. **Customer services:** Organizations through interfaces with the company's productionand distribution operations develop customer relationships so as to satisfy them.

7. **Performance measurement:** Performance is measured in different parameters such as costs, customer service, productivity and quality.

32.	**Explain briefly the internal factors which have a strong influence on employee competence. (M14- 3M)**

The organisational factors which have a strong influence on employee competence are-

1. **Recruitment & Selection:** The workforce will be more competent if a Firm can successfully identify, attracts, and select the most competent applicants. The right person should be appointed to the right job.
2. **Training:** Employee's efficiency and competence will improve if they are well trained to perform their jobs properly.
3. **Performance Appraisal:** Performance deficiencies due to lack of competence if identified, can be solved through counseling, coaching or training.
4. **Remuneration:** A Firm usually increase the competence of its employees by offering pay and benefit packages, that are more attractive than those of their competitors.

33.	**Outline the key areas where the Human Resource Manager can play a strategic role. (N 11, 12 – 3M, PM, RTP – M13)**

1. **Purposeful Direction:** HR management should ensure that there is synchronization of the objects of the Firm and individuals working therein.
2. **Core Competence:** Core Competence is a unique strength of an organisation, which may be in the form of human resources, marketing, capability, or technological capability. Core competence ensures the gainful use of the limited resources of a Firm. This needs creative, courageous and dynamic leadership having faith in the Firm's human resources.
3. **Competitive Atmosphere:** HR Management should create a competitive atmosphere in the Firm, manned by a committed and competent workforce. This will ensure competitive advantage for the Firm.
4. **Works Ethics and Culture:** HR Management should try to develop a vibrant work culture to create an atmosphere of trust among people, and to encourage creative ideas by the people.
5. **HR Empowerment:** HR Management seeks to satisfy the self-esteem and self-actualization needs of employees.
6. **Change Management:** HR Management is responsible for maintaining the present situation, and also for ensuring growth and better performance by coping with the changes in the external environment.
7. **Diversity Management:** Workforce diversity can be observed in terms of male and female workers, young and old workers, educated and uneducated workers, unskilled and professional employee, etc. This brings out the need for higher degree of participation and avenues for worker's satisfaction, through various monetary and non-monetary incentives.

INTRESTING QUESTIONS FROM PAST EXAMINATIONS

1.	**What are Acquisitions? Discuss with examples of two companies?**

1. **Meaning:** Acquisition of or merger with an existing concern is an instant means of achieving the expansion. It is an attractive method, as it saves the time, risks and skills involved in analysing internal growth opportunities, seizing them and building up the necessary resource base required to achieve growth.

2. **Reasons:**
   - **a)** To meet or satisfy the urge to grow in business
   - **b)** To achieve synergy between the parent and the acquired enterprises, which result from factors such as physical facilities, technical and managerial skills, distribution channels, general administration, R & D etc.
3. **Examples:**
   - **a)** Tata's acquisition of Anglo Dutch steelmaker Corus
   - **b)** Tata's acquisition of British Jaguar Land Rover
   - **c)** Mittal Steel's takeover of Arcelor
   - **d)** HPCL's acquisition of Kenya Petroleum Refinery Ltd.
   - **e)** HINDALCO's acquisition Canada based Novelis.

2. What could be a suitable work plan for implementing turnaround strategy?

Action plan for implementing turnaround strategy is given below.

Stage 1 – Assessment of current problems: The first step is to assess the current problems and get to the root causes and the extent of damage the problem has caused.

Stage 2 – Analyze the situation and develop a strategic plan: Before making any major changes, determine the chances of the business's survival. Identify appropriate strategies and develop a preliminary action plan with specific goals and detailed functional actions.

Stage 3– Implementing an emergency action plan: An appropriate action plan must be developed to stop the bleeding and enable the organization to survive. A positive operating cash flow must be established as quickly as possible and enough funds to implement the turnaround strategies must be raised.

Stage 4 – Restructuring the business:

- **a)** Prepare cash forecasts, analyze assets and debts, review profits and analyze other key financial functions to position the organization for rapid improvement.
- **b)** The "product mix" may be changed, requiring the organization to do some repositioning.
- **c)** Some facilities might be closed; the organization may even withdraw from certain markets which are unprofitable.
- **d)** Reward and compensation systems may be revised to encourage dedication and creativity among employees and to make them think profits and return on investments.

Stage 5 – 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.

3. Which Grand strategy alternative is followed during recession? (PM, RTP- M12)

Stability strategy is advisable option for the organisations facing recession. 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 minimise the costs. They work hard to maintain the existing market share, so that company survives the recessionary period.

4. Explain the meaning of the following strategies and also give suitable examples: (i)Forward integration (ii) Backward integration (iii) Horizontal integration (iv) Conglomerate diversification (v) Divestment (vi) Liquidation (vii) Concentric diversification. (PM, N 10- 7M)

Strategy	Meaning	Example
Forward Integration	Gaining ownership or increased control over the next level the value chain Manufacturing or intermediaries)	Reliance Industries (owning refineries) diversified into petrol pumps.

Backward Integration	Gaining ownership or increased control over the previous level in the value chain (Manufacturing or suppliers)	An automobile manufactures diversifying into tyre production.
Horizontal Integration	Seeking ownership or increased control of a firm's competitors	ICICI Bank taking over Bank of Rajasthan
Conglomerate Diversification	Adding new, unrelated products or services	Yash Birla Group (auto & engineering) decides to enter wellness, solar power and schools.
Divestment	Divestment strategy involves the sale or liquidation of a portion of business, or a major division, profit centre or SBU.	Godrej Group's withdrawal from the JV with Sara Lee from Africa
Liquidation	Liquidation strategy is an extreme strategy as it involves closing down a firm and selling its assets. It is considered as the last resort when all other options fail.	Those companies whose products are no more in demand sell all their assets.
Concentric Diversification	In concentric diversification, the new business are added that are linked to the existing businesses through process, technology or marketing.	Kotak Mahindra Bank gets into insurance and asset management businesses.

5. Discuss the role of R & D in strategy implementation. (RTP- N11)

1. R & D personnel can play an integral part in strategy implementation. These individuals are generally charged with developing new products and improving old products in a way that will allow effective strategy implementation.

2. R & D employees and managers perform tasks that include transferring complex technology, adjusting processes to local raw materials, adapting processes to local markets, and altering products to particular tastes and specifications.

3. R & D policies can enhance strategy implementation efforts to:

a) Emphasise product or process improvements.

b) Stress basic or applied research.

c) Be leaders or followers in R & D.

d) Develop robotics or manual- type processes.

e) Spend a high, average, or low amount of money on R & D.

f) Perform R & D within the firm or to contract R & D to outside firms.

g) Use university researchers or private researchers.

Note: *The above question was asked in Nov 14 exam as given under: How would you argue that R & D personnel are important for effective strategy execution?*

6. Does HRM function play a role in organizational strategy?

1. The human resource management function 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 rewarding of personnel.

2. An organization's recruitment, selection, training, performance appraisal, and compensation practices can have a strong influence on employee competence.

7.	**What is Marketing Mix? A company launches a new brand of ice creams. It keeps prices much below the prices of similar ice creams that are already in the market. Choose the pricing strategy that is probably used by the company.**

1. **Meaning:** It is the set of controllable marketing variables that the firm blends to produce the response it wants in the target market. These variables are often referred to as the "4Ps." The 4 P's stands for product, price, place and promotion.
2. A company trying to keep the prices of new brand of ice creams too low is trying to penetrate the market. In penetration pricing, prices are initially kept at relatively low levels. This is done to attract customers. It is expected that the price sensitive customers will switch to the new brand because of the lower price. The strategy helps in increasing market share or sales volume.

8.	**Why some organisations adopt turnaround strategy?**

1. 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.
2. It is a highly targeted effort to return an organization to profitability and increase positive cash flows to a sufficient level.
3. The overall goal of turnaround strategy is to return an underperforming company to normal in terms of acceptable levels of profitability, solvency, liquidity and cash flow. 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.

9.	**Contraction and consolidation are basic to turnaround strategy. Discuss.**

1. Turnaround is needed when an enterprise's performance deteriorates significantly. It is highly targeted effort to return an organization to profitability and increase positive cash flows to a sufficient level.
2. 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. These aspects require contraction and consolidation.

10.	**How production strategy implements, supports and drives higher strategies?**

1. For effective implementation of higher level strategies, strategists need to provide direction to functional managers, including production, regarding the plans and policies to be adopted.
2. Production strategy provides a path for transmitting corporate and business level strategy to the production systems and makes it operational. It may relate to production planning, operational system, control and research & development.

11.	**Discuss how mergers and acquisitions are used for business growth. What are the various types of mergers?**

Many organizations in order to achieve quick growth, use strategies such as mergers and acquisitions. This also helps in deploying surplus funds.

Meaning: 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.

When one organization takes over the other organization and controls all its business operations, it is known as acquisition.

TYPES OF MERGERS

a) **Horizontal merger:** Horizontal mergers are combinations of firms engaged in the same industry. It is a merger with a direct competitor. For example, formation of Brook Bond Lipton India Ltd. through the merger of Lipton India and Brook Bond.

b) **Vertical merger:** It is a merger of two organizations that are operating in the same industry but at different stages of production or distribution system. If an organization takes over its supplier/producers of raw material, then it leads to backward integration. On the other hand, forward integration happens when an organization decides to take over its buyer organizations or distribution channels.

c) **Co-generic merger:** In co-generic merger two or more merging organizations are associated in some way or the other related to the production processes, business markets, or basic required technologies. For example, an organization manufacturing refrigerators can diversify by merging with another organization having business in kitchen appliances.

d) **Conglomerate merger:** Conglomerate mergers are the combination of organizations that are unrelated to each other. There will be no common factors between the organizations in production, marketing, research and development and technology.

12.	**What is meant by backward integration? Name any two backward integration strategies that hospitals may pursue.**

1. A firm following backward integration strategy moves backward in the product- process chain and takes up an activity in the pre- production stage as its new business.
2. In case of hospitals there can be number of businesses that can be entered. Following are indicative list of backward integration strategies that hospitals may pursue:
   a) Drugs and pharmaceuticals- specific drugs can be manufactured or traded.
   b) Business of gases required in hospitals- oxygen
   c) Pathology labs/ diagnostic services. This can be created in- house if not available already. Alternatively, a chain can be started.
   d) Blood banks
   e) Ambulance services.

THE END

5. STRATEGY IMPLEMENTATION & CONTROL

1.	What do you mean by Strategy Implementation?

1. Strategy Implementation / Execution deals with the managerial exercise of:
    - **a)** Supervising the ongoing implementation of strategy,
    - **b)** Making the strategy to work,
    - **c)** Improving the competence with which it is executed, and
    - **d)** Showing good progress in achieving the targeted results.
2. It involves translating a good idea into action.

2.	Outline the activity of Implementing and Executing the Strategy.

The strategy implementation and execution process involves the following aspects:

Internal capabilities	Building and strengthening strategy supportive competencies and capabilities.
Reward Structure	Rewards and Incentives System to encourage achievement of performance.
Internal operating systems	**a)** Developing budges for efficient utilisation of resources. **b)** Installing information and operating systems. **c)** Execution of policies and procedures and organising the work effort. **d)** Using the best-known practices to perform core business activities & for improvement.
Work Climate & Culture	**a)** Creating a corporate culture and work climate **b)** Using the internal leadership needed to drive implementation forward and keep improving execution.

3.	Outline the Inter-relationship between Strategy Formulation and Implementation. (MTP 1 – 5M, May 12 – 3M, PM, RTP- M14)

Success of an organisation is a function of good strategy and proper implementation.

Combination of		Observation
Strategy formulation	**Strategy implementation**	
Sound	**Weak**	This may arise due to lack of experience, lack of resources, missing leadership etc.
Sound	**Excellent**	This is an ideal situation i.e. a good strategy, implemented successfully.
Flawed	**Weak**	To ensure survival and growth, such firms should seek business model re-design and implementation / execution re-adjustment.
Flawed	**Excellent**	Such firms should re-design their strategy before re-adjusting their implementation / execution skills.

4.	Participative process is a pre-requisite for effective strategy implementation. Comment

Yes, participative process is a pre-requisite for effective strategy implementation. The participative process involves the following aspects:

1. **Responsibility shift:** As much as possible divisional and functional managers should be involved in strategy formulation activities. As much as possible, strategists should also be involved in strategy implementation activities.
2. **Participation:** Managers and employees throughout the firm should participate early and directly in strategy-implementation decisions.
3. **Commitment:** Strategists' genuine personal commitment in the implementation of strategy is necessary and it is a powerful motivational force for managers and employees.
4. **Communication:** The rationale (=basis, underlying principle) for objectives and strategies should be understood and clearly communicated throughout the firm.
5. **Focus on competitor:** Firms should focus on competitors by gathering and widely distributing competitive intelligence at all hierarchical levels.
6. **Training:** Firms should provide training for managers and employees to ensure that they have and maintain the skills necessary to become world class performers.

5.	Changes in Strategy often require changes in Structure. Explain.

Changes in strategy often require changes in structure due to following reasons:

1. **Changes:** Structure should be designed to facilitate strategic pursuit of a firm. Therefore, structure follows strategy. So, changes in strategy lead to changes in organisational structure.``
2. **Match:** A competitive advantage is created when there is a proper match between strategy and structure. If there is no proper match between strategy and structure it leads to company rigidity and failure.

6.	Write short notes on Simple Organisational Structure.

Meaning:

a) A simple structure is an organisational structure in which the owner-manager makes all major decisions directly and monitors all activities.

b) Company's staffs merely serve as executors of decisions taken by the owner-manager.

Features:

a) Little specialisation of tasks.

b) Few rules and little formalisation.

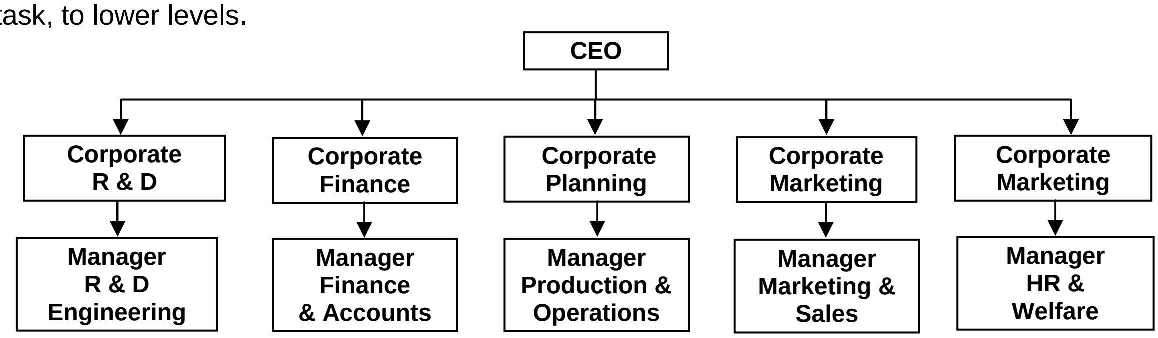
c) Unsophisticated information systems.

d) Direct involvement of owner-manager in all phases of day-to-day operations.

e) Frequent and direct communication.

7. State the characteristics of a Functional Structure?

1. **Meaning:**
   - **a)** Under Functional structure the entire work to be done is divided into major functional departments.
   - **b)** The Functional Structure consists of:
     - **i) Corporate Level:** Chief Executive Officer (CEO) or a Managing Director and other Heads,
     - **ii) Functional Level:** Line Managers in major functions like Production, Accounting, Marketing, R&D, Engineering, and Human Resources.
2. **Departmentation:**
   - **a)** Here, each major function of business is organised as a separate department.
   - **b)** Within the department, the work can be divided into different sections and sub-sections.
   - **c)** Within each sub-section, work can be organised from top to bottom by entrusting each unit of job / task, to lower levels.



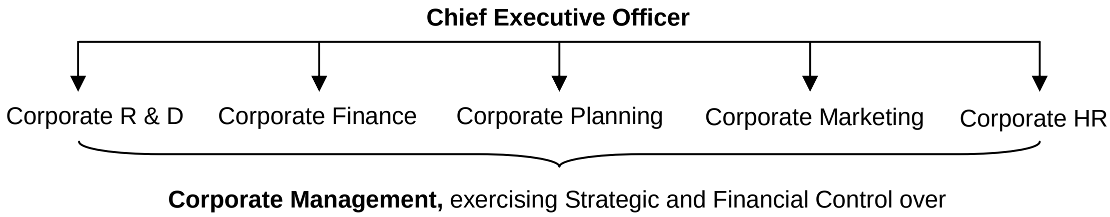
8. Multi Divisional Structure or M-Form Structure

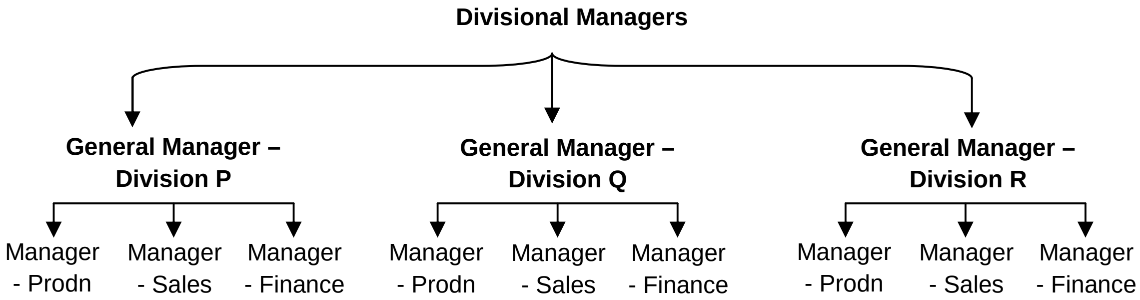
Meaning: The multi-divisional (M-Form) structure consists of operating divisions where each division represents a separate business, to which the top management delegates responsibility for day-to-day operations and business unit strategy to division managers.

Divisions:

- **a)** Each division will represent a separate business and has its own functional hierarchy.
- **b)** Each division manager is responsible for managing day-to-day operations in that division.
- **c)** In this structure, functional activities are performed both centrally and in each separate division.

Top Management Role: Top management (i.e. Corporate Office) is responsible for formulating and implementing overall corporate strategy, and manages the semi-autonomous divisions through strategic & financial controls.





9. Write short notes on SBU Structure. (PM)

Meaning:

a) SBU Structure groups similar divisions into Strategic Business Units and delegates authority and responsibility for each unit to a Head Senior Executive. Head Senior Executive will report directly to the Top Management/ CEO.

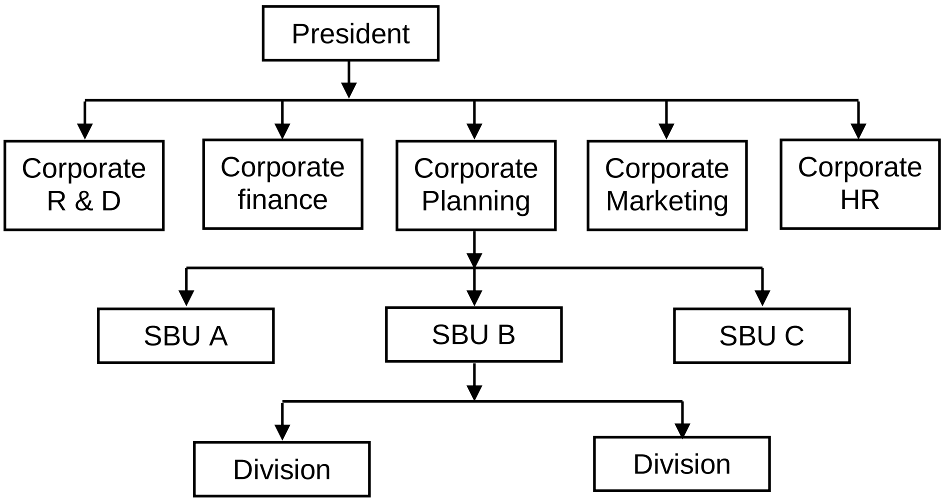
b) A Strategic Business Unit (SBU) structure consists of the following levels of Management -

i) Top Level - Corporate Headquarters, CEO and various functional heads.

ii) Second Level - SBU Groups, under the control of the SBU Head.

iii) Third Level - Divisions grouped by relatedness within each SBU.

c) Within each SBU, divisions are related to each other. However, SBU Groups (i.e. 2^{nd} level) are unrelated to each other.



10. Write Short notes on Network Structure. (N10 - 4M, N12, M13 - 3M, PM, RTP- M12, M14)

Meaning:

a) Network Organization is a series of independent firms or business units linked together by computers in an information system that designs, produces, and markets a product or service.

b) It is also called as "virtual organization", because it consists of a series of project groups or collaborations linked by constantly changing non-hierarchical, cobweb-like networks.

c) Instead of having salaried employees, the firm may hire people for a specific project or length of time. The company majorly depends on outsourcing.

d) The firm is only a shell, with a small headquarters acting as "Broker". The firm is electronically connected to some fully-owned divisions, partly-owned subsidiaries, and other independent companies.

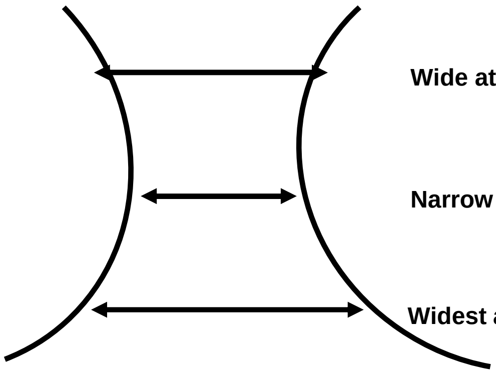
11.	Short notes on Hourglass Structure

Meaning:

a) Hourglass Organisation Structure consists of 3 layers or levels with constricted (=narrow or restricted) middle level. This structure has short and narrow middle- management level.

b) Information Technology links the top and bottom levels taking away many tasks that are performed by the middle managers.

c) Contrary to traditional middle level managers who are often specialists, the middle level managers in this structure are generalists and perform wide variety of tasks and coordinate diverse activities such as marketing, finance, production, etc. performed by lower level managers.



Advantages:

a) Reduced costs due to narrow middle- management level.

b) Increased responsiveness from lower level employees due to simplification of decision making.

c) Quick Decision Making is possible.

Disadvantages:

a) Low promotional opportunities for lower level employees due to the reduced size of middle management.

b) Continuity at same level (lower level) may bring monotony and lack of interest and becomes difficult keep the motivation levels high.

12.	How can a firm obtain competitive advantage? (OR) Compare and contrast the sources of competitive advantage.

The competitive advantage can take 2 forms - (a) Differentiation advantage and (b) Low-Cost advantage.

A comparative analysis of these 2 forms is given below:

Differentiation advantage	Low-Cost advantage
It occurs when customers perceive that a firm's product is of: • higher quality, • involves less risk and / or • out performs competing products offered by competitors. • Thus customers will be willing to pay a premium price for this product.	A Firm enjoy slow-cost advantage if its total costs are lower than the market average.

This is gained by:	Gained by:
• Ability to deliver goods in a timely manner, • Better quality, • Provision of after-sales support services, • Offer a wider range of goods and services etc.	• Access to low-cost raw materials • Innovative process technology • Low-cost access to distribution channels • Economies of scale, • Superior operating management, etc.

13. Define the term VCA. How can VCA be used to assess Competitive advantage?

Value Chain Analysis is an approach for internal analysis of resources suggested by Michael porter.

Meaning: It consists of a series of activities which are undertaken by a business firm and are strategically relevant for meeting customer demand and in respect of which the firm may have an edge over its competitors.

VCA CAN BE USED TO ASSESS THE COMPETITIVE ADVANTAGE IN THE FOLLOWING WAYS:

1. A Company can gain competitive advantage by:

- **a)** matching or surpassing its competitors, and
- **b)** Discovering what the customers want and then profitably satisfying and even exceeding their expectations.

This is done by a concept called Value Chain Analysis (VCA).

2. It involves the following analyses:

- **a) Internal cost analysis:** To determine the sources of cost advantage within internal value-creating processes, and
- **b) Internal differentiation analysis:** To understand the sources of differentiation within internal value-creating processes, and
- **c) Vertical linkage analysis:** To understand the relationships with suppliers and customers and associated costs in order to maximise the value delivered to customers and to minimise cost.

14. How are business activities classified for VCA purposes? (N 08 – 2M, N 13 – 3M, PM)

Porter classified business activities into - (1) Primary or Line Activities, and (2) Support Activities.

Primary activities: The Primary Activitiesof an organization are grouped into –

1. Inbound Logistics are the activities concerned with receiving, storing and distributing the inputs to the product/service.
2. Operations convert these inputs into final product or service.
3. Outbound Logistics collect, store and distribute the product to customers.
4. Marketing and Sales provide the means whereby consumers/users are made aware of the product / service and are able to purchase it. These include sales administration, advertising, selling, etc.
5. Services are all those activities, which enhance or maintain the value of a product/service, such as installation, repair, training and spares.

Support Activities: These are activities that support primary activities. They are handled by the organisation's staff functions and include:

1. **Procurement** (It is a process of procuring various resource inputs to primary activities) **-** purchasing of raw materials, supplies and other consumable Items as well as assets.

2. **Technology development -** Know-how, Procedures and Technological inputs needed in every Value Chain activity.

3. **Human Resource Management -** Selection, promotion and placement, appraisal, rewards, management development, and labour/employee relations.

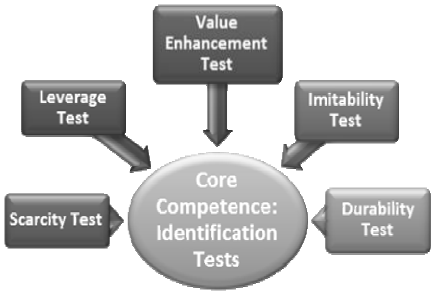
4. **Infrastructure -** general management, planning, finance, accounting, legal, government affairs and quality management.

15.	**Write short notes on Core Competencies.**

Meaning:

a) A core competence is the one which is competitively unique, specific to a firm which can't be imitated.

b) Core competencies are created by superior integration of technological, physical and human resources. They represent distinctive skills as well as intangible, invisible, intellectual assets and cultural capabilities.



Identification: A core competence is identified by following tests

a) **Scarcity:** It is a primary test.

b) **Leverage or Extendibility Test:** Does it provide access to a wide variety of markets?

c) **Value Enhancement Test:** Does it make significant contribution to the perceived customer benefits of the end product?

d) **Imitability Test:** Can it be imitated? Does it reduce the threat of imitation by competitors?

e) Durability Test.

16.	**What are the Leadership roles to be played by a Strategic Manager?**

Leadership is the capacity to frame plans which will succeed and faculty to persuade others to carry them out in the face of all difficulties.

Strategic managers have the following leadership roles to play, to ensure effective strategy execution:

1. Staying on the top of what is happening, closely monitoring progress, solving issues and eliminating obstacles.
2. Promoting a culture of 'esprit de corps' (i.e. team spirit).
3. Keeping the firm responsive to changing conditions, alert for new opportunities, implementing innovative ideas and developing valuable competencies and capabilities, ahead of rivals.
4. Exercising ethical leadership.
5. Taking corrective actions to improve strategy execution and overall strategic performance.

Leadership Roles - various aspects

• Visionary • Chief Entrepreneur and Strategist • Chief Administrator • Decision-Maker • Culture Builder • Resource Acquirer and Allocator • Capabilities Builder	• Crisis Solver • Spokesperson (= representative) • Negotiator • Motivator • Arbitrator • Process Integrator	• Head Cheerleader • Perceptive (= insightful) listener • Decision-Maker • Coach and adviser • Policy maker • Policy enforcer

17.	What are the Responsibilities of a Strategic Leader? (N 13 – 3M)

THE RESPONSIBILITIES OF A STRATEGIC LEADER INCLUDE:

1. Managing human capital, since human resource is the most valuable resource and will directly affect the firm's performance.
2. Managing firm's operations during strategy implementation and execution stages.
3. Sustaining high performance over a period of time.
4. Taking bold and courage our decisions. But at the same time, the decisions should be practical and feasible.
5. Seeking feedback through face-to-face communication, thereby motivating people.

18.	What is Strategic Leadership? What are the two approaches to leadership style? (M 08 – 7M, M 13 – 4M, PM)

Two basic approaches to leadership can be transformational leadership style and transactional leadership style.

1. **Transformational leadership style:**
   a) This type of leadership style uses charisma and enthusiasm to inspire people.
   b) This style of leadership may be appropriate in turbulent environments, in industries at the very start or end of their life-cycles, in poorly performing organizations when there is a need to inspire a company to embrace major changes.
   c) It offers excitement, vision, intellectual stimulation and personal satisfaction.
   d) They inspire involvement in a mission, giving followers a 'dream' or 'vision' of a higher calling so as to elicit more dramatic changes in organizational performance.
   e) Such a leadership motivates followers to do more than originally expected to do.
2. **Transactional leadership style:**
   a) Its focus is more on designing systems and controlling the organization's activities and is more likely to be associated with improving the current situation.
   b) Transactional leaders try to build on the existing culture and enhance current practices.
   c) Transactional leadership style uses the authority of its office to exchange rewards, such as pay and status.
   d) They prefer a more formalized approach to motivation, setting clear goals with explicit rewards or penalties for achievement or non-achievement.
   e) Transactional leadership style may be appropriate in settled environment, in growing or mature industries, and in organizations that are performing well.

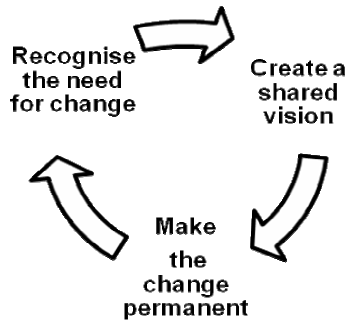
19.	What is Strategic Change and what are the steps to initiate it? (M 08 – 5M, M 12 – 3M, PM)

Strategic Change:

a) The changes in the environmental forces often require businesses to make modifications in their existing strategies and bring out new strategies.
b) Strategic change is a complex process and it involves a corporate strategy focused on new markets, products, services and new ways of doing business.

STEPS TO INITIATE STRATEGIC CHANGE:

1. **Recognize the need for change:**
   - **a)** The first step is to diagnose which facets of the present corporate culture are strategy supportive and which are not.
   - **b)** In needs environmental scanning involving appraisal of both internal and external capabilities may it be through SWOT analysis and then determine where the lacuna lies and scope for change exists.



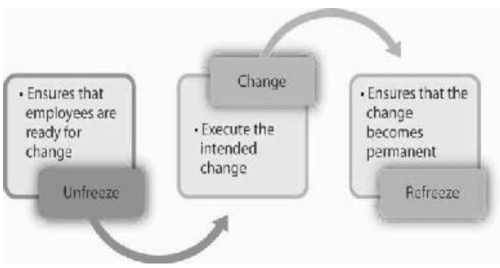
2. **Create a shared vision to manage change:**
   - **a)** Objectives and vision of both individuals and organization should coincide.
   - **b)** Strategy implementers have to convince that the change in business culture is not superficial or cosmetic.
   - **c)** The actions taken have to be credible, highly visible and unmistakably indicative of management's seriousness to new strategic initiatives and associated changes.

3. **Institutionalise the change**:
   - **a)** This is basically an action stage which requires implementation of changed strategy.
   - **b)** Change process must be regularly monitored and reviewed to analyse the after-effects of change.
   - **c)** It takes time for the changed culture to prevail.

20.	**Explain Kurt Lewin's change process**

To make the change lasting, Kurt Lewin proposed 3 phases of change process for moving the organisation from the present to the future.

1. **Unfreezing the situation:**
   - **a)** The management must pave the way for the change by first "unfreezing the situation", so that members would be willing and ready to accept the change.
   - **b)** The process of unfreezing simply makes the individuals or organisations aware of the necessity for change and prepares them for such a change.



2. **Changing to new situation:**
   - **a)** Once the unfreezing process has been completed and the members of the organisation recognize the need for change and have been fully prepared to accept such change, their behaviour patterns need to be redefined.
   - **b)** H.C. Kellman has proposed 3 methods for reassigning new patterns of behaviour. These are Compliance, Identification and Internalization.
3. **Refreezing:**
   - **a)** Refreezing occurs when the new becomes a normal way of life
   - **b)** The new behaviour must replace the former behaviour completely
   - **c)** In order for the new behaviour to become permanent, it must be continuously reinforced.

Conclusion: Change process is not a one- time application but a continuous process due to dynamism and ever changing environment.

21.	What do you mean by Corporate Culture? (N11 - 3M, PM, RTP- M11, M12, M14)

1. **Meaning:** Corporate culture refers to company's values, beliefs, business philosophy (=viewpoint, thinking) and principles, traditions, work climate, ways of operating and approaching problems & internal work environment.

2. **Manifestation** (=appearance)**:** Corporate culture comes from the complex sociological forces operating within the company. It is reflected from:
   - **a)** Values and business principles that management speaks and practices,
   - **b)** Ethical standards and official policies,
   - **c)** dealing with employees, unions, stockholders, vendors and the communities in which firm operates,
   - **d)** traditions that an organisation maintains,
   - **e)** supervisory practices,
   - **f)** employees attitudes and behaviour,
   - **g)** Legends that people repeat about happenings (= activities) in the firm,
   - **h)** Peer pressures, organisation's politics, "chemistry" and the "vibrations" that exist in the work environment.

22.	Is culture an obstacle or ally in Strategy Execution?(N 08 – 2M, M 11 – 3M, PM, RTP- M 12)

1. Whether culture is an ally or obstacle to strategy execution depends on the compatibility between the company's strategy and its culture.
2. If there is compatibility then culture becomes a valuable ally in strategy implementation.
3. It there is a conflict between culture and company's direction, performance targets or strategy then culture becomes a hurdle in the successful implementation and execution of the strategy.
4. A strategy-culture conflict requires –
   - **a)** Redesign strategy so that it is culturally fit, and
   - **b)** Redesign the mismatched cultural features to fit the strategy.

23.	What are the advantages of 'good fit' or 'alignment' between strategy and culture? (N11 - 3M, M12 – 4M, PM, RTP- N11)

1. **Motivation:** A culture grounded in values, practices and behavioral norms will **energize people** throughout the company, to do their jobs in a strategy supportive manner.
2. **Creativity:** A culture with creativity, acceptable change and challenging the status quo is conducive for successful execution of a product innovation and technological leadership strategy.
3. **Customer service:** A culture with business principles like motivating employees for their work and participative decision-making promotes strategy of superior customer service.
4. **Influence:** Proper alignment of culture and strategy channelises employees' behaviour and influences them to work in a strategy-supportive manner.
5. **Operations:** Strategy supportive culture will shape the mood, temperament and motivation of the workforce, positively influencing organisational energy, work habits and operating practices and the degree to which organisational units co-operate.

24. Outline the process of changing a problem culture.

Intensive management action is required over a period of time:

a) To replace an unhealthy culture with a healthy culture or

b) To root out certain unwanted cultural obstacles and introduce new ones that are more strategy-supportive.

Steps in this process:

1. Diagnose which areas of the present culture are strategy supportive and which are not.
2. Talk openly and forthrightly with the concerned persons about the aspects of the culture that need to be changed.
3. Follow-up with visible, aggressive actions to modify the culture
4. Revising policies and procedures in such a way that it will help to drive cultural change.
5. Make changes in incentive system so as to reward the desired cultural behaviour
6. Visibly praise and recognize people who display the new cultural traits (= qualities)
7. Recruit and hire new managers and employees who have the desired cultural values and can serve as role models to others
8. Communicate the basis of cultural change to employees and its benefits to all concerned.
9. Get the support of first line supervisors and employee union leaders. Convince them of the merits of practicing cultural norms at the lowest levels in the organization.

25. What is Control? Explain the different types of Organisational Control.

Meaning: It is intended to ensure that the organisation has achieved what it wants to achieve after implementing a strategy.

Types of Organisational Control: Primarily there are three types of organizational control, viz., operational control, management control and strategic control.

a) Operational Control:

- **i)** The thrust of operational control is on individual tasks or transactions as against total or more aggregative management functions.
- **ii)** Some of the examples of operational controls can be stock control (maintaining stocks between set limits), production control (manufacturing to set programmes), quality control (keeping product quality between agreed limits), cost control (maintaining expenditure as per standards), budgetary control (keeping performance to budget).

b) Management Control:

- **i)** When compared with operational control, management control is more inclusive and more aggregative.
- **ii)** Its basic purpose is to achieve enterprise goals – short range and long range – in a most effective and efficient manner.

c) Strategic Control: Strategic control focuses on the dual questions i.e. whether:

- **i)** The strategy is being implemented as planned; and
- **ii)** The results produced by the strategy are those intended.

26.	**What is Strategic Control? Explain the different types of Strategic Control.** **(M 12 – 4M, PM, RTP- M 12)**

Meaning:

a) Strategic control is the process of evaluating strategy as it is formulated and implemented.

b) It is directed towards identifying problems and changes in premises and making necessary adjustments.

c) Strategic Control focuses on monitoring and evaluating the strategic management process.

TYPE OF STRATEGIC CONTROL:

1. **Premise control:**
   - **a)** It 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.
   - **b)** It primarily involves monitoring two types of factors:
     - **i)** Environmental factors such as economic (inflation, liquidity, interest rates), technology, social & regulatory.
     - **ii)** Industry factors such as competitors, suppliers, substitutes
2. **Strategic surveillance:**
   - **a)** Contrary to the premise control, the strategic surveillance is unfocussed.
   - **b)** It involves general monitoring of various sources of information to uncover unanticipated information having a bearing on the organizational strategy.
   - **c)** Reading financial and other newspapers, business magazines, meetings, conferences, discussions at clubs or parties and so on can help in strategic surveillance.
3. **Special alert control:**
   - **a)** At times unexpected events may force organizations to reconsider their strategy. Sudden changes in government, natural calamities, terrorist attacks, unexpected merger/acquisition by competitors, industrial disasters and other such events may trigger an immediate and intense review of strategy.
   - **b)** Organizations will form crisis management teams to handle the situation.
4. **Implementation control:** It is 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.

INTRESTING QUESTIONS FROM PAST EXAMINATIONS

1.	**Importance of proper implementation of strategy in strategic management.(PM)**

1. **Meaning of Strategy Implementation:** Strategy implementation deals with the managerial exercise of putting a freshly chosen strategy into place. Strategy execution deals with supervising the ongoing pursuit of strategy, making it work, improving the competence with which it is executed and showing measurable progress in achieving the targeted results.
2. **Importance:**
   - **a)** There are situations where an organisation formulates a very competitive strategy, but is showing difficulties in implementing it successfully.
   - **b)** This can be due to various factors, such as the lack of experience, the lack of necessary resources, missing leadership and so on. Unless corrective actions are taken the strategy will fail.

2.	**How a Corporate culture can be both strength and weakness of an organization?**

<u>Meaning:</u> Corporate culture refers to a Company's values, beliefs, business principles, traditions, and ways of operating and internal work environment.

i) **As a Strength:** Culture can facilitate communication, decision making and control and instill cooperation and commitment. An organization's culture could be strong and cohesive when it conducts its business according to clear and explicit set of principle and values, which the management devotes considerable time to communicating to employees and which values are shared widely across the organisation.

ii) **As a weakness:** Culture, as a weakness can obstruct the smooth implementation of strategy by creating resistance to change. An organization's culture could be characterised as weak when many sub-cultures exists, few values and behavioural norms are shared and traditions are rare. In such organizations, employees do not have a sense of commitment, loyalty and sense of identity.

3.	**'A network structure is suited to unstable environment'. Elaborate.**

1. Network structure is a newer and somewhat more radical organizational design. The network structure could be termed a "non-structure" as it virtually eliminates in-house business functions and outsource many of them. An organisation organized in this manner is often called a virtual organization because it is composed of a series of project groups or collaborations linked by constantly changing non-hierarchical, cobweb-like networks.

2. The network structure becomes 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. Instead of having salaried employees, it may contract with people for a specific project or length of time. Long-term contracts with suppliers and distributors replace services that the company could provide for itself.

4.	**"Management of internal linkages in the Value Chain could create competitive advantages in a number of ways." Briefly explain.**

The management of internal linkages in the value chain could create competitive advantage in a number of ways:

a) There may be important linkages **between the primary activities**. For example, a decision to hold high levels of finished stock might ease production scheduling problems and provide for a faster response time to the customer. However, it will probably add to the overall cost of operations. An assessment needs to be made of whether the value added to the customer by this faster response through holding stocks is greater than the added cost.

b) The management of the linkages **between a primary activity and a support activity** may be the basis of a core competence. It may be key investments in systems or infrastructure which provides the basis on which the company outperforms competition. For eg., Travel bookings and hotel reservation systems are helping in providing both a better service and a service at reduced cost.

c) Linkages **between different support activities** may also be the basis of core competences. For example, the extent to which human resource development is in tune with new technologies has been a key feature in the implementation of new production and office technologies.

THE END

6. REACHING STRATEGIC EDGE

1.	**Define the term Business Process and outline the importance of business process.**

Meaning: A Business Process

1. Is a set of logically related tasks or activities oriented towards achieving a specified outcome.
2. Is a collection of activities which creates some value to the customer,
3. It often surpasses departmental or functional boundaries.
4. Is a set of activities that transform a set of inputs into set outputs for another person or process.

Importance:

1. **Analysis:** The structural elements of a process are important for its analysis, appraisal and re-design for achieving higher levels of efficiency and effectiveness, economy, speed, quality & output
2. **Linkages:** A set of inter-connected processes will form a business system. The performance of a business firm is the result of inter-related operations of its business processes.

2.	**State the problems in traditional business processes (or) Outline the need for Business Process Re-engineering (BPR).**

1. **Outdated Processes:** Most of the processes that firms follow might have been developed by their functional units over a period of time.
2. **Sub-System view:** Individual departments or divisions of a firm try to optimize their own performance, without considering the effect on other areas of operation.
3. **Time and Cost:** Existing business processes may be lengthy, time-consuming, costly, inefficient, obsolete and irrational.
4. **Fragmentation:** Fragmentation of work processes makes it difficult to improve the quality of work performance and also develops a narrow vision among the employees.
5. **Inefficiency:** Emerging critical issues may remain unattended by traditional management systems, due to the narrow definition of tasks or roles of an individual department.
6. **Need for IT:** Using information technology, it is possible to increase the speed of normal production, increase asset turnover, and reduce the customer response time and increase customer satisfaction.

The above factors bring out the need for BPR.

3.	**What do you mean by Business Process Re-engineering (BPR)? (M09 - 4M, PM, RTP-M12)**

Meaning: Business Process Re-engineering (BPR) refers to the analysis and re-design of workflows and processes both within and between business firms.

Concept: The concept of BPR is outlined below

1. **Operational excellence:** The business strategy of a company should be designed to take the advantage of its operational excellence.
2. **Process orientation:** A customer-focused firm should be re-aligned in terms of process orientation.
3. **No old ideas:** For considering new ways of re-designing processes, each and every concept, assumption, purpose and principle should be abandoned (= discarded) temporarily.
4. **Dramatic improvement:** Dramatic improvement in performance is a pre-requisite for overcoming competition.
5. **Competitive advantage:** To survive, grow and tackle competition, "how to compete" is more important than deciding where to compete.

4.	**State the objectives of Business Process Re-engineering?**

The objectives of Business Process Re-engineering are:

1. To obtain <u>considerable gain in the performance of the process</u> in terms of time, cost, output, quality, and responsiveness to customers.
2. To simplify and streamline the process by –
   - **a)** Eliminating all redundant (=repetitive) and non-value adding steps, activities and transactions,
   - **b)** Drastically reducing the number of stages or transfer points of work, and
   - **c)** Speeding up the work flow by using information technology systems.
3. To obtain dramatic improvement in operational effectiveness.
4. To provide competitive advantage to the firm.

5.	**Bring out the features of Business Process Re-engineering**

1. **<u>Starting from scratch:</u>** BPR means setting aside old practices and procedures. It involves forgetting how work has been done so far and deciding how it can best be done now.
2. **<u>Re-thinking:</u>** BPR begins with fundamental re-thinking. They try to find out answers to questions like "What is being done now? Why is it being done in this way?"
3. **<u>No assumptions:</u>** The thinking process in BPR begins with a totally free state of mind i.e. without any pre-conceived (= pre-determined) notions.
4. **<u>Normative:</u>** BPR ignores what the existing process is and concentrates on 'what it should be'.
5. **<u>Radical (= drastic):</u>** BPR involves radical re-designing of processes.
6. **<u>Dramatic improvement:</u>** BPR aims to achieve dramatic improvement in performance.
7. **<u>Re-invention:</u>** BPR is about business re-invention, not business improvement, business enhancement or business modification.
8. **<u>Process Orientation:</u>** BPR focuses on the process and tries to improve performance.
9. **<u>Detailed:</u>** BPR looks at the minute details of the process such as why the work is done, who does it, where it is done and when it is done.
10. **<u>Thrust (= focus) area:</u>** The thrust area in BPR is "reduction of total cycle time of a business process".
11. **<u>Continuous:</u>** Even after re-designing of a process, BPR maintains a continuous effort for more and more improvement.
12. **<u>IT supported:</u>** BPR aims to utilise information technology for developing new processes, instead of merely automating the existing processes.
13. **<u>Wholistic:</u>** BPR will affect all parts of the firm. BPR views the processes from a cross-functional and wholistic angle.
14. **<u>Organisational change:</u>** BPR involve massive organizational change.
15. **<u>Top management support:</u>** BPR is supported by the vision and commitment of the firm's top leadership, to ensure its effective completion and implementation.

6.	**Write down the steps in BPR?** **(M09 - 6M, M14 – 4M, RTP- M12)**

Define Objectives → Identify Customer Needs → Study the existing processes → Formulate a re-design process plan → Implementation

The steps involved in Business Process Re-engineering are:

1. **Define Objectives and Framework:** Objectives are the desired end results of the BPR process which a firm tries to achieve.
2. **Identify customer needs:** The purpose is to re-design business process that clearly provides added value to the customer. For this purpose, the designers should understand customers.
3. **Study the existing process:** For understanding "what", and "why" of targeted processes, the existing processes will act as important base.
4. **Formulate a re-design process plan:** Formulation of re-design plan is the real crux of BPR efforts. So, the information gained through analysis and study is translated into an ideal re-design process.

5. **Implementation:** Implementation of the re-designed process and application of other knowledge gained from the previous steps is very important to achieve dramatic improvements.

7.	BPR is a means of solving business problems through an imaginative leveraging of Info.Tech. Capabilities. Explain. (Or) Rationale of BPR. (M 14- 3M)

Yes, BPR is a means of solving business problems through an imaginative leveraging of information technology capabilities. The following points support the above statement:

1. **Competition:** Firms are now forced to improve their business processes to meet increased competition. Major changes are required to even to stay in the competitive market.
2. **Customer needs:** Customers are demanding better products and services. There is a need to re-design the firm's processes not only to meet customer expectations, but also to exceed the expectations and to improve quality standards to new levels.
3. **Technology:** New concepts in Information Technology (internet, e-commerce, etc.) are rapidly bringing new capabilities to businesses. This increases the options available to the firm to achieve dramatic improvement in the performance.

8.	Explain the role of information Technology in BPR. (N11 – 4M, N12 - 3M, PM)

1. A re-engineered business process, characterized by IT-assisted speed, accuracy, adaptability and integration of data and service points is focused on meeting the customer needs and expectations quickly and adequately, thereby enhancing the level of customer satisfaction.
2. The impact of IT-systems on BPR can be identified with respect to:
   - **a)** Operational Speed, drastic reduction in time,
   - **b)** Global Village, i.e. overcoming restrictions of geography and/or distance,
   - **c)** Restructuring of relationships or organisational restructuring.
   - **d)** Information systems that provide timely, reliable and accurate information, and
   - **e)** Business Values -IT initiatives provide business values in the areas of
     - **i)** Efficiency - by way of increased productivity,
     - **ii)** Effectiveness - by way of better management,
     - **iii)** Innovation - by way of improved products and services.

9.	What is Benchmarking? (N08 - 3M, M11 N12 - 2M, PM)

Meaning:

1. Benchmarking is the process of identifying and learning from the best industry practices and the processes by which they are achieved.

2. Benchmarking involves:

a) Comparing different aspects of the firm's products, services, activities, processes and other aspects of performance with that of competitors or other leaders in the field and the best prevailing practices,

b) Identifying gaps and deficiencies in the firm's own performance,

c) Finding out novel methods to reduce the gaps and also to improve the situations, and

d) Ensuring that these improved methods are implemented.

10.	**What are the elements/steps in the process of Benchmarking? (N08 - 7M, M11 - 2M, PM)**

BENCHMARKING PROCESS INVOLVES THE FOLLOWING STEPS:

Stage	Steps
1. Need for benchmarking and planning	• Define the objectives of the benchmarking exercise and the type of benchmarking.
2. Understand existing processes.	• Obtain information and data on the firm's actual performance. • Create an outline or map of existing business processes.
3. Analysis	• Identify the best processes within the same firm (intra-group benchmarking) or external to the firm (inter-group benchmarking).
4. Comparison	• Compare own processes and performance with that of others. • Identify gaps in performance between the firm and better performers. • Examine the chances of making the improvements in the light of conditions that exist within the firm.
5. Reporting & implementing	• Prepare a report on the benchmarking initiatives and provide recommendations and action plans. • Communicate the action plans to the concerned managers & field-workers. • Implement the steps necessary to fill the performance gap.
6. Review & evaluation	• Evaluate the results of benchmarking in terms of improvements vis-à-vis objectives and other criteria set for the purpose. • Review, evaluate and re-set the benchmarks periodically, in the light of changing conditions.

11.	**What is Total Quality Management (TQM)? What are the principles / features of TQM? (PM, RTP- M12, M14)**

Meaning: TQM is a people focused management system that aims at continual increase in customer satisfaction continually lower real cost. It is a customer oriented approach to provide quality. It is a total system approach and it a part of high level strategy.

Principles/Features of TQM: The features / guiding principles of TQM are:

1. **Management commitment to quality:** If the TQM is to be implemented the total commitment must come from top management.
2. **Focus on customer:** Satisfying the customer is the main objective of TQM.
3. **Prevention of defects:** TQM tries to prevent poor quality in products and services rather than simply to detect and sort out defects. 'An ounce of prevention is worth a pound of cure **(M12 - 1M)**
4. **Universal quality responsibility:** The responsibility for quality is not restricted to organisation's quality control department alone. It is a guiding philosophy shared by everyone in the organisation.

5. **Quality measurement:** The basic TQM concept is that quality is a measurable commodity and in order to improve we need to know where we are and we should have some idea about where we are going.
6. **Continuous improvement and learning:** TQM should be recognized as a continuous process. It is not a onetime programme.
7. **Root cause corrective action:** TQM tries to prevent this by identifying the root cause of problems and by taking corrective actions that solve the problems at root level.
8. Employee involvement or empowerment: They are fundamental TQM concepts.
9. **Synergy in teams:** Taking the advantage of synergy in teams is an effective way to address the problems and challenges of continuous improvement.
10. **Thinking statistically:** Statistical thinking is another basic TQM philosophy.
11. **Inventory reduction:** The Japanese JIT inventory management philosophy was mainly intended for cost reduction but the interesting effect out of this method is quality improvement.
12. **Value improvement:** The essence of value improvement is something more than quality improvement and it is the ability to meet or exceed customer expectations while removing unnecessary costs.
13. **Suppliers teaming:** Developing long term relationships with high quality supplier rather than simply selecting those with lower initial cost is termed as suppliers teaming.

12.	**What are the features that distinguish TQM from Traditional Management practices? (M 11 – 3M, PM, RTP – M13)**

The features that differentiate TQM from Traditional Management Practices and Techniques are:

1. **Strategic planning and management:** Quality Planning and Strategic Business Planning go hand-in-hand. Quality goals are the corner stones of a business plan.
2. **New linkages with customers and suppliers:** In TQM, quality is related to production of products and services beyond present needs and expectations of customers, using innovative techniques.
3. **Organisational structure:** TQM views the enterprise as a system of inter-dependent processes, linked over time through a network of collaborating (internal and external) suppliers and customers.
4. **Organisational Change:** In TQM, the environment in which the enterprise interacts is considered to be changing constantly. External change is inevitable, but a favourable future can be shaped.
5. **Teamwork:** In TQM, individuals co-operate in team structures such as Quality Circles, Steering Committees and self-directed work teams. Departments work together towards system optimization through cross-functional teamwork.
6. **Motivation &Job Design:** TQM managers provide leadership in the processes of their sub-ordinates, who are viewed as Process Managers rather than Functional Specialists.

13.	**What is Six Sigma? (N10, 12 - 2M, N13 – 3M, PM, RTP- N11)**

Meaning: It is a philosophical benchmark or standard of excellence which aims at maintenance of desired quality in end products and processes by taking systematic and stimulating efforts to encourage each employee in that direction. It is also called zero defects program.

Features:

1. Highly disciplined process that helps in developing and delivering near-perfect products and services.
2. Tries to meet & improve the firm's goals on quality, cost, scheduling, manpower, new products, etc.
3. Based on the concept of probability and normal distribution in statistics and goes beyond statistics.
4. Tries to ensure that 99.99966% of products manufactured are defect-free.

5. Puts the customer first and uses facts and data to drive better solutions.
6. Full or Total Business Initiative, not merely a quality initiative.
7. Tries to achieve breakthroughs in every area of operation, not merely small marginal improvements.
8. Philosophy of management commitment, customer focus, process improvement and rule of measurement.
9. Makes every area of the firm ready to meet the changing needs of customers, markets & technologies.

14. What are the advantages of Six Sigma?

1. Improved customer satisfaction and opportunities to retain customers.
2. Reduction in cycle time and defectives.
3. Significant cost savings.
4. Opportunities to capture new markets.
5. Creation of reputation for top performing products or services.
6. Gives a new approach to thinking, planning and executing.
7. It leads to working smarter, not harder.

15. What are procedures / methodologies for implementing Six Sigma? (PM)

1. **DMAIC(for existing products, processes and services):**

Define	Define the process improvement goals that are consistent with the firm's overall strategy and customer demands.
Measure	• Measure the existing processes to facilitate future comparison. • Collect process data by mapping and measuring relevant processes.
Analyse	• Verify cause-and-effect relationship between the factors in the processes. • Identify the inter-relationship between the factors which affect performance. • Make a comprehensive analysis to identify hidden or latent (= hidden) factors.
Improve	Make a detailed plan to improve on the basis of the above analysis.
Control	• Perform initial trials or pilot runs, to establish process capability and transition to production. • Measure the process continuously to ensure that variances are identified and corrected before they result in defects.

2. **DMADV (for new products, processes and services):**

Define	Define the goals of the design activity, such that they are consistent with the firm's overall strategy and the demands of the customer.
Measure	• Identify the factors that are critical to quality (CTQs). Also assess the risks involved. • Measure factors such as product capabilities and production process capability. 
Analyse	• Develop and design alternatives.

	• Create high-level design and evaluate to select the best design.
Design	• Develop details of design and optimise it. • Evaluate designs using techniques such as simulations.
Verify	• Verify designs through simulations or pilot runs. • Hand over the verified and implemented processes to the Process-Owners.

16. Explain the central themes of Six Sigma Philosophy. (PM) (RTP – M 13)

1. **Theme 1 – Genuine Customer Focus:** Six Sigma improvements are defined by their impact on customer satisfaction and value.
2. **Theme 2 - Data and fact-driven management:** Six Sigma discipline begins by clarifying the measures that are important for gauging business performance and then gathers data and analyses key variables.
3. **Theme 3 - Process orientation:** Mastering processes is a way to build competitive advantage in delivering value to customers.
4. **Theme 4 - Pro-active management:** Being pro-active means acting in advance of events rather than reacting to them.
5. **Theme 5 - Boundary less Collaborations:** The opportunities available through improved collaboration between and within companies and with vendors and customers are substantial.
6. **Theme 6 - Drive for perfection and tolerance for failure:** A company can get closer to Six Sigma only by launching new ideas and approaches, which always involve some risk.

17. What are the key characteristics that differentiate Six Sigma from other quality programs? (N 09 - 2M, M 13 – 3M, PM)

1. It is customer focused. It pus major concentration on external customer.
2. Six Sigma projects produce major returns on investments.
3. Six Sigma changes how management operates. It is much more than improvement projects.

18. What are the strategy-shaping characteristics of E-Commerce environment? (N10 - 7M, PM, RTP- M14)

1. **Global Markets:** E-commerce is very useful to companies whose products are of good quality and can be transported economically to all parts of the world. Internet opens up bigger geographic markets.
2. **On line / Internet competition:** The use of Internet leads to cost cut-down and greater business efficiency. It gives another way to get market position and to gain competitive advantage.
3. **Limited entry barriers:** Many of the activities in e-commerce business can be outsourced. The software for establishing a website is readily available and the costs of using and maintaining servers are relatively modest.
4. **Buyer bargaining power:** Consumers can readily get reviews of products, compare the features and prices of rival brands, and quote their willing price for purchasing the items.
5. **Supplier management:** Companies can collaborate electronically with chosen suppliers to streamline ordering and transportation of parts and components, improve JIT deliveries, work in parallel on the designs for new products, and communicate speedily and efficiently.
6. **New business practices:** Companies in different countries can use the internet to monitor the latest technological developments and be in touch with what is happening in the markets of other countries. New business practices like e-auction, e-display of products, etc. can be adopted by such companies.
7. **Re-configuring value chains:** Using the internet it is possible to link the orders of customers with the suppliers of components. This enables JIT delivery to manufacturers, reducing inventory costs and allowing production to match demand.

8. **Customer service:** The Internet provides innovative opportunities for handling customer service activities. Companies are discovering ways to deliver services online.
9. **Capital for funding:** E-commerce can help companies to raise equity and debt to fund a new venture, from any part of the world.
10. **Human talent:** Companies can get competitive advantage based on the expertise and intellectual capital of their personnel and on their organizational competencies and capabilities.

19.	**Explain the significance of strategic management in Non-Profit making Organisations. (M 13 – 3M)**

1. Strategic Management Process can be used effectively by Non-Profit and Governmental Organisations.
2. Many Non-Profit and Governmental Organisations outperform Private Firms and Corporations on innovativeness, motivation, productivity and strategic management.
3. Non-Profit and governmental organisations may function as a monopoly, produce a product or service that offers little or no measurability of performance, and are totally dependent on outside financing.
4. Strategic management provides an excellent vehicle to such social and charitable institutions for developing needed financial support.

20.	**Educational institutions require strategic management. Explain. (N11 - 3M, PM)**

1. Academic Institutions have joined hands with industries in order to deliver education and to make graduates more employable.
2. The Educational Delivery System has undergone considerable changes with the introduction of computers, Internet technologies and more modernized teaching methods.
3. Online College Degrees are becoming common and represent a competitive threat to traditional Colleges and Universities.
4. On account of the above significant changes in the competitive environment of educational institutions, they have to adopt different strategies for attracting best students.

21.	**What are the areas of Strategic Management in relation to Medical organisations?**

1. A successful hospital strategy for the future requires renewed and deepened collaboration with physicians, who are central to the hospitals' well-being.
2. Backward Integration Strategies for hospitals include acquiring ambulance services, waste disposal services and diagnostic services.
3. Many people research medical ailments online, leading to a dramatic shift in the balance of power between doctor, patient, and hospitals.
4. A secure medical service whereby doctors and patients can conduct sensitive business on the Internet, such as sharing results of medical tests and prescribing medicine, is also available.
5. Following are the successful strategies for hospitals.
   - **a)** Free-standing outpatient surgery centers,
   - **b)** Outpatient Surgery & Diagnostic Centers,
   - **c)** Physical Rehabilitation Centers,
   - **d)** Home Health Services,
   - **e)** Cardiac Rehabilitation Centers
   - **f)** Preferred Provider Services,
   - **g)** Industrial Medicine Services,
   - **h)** Women's Medicine Services,
   - **i)** Skilled Nursing Units, and
   - **j)** Psychiatric Services

22. Write short notes on Strategic Management in Governmental Agencies and Departments

1. Central, State and Municipal Agencies, Public Sector Units and Departments are responsible for formulating, implementing and evaluating strategies that use taxpayers' money in the most cost-effective way to provide services and programs.
2. However, strategists in Government Organisations operate with less strategic autonomy than Managers in Private Firms. They enjoy little freedom in altering the organisations' mission or re-directing objectives.
3. Legislators and Politicians often have direct or indirect control over major decisions and resources.
4. Government organisations, agencies and departments are now motivating their employees to participate in the strategic management process thereby have an effect on the organisation's mission, objectives, strategies and policies.

   Government agencies are also using strategic management to develop and substantiate formal requests for additional funding.

23. Define the term ERP.

1. ERP stand for Enterprise Resource Planning which is an IT based system linking isolated information centers across the organisation into an integrated enterprise wide structured functional and activity bases.
2. ERP is a successor to MRP systems.
3. ERP is used for strengthening the procurement and management of input factors.
4. Modern ERP systems deliver end-to-end capabilities to support the entire performance management of an organisation.
5. It helps in consolidated financial reporting, financial management, planning, budgeting, and performance management and so on.

INTRESTING QUESTIONS FROM PAST EXAMINATIONS

1. How internet has helped business?

Meaning: The Internet is an integrated network of high-speed computers and servers, digital switches and routers, telecommunications equipment and lines and individual computers of users.

Internet helps businesses in the following ways:

1. Provides very fast means of communication to business with no geographic limitations.
2. Internet helps companies to find, negotiate and deal across the world with suppliers on one hand and customers on the other.
3. Helps in altering industry value chains, providing substantial opportunities for increasing efficiency and reducing costs, and affecting strengths and weaknesses of business organisations.

2. Write a short note on Internet Technology?

1. **Meaning:**
   - **a)** The Internet is an integrated network of banks of servers and high-speed computers, digital switches and routers, telecommunication equipment and lines, and individual computers.
   - **b)** The backbone of the internet consists of telecommunication lines criss-crossing countries, continents, and the world that allow computers to transfer data in digital form at very high speed.

2. **Impact of Internet on business:**

Internet has made significant changes in the way businesses are being conducted.

a) Communication has become faster, with many inter-linkages promoting globalization.

b) While markets have expanded, the competition has also increasedtremendously.

c) E-commerce is a new area which has developed on account of internettechnology.

3.	**Being a strategic professional, analyse and redesign the work flows in the context of business process reengineering?**

1. BPR refers to the analysis and redesign of workflows and processes both within and between the organizations.
2. The orientation of the redesign effort is radical. It involves total deconstruction and rethinking of a business process in its entirety.
3. The workflows are studied, appraised and improved in terms of time, cost, output, quality, and responsiveness to customers.
4. The redesign effort aims to simplify and streamline a process by eliminating all extra avoidable steps, activities, and transactions and improve performance.

4.	**What are different target areas of Six Sigma?**

1. Six sigma means maintenance of the desired quality in processes and end products. It means taking systemic and integrated efforts toward improving quality and reducing cost.
2. Six sigma efforts target different areas such as improving customer satisfaction, improving quality, reducing wastage reducing cycle time and reducing defects.

THE END