SR. NO	QUESTION	EXAM
1.	Define the term "STRATEGY". What is its SIGNIFICANCE for any Business Organization?	April 2015
	Define the term 'Strategy', what is its significance for business organization? Explain five 'Ps' of strategy.	April 2013
	What is the concept of strategy? Why is it important for any business organization? Explain MINZBERG'S 5PS - strategy as pattern, as position, as purpose, as ploy, and as perspective.	April 2012
	Define the term 'strategy' what is its significance for any Business Organization? Explain five P's for strategy - that is strategy as plan, as pattern, as position, as perspective and as purpose.	April 2010
ANS:	<u>DEFINITION OF STRATEGY</u>: Strategy Management is a discipline of managing resources to achieve long term objectives <u>SIGNIFICANCE OF STRATEGY</u>: 1. UNDERSTANDING YOUR COMPANY AND INDUSTRY - It helps organizations understand their <u>core capabilities, identify and address weaknesses and mitigate risks</u> - It can help organizations <u>better design</u> themselves so that they are <u>focusing on the right things</u> that are the most likely to deliver the <u>best performance, productivity and profit</u> both now and in the future 2. CREATING A VISION AND DIRECTION FOR THE WHOLE ORGANIZATION - To <u>understand their purpose, their destination and the course they're taking to get there</u> - A company without a strategy is akin to sending your staff into the desert and leaving them to follow mirages in search of water. Without a destination and focus in mind your staff will wander aimlessly from one activity to the other never knowing what <u>to focus on or how to prioritize</u>. - Provide a <u>common purpose, goals and a set of actions to reach the goal</u> ensures that everyone is working for the same outcome - Simply it <u>streamlines your business</u> and ensures every dollar and minute you spend on the business is in the direction of your sustained success 3. IDENTIFICATION, PRIORITIZATION & EXPLOITATION OF OPPORTUNITIES	

4. GROWING IN A CHANGING WORLD

- Understanding what is taking place within the external environment is important to preparing a strategy that will ensure long-term profit and growth.
- Even successful businesses need to realize that what made them successful today is not what will make them successful tomorrow. With the rate of change becoming faster every year, it's increasingly important that we understand what trends are going to impact on our business and our industry, and how we're going to respond to them.
- Whether political, social or technological, we need to know what changes are going to affect our businesses. And we need to know how our organization can respond to them.
- It enables us to find opportunities for growth and sustained profitability and it can help us identify and respond to changes that could make us extinct.
- **Example:** The motor vehicle put many horsewhip makers out of business, it's important that you understand what can affect you and your business both short term and long term.

PROF. HENRY MINTZBERG's 5 P's:

IBM EXAMPLE:

5PS	DESCRIPTION	EXAMPLE
Plan	Strategy as a plan defines what the firm will do next. As such, when strategy is seen a plan, the definition follows a relatively traditional approach to strategy making, which highlights the importance of deliberate strategy design and implementation.	This is probably the most common way to perceive strategy and is the common approach taken e.g. at large firm's websites. E.g. IBM strategy in the future is to strengthen its service offering to widen its product portfolio.
Pattern	Strategy as a pattern defines what the firm has done before – or the pattern the firm has taken. When comparing to plan, the accuracy of pattern is better than plan as it is the realized strategy.	Some people might find it easiest to describe firm's strategy as a story of firm's past behaviour. E.g. IBM strategy has been to move from pure manufacturing to limited manufacturing and services by doing a significant realignment of its organization.
Position	Strategy as position answers to question what the company does. As such it describes the products or markets the firm operates on – defines the firm's position.	Firm's products and markets are relatively easy to identify, thus position is easy way to perceive firm's strategy. E.g. IBM offers B2B IT hardware and services.
Perspective	Strategy as a perspective answers to questions how and why the company does what it does. As such it does not describe what the company does, but how it operates on the markets it operates on.	Many firms have 'the company way of doing something' which reflects the firm's strategic perspective. This perspective can be tied to e.g. speed of services or quality. E.g. IBM offers reliable high quality services and products for its customers.
Ploy	Strategy as a ploy implies for a deliberate misinformation that the company can give to confuse or distract its competitors.	A practical move that is not so clearly visible for outsiders.

2. Write the MISSION, VISION AND OBJECTIVE statements for a "Business School". How do these statements help in strategy formulation highlighting corporate philosophy and corporate governance? — April 2015

Distinguish between Vision, Mission and objective statement with proper examples. Write the prime benefits of having vision and mission statement — April 2014

What is meant by 'STRATEGIC INTENT'? Write Vision, Mission, and Objective statement of an automobile company. How do these statements help in strategy formulation? — April 2013

What are the role, scope and significance of vision, mission, corporate philosophy and corporate Governance in strategic management of a Business organization? — April 2011

Define the terms—(i) Mission (ii) Vision and (iii) Objective of a business organization. Write the mission, vision and objective statements for a 'B' school. How do these statements help in STRATEGY FORMULATION highlighting Corporate Philosophy & Corporate Governance? — April 2010

ANS: STRATEGIC INTENT:

Strategic intent is **defined** as a compelling statement about where an organization is going that briefly conveys a sense of what that organization wants to achieve in the long term

CORPORATE PHILOSOPHY:

A **company's philosophy** is a distillation of its culture or ambience into a group of core values that inform all aspects of its business practices. Any company can sell Product X or provide Service Y, but what differentiates you from everyone else in your field is your company philosophy.

CORPORATE GOVERNANCE is the system of rules, practices and processes by which a company is directed and controlled.

BUSINESS OBJECTIVE: *(What - SMART)*

A business objective is a detailed picture of a step you plan to take in order to achieve a stated aim. Objectives are goals/ends towards which activities of an organization are directed. These need to be SMART *(Specific, measurable, achievable, realistic and timely)* in order for the business to know what progress it has made towards achieving the **objective**: Specific - clear and easy to understand.

PAREMETERS	VISION	MISSION
Answers the Question:	Why are we here?	What do we do? For whom do we do it? What is the benefit?
Time:	Talks about the very long term future	Talks about the organizations present leading to the future
Change:	Vision should remain intact – because it speaks about what your company represents	May change – but should be in line with the vision and core values
About:	WHERE an organization wants to be in the future	HOW the organization will get to where it wants to be
Function:	Shapes customers understanding of why they should work with the organization	Lists broad goals for which the organization is formed
Risk:	Creates Risk	Contains Risk
Nature:	Revolutionary	Evolutionary
The Organization:	Energizes	Authorizes
Example of B-School	To shape professionals to	To evolve, develop and deliver

(MET)	conquer the present and future challenges to socio-economic fabric of our society, by institutionalizing search, development, research, and dissemination of relevant knowledge through structured learning programs	dynamic learning systems to equip professionals with conscience and commitment to excellence and courage to face business challenges
Example of Automobile (FORD)	To become the world's leading consumer company for automotive products and services	We are a global family with a proud heritage passionately committed to providing personal mobility for people around the world

EXAMPLE:

- To win New York Marathon and be a Marathon Man (Vision),
- To be fit, healthy and strong with exceptional stamina (Mission),
- To Lose 10 kgs by XX date and to participate in Indian Marathon (Objectives),
- Rent a house close to a fitness center, Join Athletic Club, Proper Diet (Strategy)

VISION (Where do we aim to be)

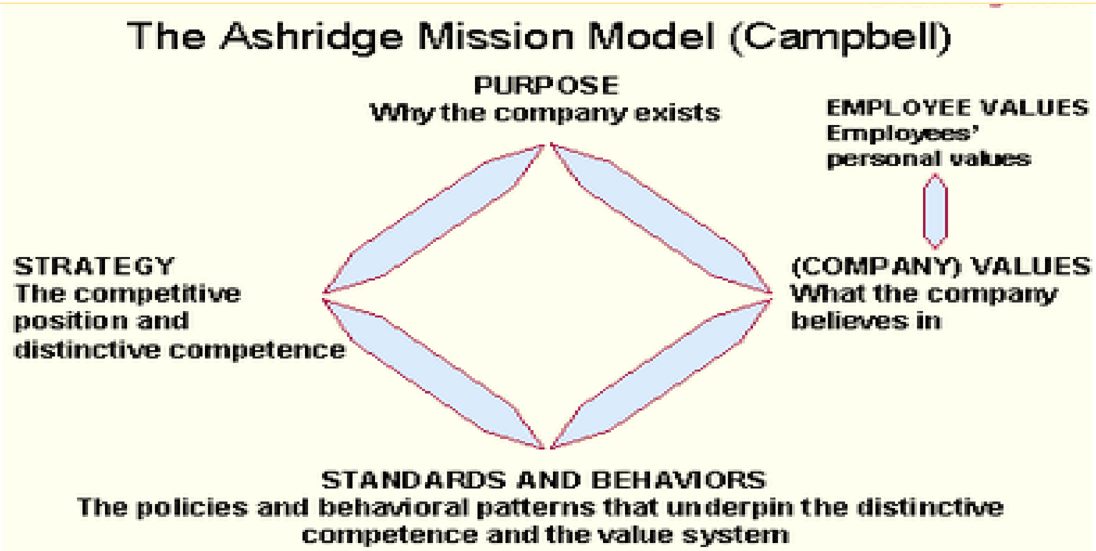
A description of a desired future state of the organization. The term contains the idea of innovative imaginative thinking challenging conventional thinking and points the way to new opportunities

Examples of visionaries who built entire organizations on the basis of a vision are:
Ray Kroc – MacDonald's, Richard Branson- Virgin Atlantic, Narayan Murty-Infosys, JRD Tata

MISSION (How do I get there?)

Mission is about **ultimate purpose, values and standards.** The mission should ideally appeal to both **minds (strategy) and hearts (cultural values)** of the organization's members.

ASHRIDGE MISSION MODEL:



3.	Why BUSINESS ENVIRONMENT is important for a company? Explain any 5 KEY ELEMENTS of external business environment? How environmental Analysis helps in deciding strategies of a business organization? What are the steps involved in such an analysis? Explain with a suitable illustrative example.	April 2015 April 2011
ANS:	**BUSINESS ENVIRONMENT IS IMPORTANT!** (1) **Identification of Strengths:** Internal Environment, Existing Plans & Policies, Training, Job Satisfaction & Performance (2) **Identification of Weakness:** Internal environment indicates not only strengths but also the weakness of the firm. Identify & correct them! (3) **Identification of Opportunities:** External environment. Grab! (4) **Exploitation of Business Opportunities:** for the expansion of business activities. (5) **Identification of Threats:** From external competitors and others. Defuse them! (6) **Keeping Business Enterprise Alert:** The problems & prospects of business, face problems with	

confidence and secure the maximum benefits of business opportunities available.

(7) **Keeping Business Flexible and Dynamic:** Change with change! Adaptable to change!

(8) **Understanding Future Problems and Prospects:** In advance, therefore face situations!

(9) **Ensures Optimum Utilization of Resources:** Full benefit of government policies, concessions provided, and technological developments and so on.

(10) **Making Business Socially Acceptable:** Acceptable to different social groups.

(11) **Ensures Survival and Growth:** Business environment inform about suitable changes to be affected in business policies. This helps the business organizations to grow & prosper.

5 KEY ELEMENTS OF EXTERNAL BUSINESS ENVIRONMENT:

1. GOVERNMENT (Local & International)

- Government regulations in product development, packaging and shipping play a significant role in the cost of doing business and your ability to expand into new markets.
- If the government places new regulations on how you must package your product for shipment that can increase your unit costs and affect your profit margins.
- International laws create processes that your company must follow to get your product into foreign markets.

2. ECONOMY (React or Manipulate)

- Be efficient at monitoring the economy and learning how to react to it, rather than trying to manipulate it.
- Economic factors affect how you market products, how much money you can spend on business growth, and the kind of target markets you will pursue.

3. SOCIAL FORCES (Your Image & PR)

- Any kind of company scandal can be damaging to your organization's image.
- The public perception of your organization can hurt sales its negative, or it can boost sales with positive company news.
- Your firm can influence public opinion by using public relations professionals to release strategic information, but it is also important to monitor public opinion to try and defuse potential issues before they begin to spread.

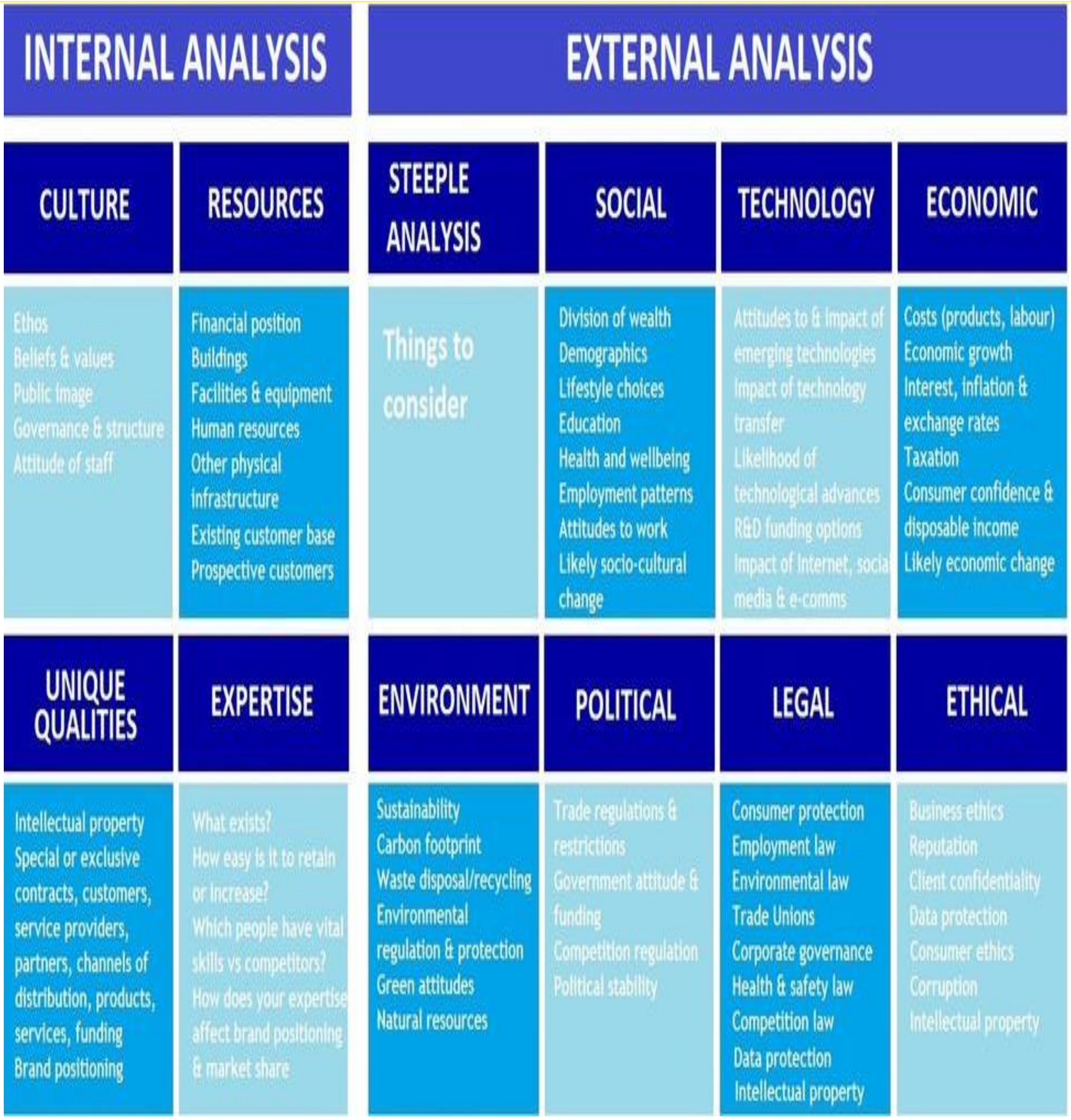
4. COMPETITION

- Your competition has a significant effect on how you do business and how you address your target market.
- You can choose to find markets that the competition is not active in, or you can decide to take on the competition directly in the same target market.
- For example, if a long-time competitor in a particular market suddenly decides to drop out due to financial losses, then you will need to adjust your planning to take advantage of the situation.

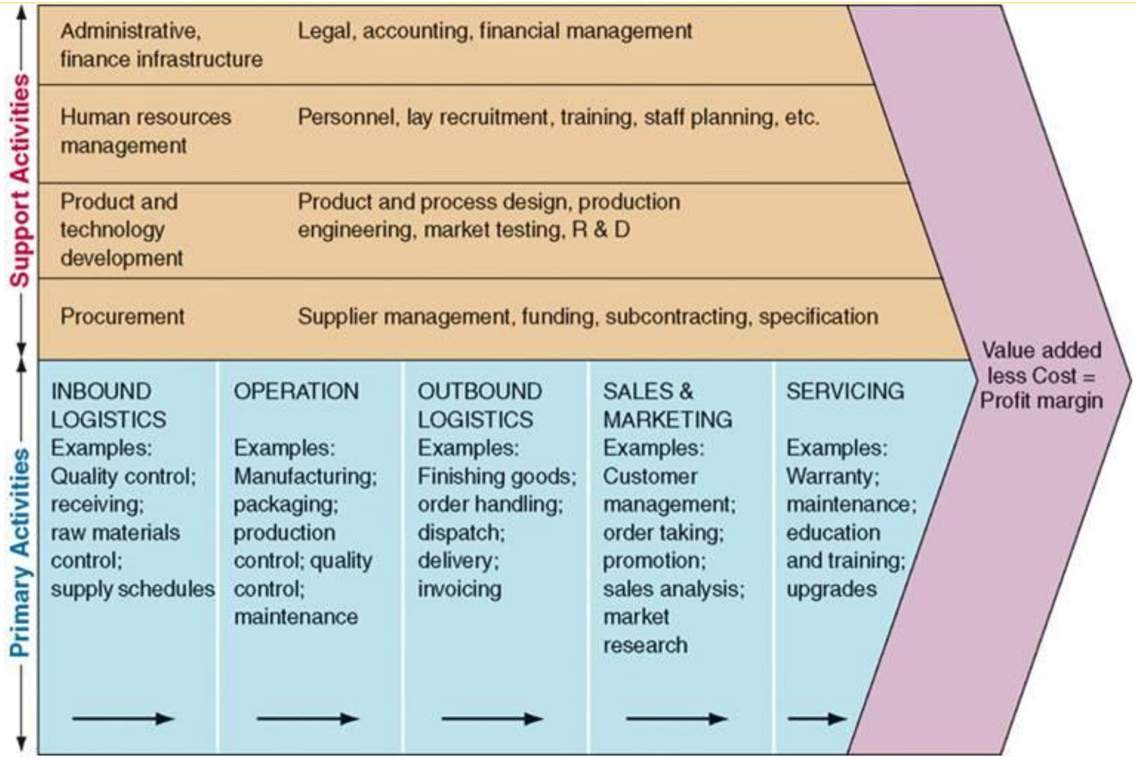
5. CUSTOMERS

- Your customers are among the external elements you can attempt to influence, via marketing and strategic release of corporate information.
- Your relationship with your clients is based on finding ways to influence them to purchase your products. Market research is used to determine the effectiveness of your marketing messages, and to decide what changes can be made to future marketing programs to improve sales.

BUSINESS ENVIRONMENT ANALYSIS:



4.	Explain PORTER'S VALUE CHAIN analysis in detail. How does it add value in all areas of an organization and support activities?	April 2014
ANS:	<u>PORTER's GENERIC VALUE CHAIN</u>: Rather than looking at departments or accounting cost types, Porter's Value Chain focuses on systems, and how inputs are changed into the outputs purchased by consumers. *(Focuses on Internal Environment)*	



5.	Why is INTERNAL ENVIRONMENT SCANNING so important in formulating business strategy? What specifically should we assess in internal analysis?	April 2014
	Discuss how value chain which is an internal analysis, helps decide long term distinctive competencies in a business organization in formulating various business strategies. Explain THE STEPS INVOLVED WITH EXAMPLES.	April 2012
	Explain how is VALUE-CHAIN-ANALYSIS, which is an Internal Analysis, useful in identification of distinctive competencies in a business organization in formulating various business strategies?	April 2011

ANS: An internal analysis is an exploration of your organization's competency, cost position and competitive viability in the marketplace -- a SWOT analysis.

Value Created and Captured – Cost of Creating that Value = Profit Margin

Companies use these primary and support activities as "building blocks" to create a valuable product or service.

1. STRENGTH AND COMPETENCY

- An important measure in an internal analysis is to determine your organization's level of strength and competency.

- A strong organization uses updated technology systems and equipment to accomplish its work.
- Its financial goals are being met and strategic planning objectives are being accomplished. An organization with strong competency also has a solid brand identity built upon expertise, capabilities and resources within the organization.

2. ORGANIZATIONAL WEAKNESSES

- A weak organization is one that uses outdated technology, is lacking in expertise or working with deficient assets.
- A well-orchestrated internal analysis should bring to light any such organizational weaknesses that exist -- areas in need of improvement and objectives that are not being realized.
- Once your analysis has **revealed your deficiencies, you can revise your strategic plan** to address and overcome failed objectives and improve or eliminate weaknesses.

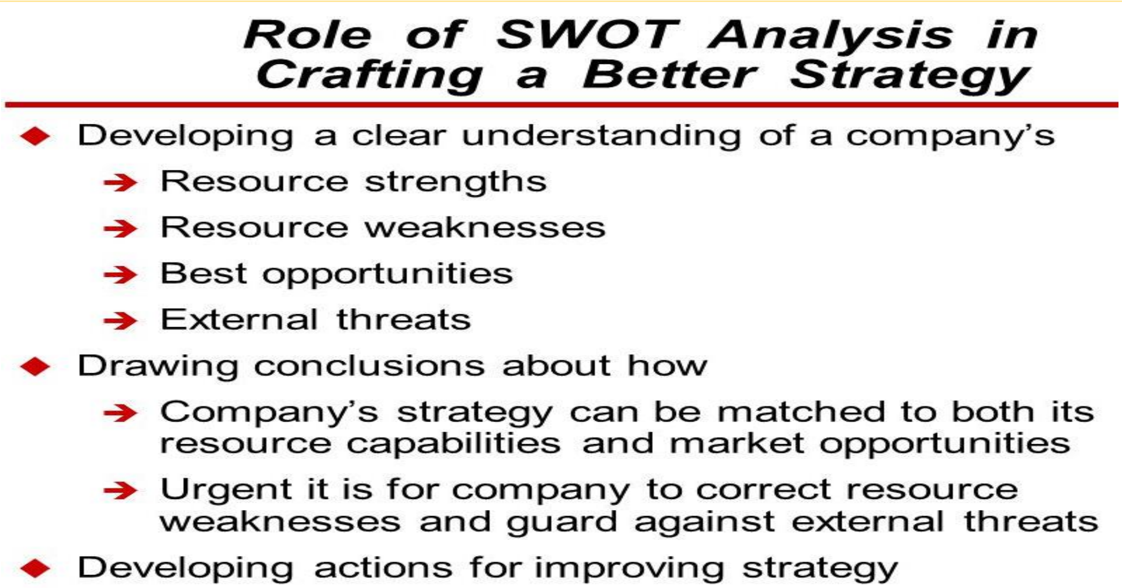
3. COST POSITION AND OPPORTUNITY

- An internal analysis should determine the cost position of your organization in your industry market and your potential to attract and engage new business opportunities.
- Cost position involves your business's ability to acquire and manage resources and deliver exceptional value to your customers in a way that is unmatched by rival businesses.
- **Opportunities for business growth** can include venture capital partnerships, relationship prospects in foreign markets and acquisition of competing businesses. An internal analysis can reveal your preparedness to take advantage of business growth opportunities.

4. LOOMING THREATS

- Striving to position your business at the top of your industry is an ongoing task.
- New companies are always entering the marketplace with novel innovations and potential to surpass you.
- It's important to remain aware of changes in your market, the economy, technology and activities of rival companies that can threaten your viability in the marketplace. Internal analysis provides important information that can help you build on your strengths, prepare for threats and keep your business growing.

5. COMPETITIVE VIABILITY

	- Internal analysis can help you determine how competitive you are in your industry. - A competitively viable business challenges its rivals to match the service or product it offers, especially if it's using cutting edge proprietary technology, and has strongly enforced quality control standards. - A competitive business has high intellect human capital -- the best and brightest employees contributing their expertise and innovations to daily operations. - The most viable companies have consistently **climbing sales revenues and use efficient supply chains.** - An internal analysis will examine the **effectiveness of your supplier network, customer loyalty and sales,** providing important metrics you can use to amend your business strategies and become a stronger competitor in your industry.	
6.	What is the ROLE OF "SWOT" ANALYSIS in crafting a company's strategy? Why Is a SWOT analysis a PREREQUISITE BEFORE THE MERGER AND ACQUISITION process starts? What are the several benefits derived by this analysis? WHEN DO MERGERS FALL? Explain how MICHAEL PORTER'S FIVE FORCES MODEL IS HELPFUL IN FORTH COMING SWOT-ANALYSIS carried out in formulation of Business strategy.	April 2015 April 2012 April 2010
ANS:	 COMPONENTS OF SUCCESSFUL ACQUISITION STRATEGY: - There is cultural match - Creates synergy between businesses - Consistency in management	

- When it reduces risk
- Enhances scale economies (marketing, distribution, R& D …)
- When its leads to sequential acquisition

SOME REASONS FOR FAILURES:

- Regulatory delays
- Cultural mismatch
- Poor business fit
- Failure of synergy delivery
- High acquisition cost leading to high debt servicing cost
- Management style issues
- Labor problems

SWOT Analysis – WHAT TO LOOK FOR

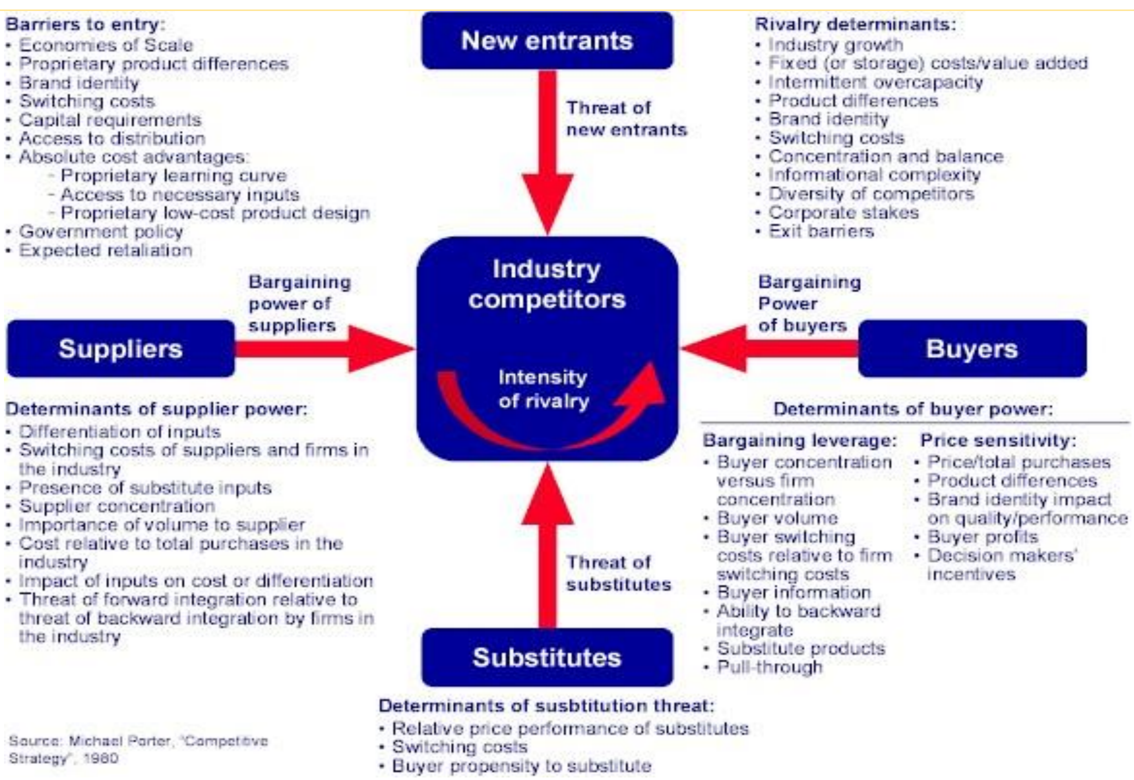
Potential Resource Strengths	Potential Resource Weaknesses	Potential Company Opportunities	Potential External Threats
• Powerful strategy	• No clear strategic direction	• Serving additional customer groups	• Entry of potent new competitors
• Strong financial condition	• Obsolete facilities	• Expanding to new geographic areas	• Loss of sales to substitutes
• Strong brand name image/reputation	• Weak balance sheet; excess debt	• Expanding product line	• Slowing market growth
• Widely recognized market leader	• Higher overall costs than rivals	• Transferring skills to new products	• Adverse shifts in exchange rates & trade policies
• Proprietary technology	• Missing some key skills/competencies	• Vertical integration	• Costly new regulations
• Cost advantages	• Subpar profits	• Take market share from rivals	• Vulnerability to business cycle
• Strong advertising	• Internal operating problems . . .	• Acquisition of rivals	• Growing leverage of customers or suppliers
• Product innovation skills	• Falling behind in R&D	• Alliances or JVs to expand coverage	• Reduced buyer needs for product
• Good customer service	• Too narrow product line	• Openings to exploit new technologies	• Demographic changes
• Better product quality	• Weak marketing skills	• Openings to extend brand name/image	
• Alliances or JVs			

7. What are the challenges a strategic manager faces in preparation of corporate strategy of the business organization. Explain with examples — April 2013

'Corporate Strategy should take into account the diverse interests of all the stake' holders of an organizations. Explain — April 2011

ANS:

- Engagement (the right people in the process)
- Consensus
- Execution

8.	As the owner of a new garment company seeking loan from a bank to finance the construction and operation of three new store locations, you have been asked to provide the bank with a brief analysis of the competitive environment in the garment industry. Draw a five force diagram for the garment industry and briefly discuss the nature and strength of each of the 5 competitive forces in the garment industry.	April 2015
	As the owner of a new information technology company seeking loan from a bank to finance the construction and operation of three new store locations, you have been asked to provide the bank with a brief analysis of the competitive environment in the IT industry. Draw a five force diagram for the IT industry and briefly discuss the nature and strength of each of the 5 competitive forces in the IT industry.	April 2013
	PORTER'S FIVE FORCE MODEL of industry attractiveness enable any company to outperform their competitors. How is this possible? Illustrate with examples	April 2014
	Explain 'threat of substitutes and bargaining power of buyers' in detail.	April 2014
	To beat the competition, it is necessary to apply Porter's five force model. How does this model help organization; to be the future industry leader? Illustrate through an example of your choice	April 2012
	How Porter's Five Forces Model is useful in identifying opportunities and threats for a business organization for formulation of various strategies?	April 2011
ANS:		

The **bargaining power of buyers** determines the pressure that industry competitors feel to enhance their value proposition so that potential buyers accept their offer. This depends on:

- *Concentration of buyers relative to concentration of industry.* If there are few buyers relative to the number of firms in the industry, then buyer power is high.
- *Importance of buyer as a customer.* If a large proportion of sales are purchased by a given buyer, then this buyer experiences enhanced bargaining power.
- *Buyer switching costs.* If the buyer's switching costs are low then the buyer benefits from negotiating leverage *vis–à–vis* the seller.
- *Possibilities for backward integration by buyer.* If it is feasible for the buyer to backward integrate into the industry's space, the buyer's negotiating position is also enhanced.
- *Product differences.* If the industry's products are undifferentiated, buyers can play one firm against the other.

The **bargaining power of suppliers** determines the pressure that competitors feel to pay higher prices in order to secure required inputs. This depends on:

- *Concentration of suppliers relative to concentration of industry.* Suppliers selling to more fragmented industry will usually be able to exert considerable influence in prices, quality and terms.
- *Importance of industry as a customer of supplier.* When an industry represents a small fraction of sales of the supplier, this supplier experiences increased negotiating leverage.
- *Costs of a company switching to an alternative supplier.* If the industry firms have high switching costs the balance of negotiating power swings toward the supplier.
- *Availability of substitute inputs.* If the industry has no alternative inputs, supplier bargaining power is enhanced.
- *Possibilities of forward integration by suppliers.* If there is a credible threat of forward integration by an industry's suppliers the bargaining power of these suppliers is correspondingly increased.

The **threat of new entrants** relates to how difficult it is for outsiders to start competing in an industry. Any structural feature that deters entrants enhances the long term profitability of exiting industry actors. This depends on:

- *Economies of scale.* If scale economies are significant, entrants are forced to enter at large scale and risk strong reaction from existing firms, or come in at a small scale and accept a cost disadvantage. In this situation economies of scale act as a disincentive to entry.

- *Switching costs.* If customers face high switching costs, it is necessary for a new entrant to offer significant value improvements in order to persuade the customer to switch.
- *Access to distribution channels.* An industry is less attractive to potential entrants if the distribution channels are limited and are already controlled by existing competitors.
- *Cost disadvantages independent of scale.* Existing firms have certain cost advantages that potential entrants cannot copy, regardless of their size. Some examples are: proprietary product technology, favorable access to raw materials and experience curve effects.
- *Government policy.* Entry into certain industries may be limited or forbidden by government regulations.

The **threat of substitute products** refers to the alternatives to which customers can turn to satisfy the same basic needs. The existence of alternatives reduces industry attractiveness. This depends on:

- *Relative quality/price ratio of alternatives.* An industry is less attractive if a credible substitute is available.
- *Switching costs.* When customers need to make large investments to switch to a substitute, the threat of this substitute is reduced.
- *Buyer's willingness to switch.* Customers may be reluctant to buy a substitute product because they are attached to the image of their current provider.

The intensity of **rivalry between existing industry players** has an impact on long–term average industry profitability. Intense rivalry reduces average industry profitability. The intensity depends on:

- *Industry growth rates.* If the industry is characterized by slow growth then firms must compete for market share in order grow at above average rates.
- *Exit barriers.* When it is difficult or costly to exit an industry, weak companies will not exit, leading to overcapacity and price wars.
- *Market concentration and balance.* Rivalry will be more intense when there are a lot of small and equally balanced competitors, and less intense if there are fewer firms or if there is a clear market leader.
- *Fixed costs.* Industries with high fixed costs encourage competitors to produce at full capacity, leading to excess output and discounting.

Complementors refer the influence of actors, not necessarily part of the industry, that affect the profitability of players in an industry in a positive way (Nalebuff and Brandenburger, 1996). The primary examples of Complementors are:

- *Companies offering complementary products or services.* For example, car loan providers benefit

	from increased car sales. • *Government.* Government subsidies or investments directly increase the profitability of an industry. For example, government investments in highways act as a complementary service to the automobile manufacturers. • *Strategic alliances.* For example, different players in an industry benefit from joining forces to promote their industry to the consumer. These players can either be competitors or businesses active in different parts of the value chain such as the microprocessor and software industries.	
9.	Explain SUSTAINABLE COMPETITIVE ADVANTAGE (SCA). What are the conditions for SCA? How will you obtain "sustainable competitive advantage" by implementing porter's generic theory? Explain with examples In business level strategies, PORTER'S GENERIC THEORY is very important. Discuss the differences in strategic approach in Cost leadership, Differentiation and Focus strategy. How does Hybrid strategy fit Into this structure and can it be successful?	April 2015 April 2014 April 2012
ANS:	DEFINITION OF SCA: Sustainable competitive advantages are company assets, attributes, or abilities that are difficult to duplicate or exceed; and provide a superior or favourable long term position over competitors. THE FIRM HAS SCA WHEN: These four criteria for judging a firm's resources are positive: 1. Are they valuable? (Do they enable a firm to devise strategies that improve efficiency or effectiveness?) 2. Are they rare? (If many other firms possess it, then it is not rare.) 3. Are they imperfectly imitable (because of unique historical conditions, causally ambiguous, and/or are socially complex)? 4. Are they non-substitutable? (If a ready substitute can be found, then this condition is not met?) When all four of these criteria are met, then a firm can be said to have a sustainable competitive advantage. HOW TO DEVELOP SUSTAINABLE COMPETITIVE ADVANTAGE ✚ PATENT YOUR PRODUCT: - There has been a lot of debate recently about the true value of a patent. While patents are not	

a 'cure all', they are an important weapon in an entrepreneur's competitive advantage arsenal.

CONTINUALLY INNOVATE:

- Customers like updates and upgrades. Keeping your product fresh and compatible with the market place (particularly if software), is essential.

CUSTOMER LOYALTY:

- Customers will often remain with a brand they have loyalty towards, even though the company does not offer the cheapest or most effective product. Focus on building strong relationships with your customers and delivering a great customer experience and service.
- This can be accomplished through retail branding, positioning, and loyalty programs.

  Example: A loyalty program is like a "Target card." Now, when the customer uses the card as a credit card, Target can track all of their transactions and store it in their data warehouse, which keeps track of the customer's needs and wants outside of Target. This will entice Target to offer products that they do not have in stock. Target tracks all sales done on their cards. So, Target can track customers who use their card at other retailers and compete by providing that merchandise as well.

HIRE 'CONNECTED' TEAM MEMBERS:

- If your market includes large companies and government departments, connections to key individuals within these organizations can dramatically accelerate your ability to meet and secure contracts. Try to have at least one member on your team who is 'connected'.

USE LONG TERM CONTRACTS AND INCENTIVES:

- **If you can establish a long term contract** with your customer, then clearly they are less likely to switch to a competitor.
- **If you only offer long terms** contracts, however, and your competitors are offering short terms contracts, then you are likely to lose business.
- Ideally you want to incentivize your customers to enter into a long term contract with you, possibly by providing a slight reduction in cost or a bonus.
- Equally, customers are **more likely to be willing to enter into a long terms contract if they have just completed a successful short term contract** with you.

	✚ LOCATION: Location is a critical factor in a consumer's selection of a store. **Example:** Starbucks coffee is an example. They will conquer one area of a city at a time and then expand in the region. They open stores close to one another to let the storefront promote the company; they do little media advertising due to their location strategy. ✚ UNIQUE MERCHANDISE: Private label brands are products developed and marketed by a retailer and available only from the retailer. **Example:** If you want Craftsman tools, you must go to Sears to purchase them. ✚ VENDOR RELATIONS: - Developing strong relations with vendors may gain exclusive rights to sell merchandise to a specific region and receive popular merchandise in short supply. ✚ MULTIPLE SOURCE ADVANTAGE: Having an advantage over multiple sources is important. - **Example:** McDonald's is known for fast, clean, and hot food. They have cheap meals, nice facilities, and good customer service with a strong reputation for always providing fast, hot food. ✚ DISTRIBUTION AND INFORMATION SYSTEMS: **Example:** Walmart has killed this part of the retailing strategy. Retailers try to have the most effective and efficient way to get their products at a cheap price and sell them for a reasonable price. Distributing is extremely expensive and timely. ✚ CUSTOMER SERVICE: - This takes time to establish but once it's established, it will be hard for a competitor to develop a comparable reputation.	
10.	'In development of COMPETITIVE BUSINESS STRATEGY, it is necessary to recognize customer needs, product differentiation, customer groups and market segmentation!' Comment. Explain following Business strategies for a Business Organization (i) Cost Leadership Strategy (ii) Focus strategy and	April 2011

(iii) Differentiation Strategy

Discuss the following Business strategies — April 2010

(a) Cost Leadership strategy

(b) Focus strategy

(c) Differentiation strategy

(d) Marketing strategy

Give suitable illustrations for each.

ANS:

EXAMPLES:

1. **Lower costs** – Dollar Tree Store, Walmart, Dell Computer
2. **Differentiated product** – IBM provides technology products that many business consumers would prefer to own. Harvard proves a business education that is truly unique. Victoria Secret, Marriott.
3. **A focused in-depth understanding of the consumer** – Nordstrom's provides products and services that exhibit a unique understanding of the more affluent consumer.

Target Scope	Advantage	
	Low cost	Product uniqueness
Broad (Industry Wide)	**Cost Leadership Strategy**	**Differentiation Strategy**
Narrow (Market Segment)	**Focus Strategy** (low cost)	**Focus Strategy** (differentiation)

OVERALL LOW COST LEADERSHIP STRATEGY

- This strategy focuses on appealing to a broad spectrum of customers based on being the overall low-cost provider of a product or service. Overall low cost does not refer solely to price. It refers to the delivered cost to the customer.
- The company works to achieve the lowest costs of production and distribution so that it can price lower than its competitors and win a large market share.

- This strategy is aimed at achieving low-cost leadership industrywide. It is based on achieving a sustainable cost advantage in some important element of the product or service.
- A low-cost provider is a powerful competitive approach in markets where many buyers are price sensitive.

A LOW-COST LEADER'S BASIS FOR COMPETITIVE ADVANTAGE is lower overall costs than competitors. Successful low-cost leaders are exceptionally good at finding ways to drive costs out of their business. Example: Dollar Tree Store, Walmart, Dell Computer

A low-cost leader has two options for achieving superior profit performance:

1. To use the lower-cost edge to underprice competitors and attract price-sensitive buyers.
2. To refrain from price-cutting altogether, be content with the present market share, and use the lower-cost edge to earn a higher profit margin on each unit sold, thereby raising the firm's total profits and overall return on investment

LOW COST LEADERSHIP IS ACHIEVED THROUGH:

1. Access to raw materials
2. Market location
3. Economies of scale/ Learning curve
4. High Market share
5. State of art manufacturing equipment
6. Cut out frills from the value chain

A LOW-COST LEADERSHIP STRATEGY WORKS BEST WHEN:

1. Price competition among rival sellers is especially vigorous.
2. The industry's product is standardized or readily available from other sellers.
3. There are few ways to achieve product differentiation, thereby making buyers very sensitive to price differences.
4. Most buyers use the product the same ways.
5. Buyers incur low switching costs.

IMPLEMENTING LOW COST STRATEGY:

Implementing overall low cost leadership strategy require different resources and skills. It also implies differing organizational arrangements, control procedures, and inventive systems. Some common implications are as follows:

Commonly required Skills and Resources	Common Organizational Requirements
Substained capital investment and access to capital	Tight cost control
Process engineering skills	Frequent, detailed control reports
Intense supervision of labor	Structured organization and responsibilities
Products designed for ease in manufacture	Incentives based on meeting strict quantitative targets
Low-cost distribution system	

RISKS WITH COST LEADERSHIP/LOW COST STRATEGY:

Cost leadership imposes severe burdens on the firm to keep up its position, which means reinvesting in modern equipment, ruthlessly scrapping obsolete assets, avoiding product line proliferation and being alert for technological improvement. Some of these risks are:

1. **Technological breakthroughs** can open up cost reductions for rivals that nullify a low-cost leader's past investments, learning, and gains in efficiency.
2. **Low-cost learning by industry newcomers or followers**, through imitation or through their ability to invest in state-of-the-art facilities.
3. **Not emphasizing avenues of cost advantage** that can be kept propriety. Sustaining its cost in ways difficult for rivals to copy or match.
4. Inability to see required **product or marketing change** because of the attention placed on cost.
5. **Inflation in costs** that narrow the firm's ability to maintain enough of a price differential to offset competitors' approaches to differentiation.
6. Getting carried away with **overly aggressively price-cutting** and ending up with lower, rather than higher, profitability.
7. Becoming too fixated on cost reduction. It can be pursued so zealously that a **firm's offering ends up being too frills-free to generate buyer appeal**.

DIFFERENTIATION STRATEGY:

This strategy concentrates on creating a highly differentiated product/service line and marketing program so that it is perceived to a broad spectrum of customers as being unique. The company focuses on superior performance by targeting an important customer benefit valued by a segment of market. Most customers would prefer to this product/service line if its price is not too high.

Example: Victoria Secret, Marriott, IBM

THE COMPETITIVE ADVANTAGE FOR A DIFFERENTIATION STRATEGY is either a product/service offering whose attributes differ significantly from the offerings of rivals or a set of capabilities for delivering customer value. Successful differentiation strategy begins with a deep understanding of what customers need and ends with building organizational capabilities to satisfy these needs better than rivals.

DIFFERENTIATION IS ACHIEVED THROUGH:

A differentiation strategy is one in which the product offering is differentiated from the competition by providing value to the customer by product quality, perhaps by enhancing the:

1. Features
2. Performance
3. Quality
4. Prestige
5. Service back up
6. Convenience

Sustainable differentiation usually has to be **linked to unique internal skills**, **core competencies**, and **capabilities.** As a rule, differentiation yields a long-lasting and more profitable competitive edge when it is based on new product innovation, technical superiority, product quality and reliability, and comprehensive customer service. Such attributes are widely perceived by buyers as having value.

DIFFERENTIATION STRATEGIES WORK BEST IN MARKETS WHERE:

1. There are many ways to differentiate the company's offering from that of rivals and many buyers perceive these differences as having value.
2. Buyer needs and uses of the item or service are diverse.
3. Few rival firms are following a similar differentiation approach.
4. Technological chance is fast-paced and competition revolves around evolving product features.

IMPLEMENTING DIFFERENTIATION STRATEGY

Implementing differentiation strategy require different resources and skills. It also implies differing organizational arrangements, control procedures, and inventive systems. Some common implications are as follows:

Commonly required Skills and Resources	Common Organizational Requirements
Strong marketing abilities	Strong coordination among functions in R&D, product development, and marketing
Product engineering	Subjective measurement and incentives instead of quantitative measures
Creative flair	Amenities to attract highly skilled labor, scientists, or creative people
Strong capability in basic research	
Corporate reputation for quality or technological leadership	
Long tradition in the industry or unique combination of skills drawn from other businesses	
Strong cooperation from channels	

DIFFERENTIATION ALSO INVOLVES A SERIES OF RISKS:

1. The cost differential between low-cost competitors and the differentiated firm becomes too great for differentiation to hold brand loyalty. Buyers thus sacrifice some of the features, services, or image possessed by the differentiated firm for large cost savings.
2. Over-differentiating so that price is too high relative to competitors or that the array of differentiating attributes exceeds buyers' needs
3. Trying to charge too high a price premium. The bigger the price differential the harder it is to keep buyers from switching to lower-priced competitors. Buyers are satisfied with a basic product and don't think "extra" attributes are worth a higher price.
4. Buyers' need for the differentiating factor falls.
5. Trying to differentiate on the basis of **something that does not lower a buyer's cost** or enhance a buyer's well-being, as perceived by the buyer.
6. Imitation narrows perceived differentiation. **Rapid imitation means that a firm never achieves real differentiation.**
7. Not understanding or identifying what buyers consider as value.

FOCUSED STRATEGY

This strategy concentrates on a narrow market segment by offering niche customers a customized product or service that meets their tastes and requirements better than rivals' offerings. The company focuses on targeting an important customer benefit valued by a narrow segment of the market ***(could be a particular buyer group, segment of the product line, or geographic market).*** It concentrates its effort on serving a few market segments well rather than going after the whole market. The entire focus strategy is built around serving a particular target very well. Ex. microbreweries, local bakeries, bed-and-breakfast inns, boutiques

A FOCUSER'S BASIS FOR COMPETITIVE ADVANTAGE IS EITHER

1. Lower costs than competitors in serving the market niche
2. An ability to offer niche members something they perceive is better.

THIS STRATEGY WORKS BEST WHEN:

1. It is costly or difficult for multi-segment competitors to meet the specialized needs of the target market niche.
2. When no other rival is attempting to specialize in the same target segment.
3. When a firm doesn't have the resources or capabilities to go after a bigger piece of the total market.
4. When the industry has many different niches and segments, allowing a focuser to pick an attractive niche suited to its resource strengths and capabilities.

FOCUS INVOLVES YET ANOTHER SET OF RISKS:

1. The cost differential between broad-range competitors and the focused firm widens to eliminate the cost advantages of serving a narrow target or to offset the differentiation achieved by focus.
2. The differences in desired products or services between the strategic target and the market as a whole narrows.
3. Competitors find submarkets with the strategic target and out focus the focuser.

STUCK IN THE MIDDLE STRATEGY:

This is a losing strategy. Firms that do not pursue a clear strategy, called middle-of-the-roaders, do the worst. Do not be stuck in the "middle" trying to be successful at all three disciplines, because your firm will generally end up not being good at any one. Business that do not stand out as the lowest in cost, highest in perceived value, or best in serving some market segment encounter difficulties. Ex. Sears, Holiday Inn

A PREEMPTIVE MOVE:

This is a pioneering implementation of a strategy into a business area that, because it is first generates an asset or a competency or develop market insights, that forms the basis of a SCA. For example preempting the best distributors in a market.

SYNERGY:

Synergy occurs when the various parts of the organization interact to produce a joint effect which is greater than the sum of the parts acting alone i.e. 1 + 1 + 1 > 1. This involves a process of vertical integration and also a strong psychological element.

Example of Forward Integration in OIL COMPANIES:

Exploration (Crude Oil, Natural Gas) > Drilling (Technology) > Crude Transportation (Pipelines, Tank Ships) > Crude Storage (Tank Farms) > Refining (Different Fractions – CNG, LPG, Petrol, Diesel, Kerosene, Fuel Oil, Naphtha) > Product Storage (Tanks) > Product Transportation > Retail Pumps

Example of Backward Integration in RELIANCE INDUSTRIES:

Textiles (VIMAL) > Yarn (Polyester Filament Yarn / Partially Oriented Yarn) > Petrochemicals (Purified Terephthalic Acid, Monoethylene Glycol, Polypropylene etc.) > Oil Refining (Naphtha) > Exploration (Crude)

LEVELS & TYPES OF STRATEGIES:

	Corporate Strategy	Business Strategy	Marketing Strategy
Scope	Corporate Domain - Which business shall we be in? Corporate development Strategies Conglomerate diversification (Example: Expansion in unrelated business, vertical integration, acquisition, disinvestment policies)	Which product markets shall we be in? Within the business or industry. Business development Strategy concentric, diversification (New customers for existing products, or new products for existing customers)	Target Market defining, Product line width and depth, Branding Policies Product Market Development Plan, Line Extension plan, Product Elimination Plan
Goals & Objectives	**Overall business,** Revenue Growth, Profitability, ROI, Earning per share	Depends on corporate goals/objectives aggregated **across product-markets,** sales growth, new product – market growth profits, ROI, cash flow, Strengthen basis of competitive advantage	Depends on corporate/business goals **Objective of a specific Product:** Market Entry, Sales, Market Share, Customer Satisfaction
Allocation of Resources	**Across businesses,** across functions shared by multiple businesses **E.g.;** R&D, MIS	Among product market **across functional departments,** within the business units	**Across components of a marketing plan:** Elements of Marketing Mix, Product Market Entry
Source of Competitive Advantage	Primarily through superior corporate financial, HR, R&D. **Better organizational processes or synergies**, relative competitors across all industries in which the firm operates	Primarily through competitive strategy, **Business Unit competencies** relative to competitors in its industry	Through effective product positioning, superiority of a **component of marketing mix** relative to competitors for a specific product market
Source Of	Shared resources, technological or functional	Shared Resources e.g. Favorable Customer Image	Shared Marketing Resources, Competencies

	Synergy	competencies across businesses within the firm	or functional competencies across product markets within industries	or activities across product market entries	
11.	Based on your knowledge of small car industry, which of the following factors might qualify as possible driving forces capable of causing fundamental changes in the industry's structure and competitive environment, identify any two and explain a. Increasing sale of high end two wheelers b. The potential of additional carmakers to enter the small car market c. Growing customer interest in high fuel efficient cars d. A slowdown in the rate of consumer demand of small cars e. An increase in the prices of petrol f. Introduction of mass transit systems like Mono-rail and Metro Rail				April 2013
ANS:	Discuss!				
12.	"It is impossible to practice both cost leadership and differentiation strategy at the same time." Is this statement true? Justify your answer with examples.				April 2014
ANS:	**HYBRID STRATEGY:** Companies can achieve both cost leadership and differentiation when: ✓ If Competitors are stuck in the middle: If competitors are not following the low-cost leadership strategy, it enables the firm to invest in pursuing the low cost strategy while not sacrificing differentiation. Because differentiation is usually costly, the firm would not be able to pursue the low-cost leadership strategy had any of the firm's competitors pursued it. Hence, this situation is temporary until one of the competitors invests in standardizing the product and gaining cost advantage. ✓ If a firm pioneers a major innovation: A firm can achieve both low cost leadership and differentiation if the firm introduces a major technological innovation and is the only one to do so. The firm can continue to enjoy this position till other firms catch up. The way then to maintain this position is (at the risk of sounding clichéd) is to *constantly innovate* ✓ Cost is strongly affected by market share or interrelationships http://onstrategyhq.com/resources/functional-tactics-implementation/ *(Strategy Mgmt. Summary)*				

<table>
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<tr><td>13.</td><td>List a few recent instances of Indian companies that adopted <u>related diversification strategies</u> and make observations on:
(i) Why these companies diversified in related business?
(ii) How diversification plan was implemented?
List a few recent instances of Indian companies that adopted <u>un-related diversification strategies</u> and make observations on:
(i) Why these companies diversified in un-related business?
(ii) How diversification plan was implemented?</td><td>April 2015

April 2013</td></tr>
<tr><td>ANS:</td><td>
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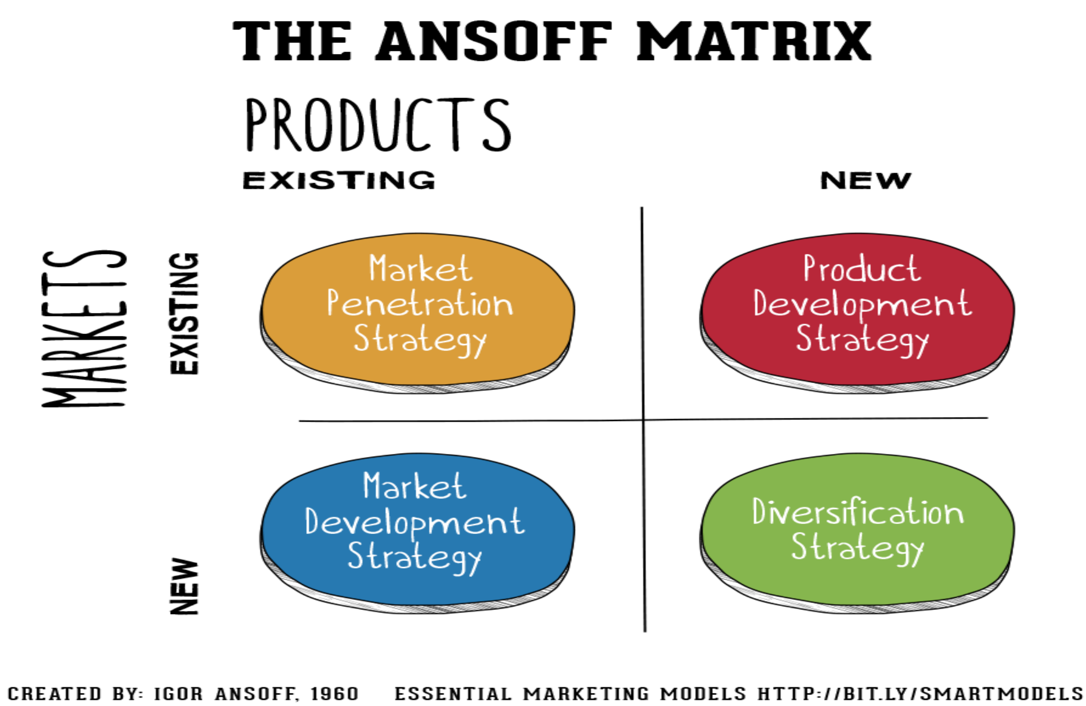
</table>

14.	Diversification is inevitable to remain in business. Companies have adopted different forms of diversification to achieve their objectives. (i) What are the DIFFERENT FORMS OF DIVERSIFICATION? *(Answer Above in Q.13)* (ii) What PARAMETERS AND TOOLS can be used to judge the effectiveness of diversification? (iii) Under what CONDITIONS A DIVERSIFICATION WILL FAIL?	April 2014
ANS:	 	

The two principal objectives of diversification are

1. Improving core process execution, and/or
2. Enhancing a business unit's structural position.

FORMS OF DIVERSIFICATION

Diversification typically takes one of three forms:

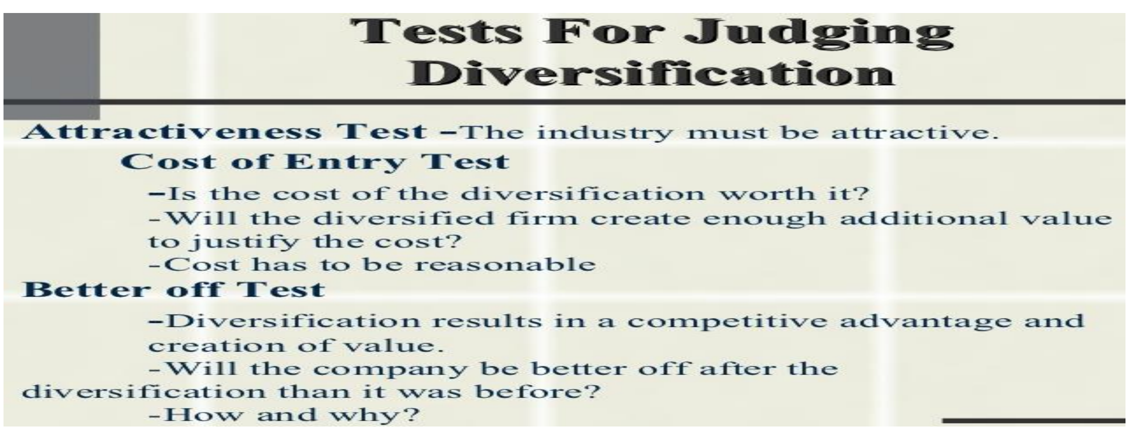
1. **Vertical integration** – along your value chain
2. **Horizontal diversification** – moving into new industry *(grand strategy based on growth the acquisition of similar firms operating at the same stage of the production-marketing chain.)*
3. **Geographical diversification** – open up new markets

MEANS of achieving diversification include internal development, acquisitions, strategic alliances, and joint ventures.

CONGLOMERATE DIVERSIFICATION is the grand strategy that involves the acquisition of a business because it presents the most promising investment opportunity available. Conglomerate diversification occurs when there is no common thread of strategic fit or relationship between the new and old lines of business; the new and old businesses are **unrelated**.

CONCENTRIC DIVERSIFICATION involves the acquisition of a second business that benefits from access to the first firm's core competencies. Concentric diversification seeks synergies between its acquisitions where conglomerate diversification does not. When the new venture is strategically **related** to the existing lines of business, it is called concentric diversification

TOOLS FOR JUDGING DIVERSIFICATION:



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<tr><td>15.</td><td>What are the different means of GLOBAL DIVERSIFICATION?
Why do large companies feel that is a good way of business expansion? What are the risk associated with globalization?</td><td>April 2014</td></tr>
<tr><td>ANS:</td><td>GLOBAL DIVERSIFICATION:
An allocation of investments in a portfolio of international securities in order to achieve broader equity exposure to many foreign markets while spreading the risks associated with investing in any one foreign market.</td><td></td></tr>
<tr><td>16.</td><td>DEFINE DIVERSIFICATION. How does it help a business organization grow faster than the competitor? DOES IT MINIMIZE THE BUSINESS RISK or makes it more complex resulting chaos? Illustrate with examples.
Explain the concept of Diversification. Does it dilute the Business risks resulting in a pathway for success? Give illustrations.</td><td>April 2012

April 2010</td></tr>
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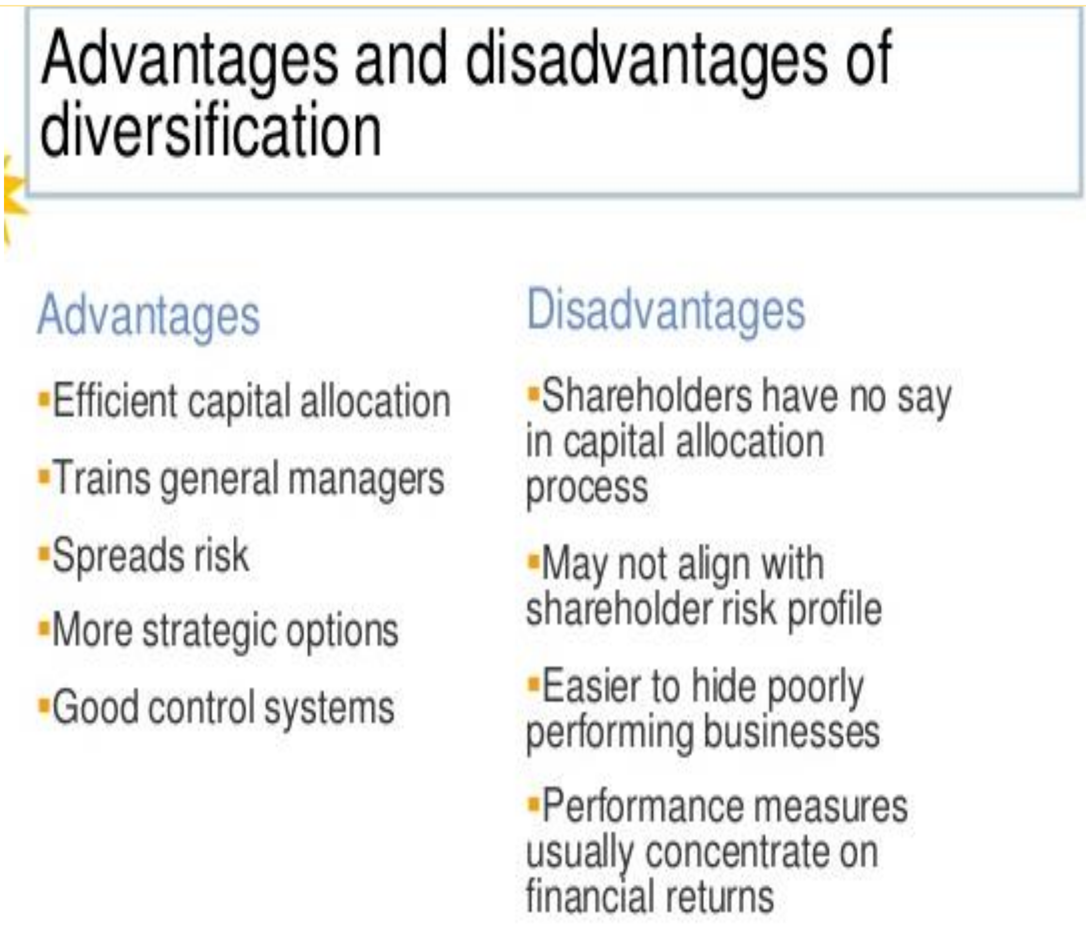

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<tr><td>17.</td><td>Explain the importance of critical success factors in implementation of strategy</td><td>April 2015</td></tr>
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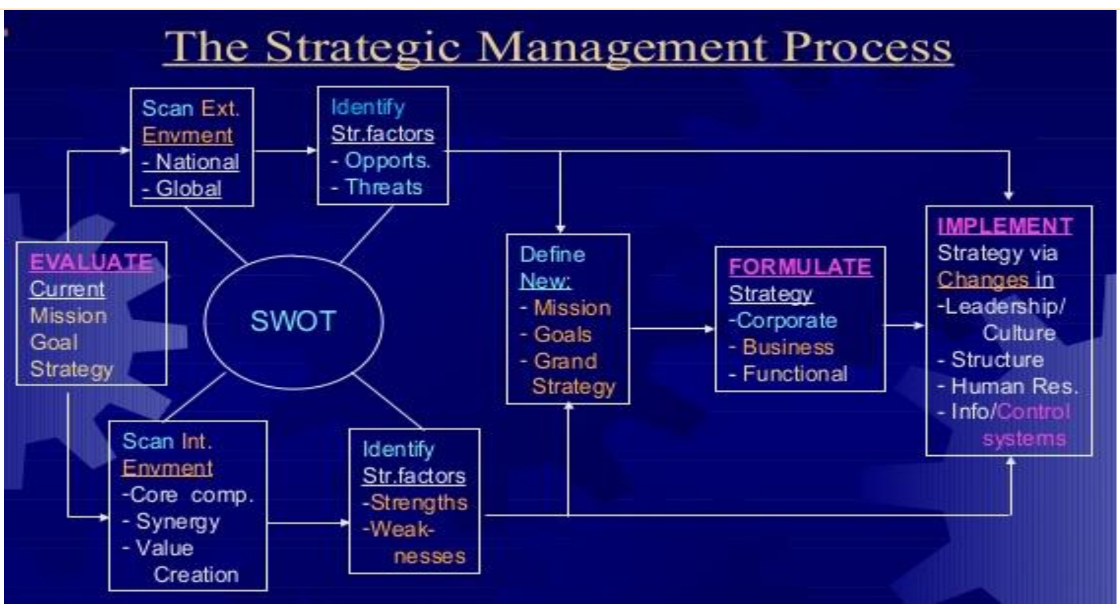
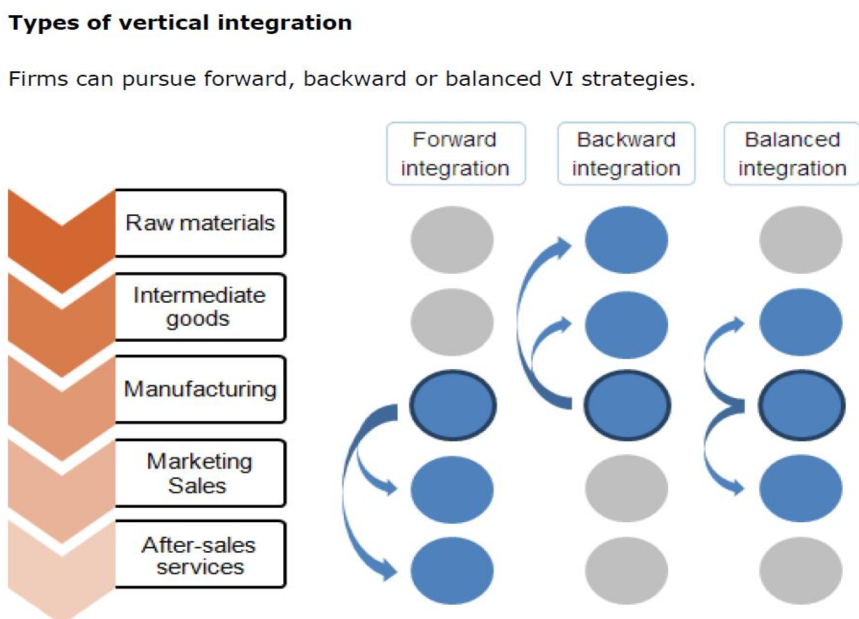
ANS:		
18.	Explain, in detail the strategic management process with suitable diagrams as applicable	April 2013
	What are the various steps of strategic management process? Describe the significance of each step.	April 2011
	How does the organization of strategic management function take place?	
	Explain : (a) THE STRATEGIC MANAGEMENT PROCESS (b) ORGANIZATION OF STRATEGIC MANAGEMENT FUNCTION	April 2010
	What are the various steps of Strategic Management process in any organization? Describe the significance of each step.	Apr 2010, 2009, 2008, 2006
ANS:		

	ORGANIZATION OF STRATEGIC MANAGEMENT STRUCTURE: A key aspect of implementing strategy is the need to institutionalize that strategy so that it permeates daily decisions and actions in a manner consistent with long term strategic success. The fit between the internal organization of an enterprise and its strategy is central to strategic management. Inappropriate internal organization can prevent or impede the development and implementation of a strategy. Three fundamental elements must be managed to "fit" the strategy if that strategy is to be effectively institutionalized: organizational structure, leadership and culture.	
19.	What is vertical integration? Explain with an example.	April 2015
ANS:	<u>VERTICAL INTEGRATION:</u> The steps that a product goes through in being transformed <u>from raw materials to a finished product in the possession of the customer constitute the various stages of production</u>.  Example of Forward Integration in OIL COMPANIES: Exploration (Crude Oil, Natural Gas) > Drilling (Technology) > Crude Transportation (Pipelines, Tank Ships) > Crude Storage (Tank Farms) > Refining (Different Fractions – CNG, LPG, Petrol, Diesel, Kerosene, Fuel Oil, Naphtha) > Product Storage (Tanks) > Product Transportation > Retail Pumps Example of Backward Integration in RELIANCE INDUSTRIES:	

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<tr><td>20.</td><td>Explain GE Matrix. What are its advantages?</td><td>April 2015</td></tr>
<tr><td>ANS:</td><td>

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<tr><td>21.</td><td>Distinguish COMPETENCE, CORE COMPETENCE AND DISTINCTIVE COMPETENCE</td><td>April 2015</td></tr>
<tr><td>ANS:</td><td>

1. To start with, let's clarify the idea of "**competency**" in a business context. A **competency** in a business context is an internal activity that a company performs better than other internal activities it performs. I'll use Hush Puppy Shoes and Earth Shoes to illustrate points as we go on, and this point--the meaning of business **competency**--is illustrated by saying that a competency Hush Puppy Shoes has is the competency of providing leather upper-shoe construction at competitive prices within the mid-value market.
2. With "**competency**" being an internal activity a company performs better than other activities, a "**core competency**" is a competency (a company's well-performed activity) that is **central** and integral to:
   - Fulfilling a company's strategy,
   - Enhancing a company's competitiveness,
   - Increasing a company's profitability.

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	So, if Hush Puppy Shoes has a business ***strategy*** of providing quality leather shoes with the most competitive *resources* and at the most competitive *price*, then it can be said that a core competency of Hush Puppy Shoes is the **core competency** of making shoes constructed of leather and suede uppers. **3.** With "**core competency**" being a competency (activity done better than other activities) that is integral to the fulfillment of a company's objectives in *strategy, competitiveness and profitability*, a "**distinctive competency**" is a core competency that provides "competitive value" and that the company performs better than its ***rivals***. EXAMPLES OF CORE COMPETENCY	
22.	How is it possible for a company to CREATE MARKET POWER in a competitive business environment?	April 2015
ANS	MARKET POWER DEFINITION: Extent to which a firm can influence the price of an item by exercising control over its demand, supply, or both. A firm's market power will depend on the buyers' sensitivity to price, or the firm's elasticity of demand. HOW TO CREATE MARKET POWER: CREATING BARRIERS TO ENTRY: - A firm's profitability depends in part on whether other firms can easily enter its market and compete with it. - When other firms are **free to enter a market**, economic profits tend to very low, even for well-managed firms. - When firms are **prevented from entering a market**, economic profits can be quite high - But as new firms enter markets in search of economic profits, existing firms are forced to compete by lowering their prices and making do with fewer customers. This eats into the economic profits of all firms in the market. It's only after these profits have been almost completely demolished that the process of entry stops. - **For example,** when video rental stores first started popping up in the early 1980s, many of them made a lot of money. Other people quickly caught on that this was a profitable opportunity, and opened their own stores. By the late 1980s, video stores seemed to be everywhere, competing desperately for customers with low prices and speedy service. Now that the economic profits have been squeezed out of most video rental stores, entry by new firms has	

slowed to a trickle.

PATENTS AND COPYRIGHTS: When inventors or firms develop new products, they can apply for **patents.** A patent prohibits others from selling a product for a period of seventeen years. By insulating inventors from competition, patents enable them to charge higher prices and make large economic profits. Patents foster new inventions by rewarding inventors for the expense and risk of bringing a new product to market.

In the same way, writers, artists, and musicians can **copyright** their work. Copyrights give their holders the exclusive right to reproduce things like books, plays, software, films, songs, and paintings. As with patents, this rewards the copyright holder by protecting her or him from competition.

ECONOMIES OF SCALE: Often a large firm can produce a good at a lower unit cost than a small firm. The Oakdale Foods Corporation, for example, can produce a jar of strawberry jam for much less than Mrs. Montoya, who produces a hundred jars a year for her family and friends. Unlike Mrs. Montoya, Oakdale Foods buys its glassware, sugar, strawberries, labels, and pectin wholesale, and gets quantity discounts. Oakdale Foods also uses large, labor-saving equipment to cut costs; since Mrs. Montoya makes jam only once a year, it doesn't make sense for her to buy a lot of specialized equipment. Oakdale Foods also has highly trained and specialized workers; Mrs. Montoya has to consult the jam recipe from time to time.

When a firm can cut unit costs by expanding its size, or "scale," we say that it is experiencing **economies of scale**. Because of economies of scale, huge factories are usually built to produce goods like automobiles, computer chips, and refrigerators. If you wanted to go into business producing any of these goods, you would need to spend millions of dollars to build a factory large enough to enable you to compete effectively. Since most of us don't have and can't borrow that much money, we are prevented from competing in those markets

CONTROL OVER RAW MATERIALS: Sometimes firms are prevented from entering a market because they can't obtain a resource critical to production. For example, Alcoa Aluminum used to have control over the world's supply of bauxite, which is used in producing aluminum. Without bauxite, other firms were unable to produce aluminum, and Alcoa had the market to itself.

ADVERTISING: Anacin once advertised that it's "strongest in the pain reliever doctors recommend most," and that it contains "what 2 out of 3 doctors call the greatest pain fighter ever discovered." What is this miracle pain reliever? It's acetylsalicylic acid, more commonly known as aspirin. Most of the aspirin consumed in the United States is produced by two firms, Dow and Monsanto. These firms sell the aspirin in powdered form to drug companies, which add inactive ingredients like cornstarch to it, then press the mixture into tablets. The tablets are then sold in retail stores under hundreds of different labels. Even though all aspirin is virtually the same, prices vary enormously. Heavily advertised brands like Anacin and Bayer are up to six times as expensive as unadvertised store brands. Yet the more expensive brands are bought by millions of consumers each year. This may be due in part to misleading advertising; Bayer, for example, used to claim that "Aspirin is the best pain reliever and Bayer is the best aspirin." A federal judge later ordered the advertisements stopped when Bayer was unable to prove that it was indeed the best aspirin.

Advertising is designed to make consumers loyal to certain brands, like Bayer, Coke, Snickers, and Calvin Klein. If this "brand loyalty" is strong enough, it can act as a big barrier to entry. In order to launch a new product on the national market, for example, firms sometimes spend over $100 million on advertising in order to coax consumers away from their favorite brands. Since eight out of ten of these attempts fail anyway, few of us can put together the necessary resources to enter markets in which firms advertise extensively.

MARKET POWER BASED ON MARKET STRUCTURE:

A MONOPOLY, a price maker with market power, can raise prices and retain customers because the monopoly has no competitors. If a customer has no other place to go to obtain the goods or services, they either pay the increased price or do without. Firms with highly differentiated products having almost monopoly power. Mono is Greek for "one," and a **monopoly** is a market in which there is only one seller. The markets for electricity, Polaroid cameras, local telephone service, and postage stamps are all monopolistic. As the only seller in a market, a monopoly has the ability to wield enormous market power. With this market power, a monopoly can set its price well above the marginal cost of production.

AN OLIGOPOLY may also be a price maker with market power, as firms may be able to collude and control the market price or quantity demanded. The word "oligopoly" comes from two Greek words: oligo, meaning "few," and polein, "sellers." An **oligopoly**, then, is a market dominated by a few sellers. The automobile, tire, cigarette, airline, and steel industries are examples of oligopolies.

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A perfectly competitive firm, a price taker with no market power, cannot raise its price without losing its customers. Under the economic concept of perfect competition, all firms in a market are assumed to have zero market power. Thus, each firm has to accept the current market price without being able to exercise any control over it. It doesn't take a lot of money to open a small business like a Drive-In, restaurant, hardware store, clothing factory, or barbershop, and millions of people have started these kinds of firms in their quest for economic profits.

23.	"The low-cost leadership strategy at times enable the firm to defend itself against each of the five competitive forces". Explain	April 2015

ANS:

Generic Strategy and Porter's Five Forces

The Five Forces of Industry analysis

Forces affecting the Industry Structure	GENERIC STRATEGIES AS DEVELOPED BY MICHAEL PORTER		
	Cost Leadership	Differentiation	Focus
Entry Barriers	Ability to cut price deters potential entrants	Customer loyalty hinders potential entrants	Development of core inimitable competencies
Buyer power	Ability to offer even lower price to more important buyers	Even large buyers have less power to negotiate due to differentiation	Large buyers have less power to negotiate from core competency
Supplier Power	Better insulation from powerful suppliers	Better position if supplier's price increase	Supplier's price may not have effect at all
Threat of Substitutes	Use a low price to ward off substitutes	Customer's attachment to differentiating attributes wards threats	Specialized attributes and core competencies ward off substitutes
Competitive Rivalry	Better competitiveness on price, unmet by competition	Brand loyalty can hinder switching to competitors	Rivals cannot meet differentiation developed for customer
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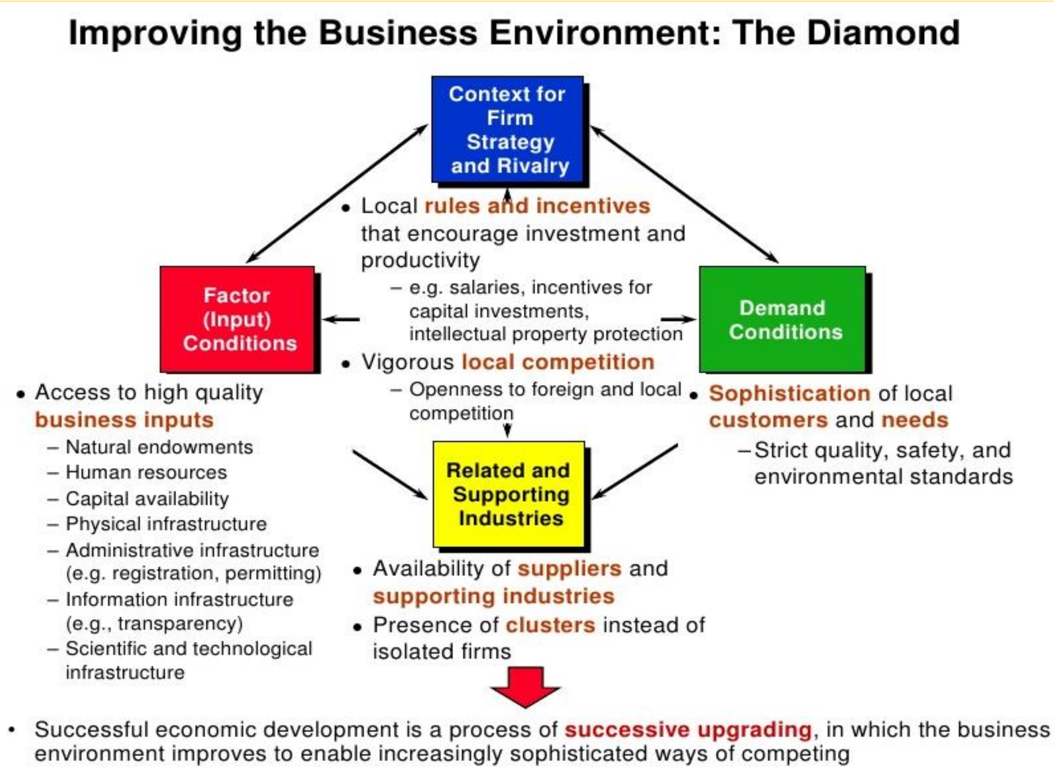
The low-cost position protects the firm against all five competitive forces because bargaining can only continue to erode profits until those of the next most efficient competitor are eliminated.

RISKS:

Cost leadership imposes severe burdens on the firm to keep up its position, which means reinvesting in modern equipment, ruthlessly scrapping obsolete assets, avoiding product line proliferation and being alert for technological improvement. Some of these risks are:

	• Technological breakthroughs can open up cost reductions for rivals that nullify a low-cost leader's past investments, learning, and gains in efficiency. • Low-cost learning by industry newcomers or followers, through imitation or through their ability to invest in state-of-the-art facilities. • Inability to see required product or marketing change because of the attention placed on cost. • Inflation in costs that narrow the firm's ability to maintain enough of a price differential to offset competitors' approaches to differentiation. • Getting carried away with overly aggressively price-cutting and ending up with lower, rather than higher, profitability. • Not emphasizing avenues of cost advantage that can be kept propriety. Sustaining its cost in ways difficult for rivals to copy or match. • Becoming too fixated on cost reduction. It can be pursued so zealously that a firm's offering ends up being too frills-free to generate buyer appeal.	
24.	Explain Porter's Diamond Model of National Competitive Advantage	April 2015
ANS:		
25.	What is the ROLE OF ORGANIZATION STRUCTURE in ensuring effective implementation of Strategy 'STRATEGIC IMPLEMENTATION is a challenging task in business organizations dealing with a problem	April 2015 April 2011

	of organizational structure, systems, styles, culture, power and authority.' Explain with an appropriate example	
ANS:	Organizational structure is a major priority in implementing a carefully formulated strategy. The formal relationships among groups and individuals in the organization are called organizational structure. Structure can be defined as the design of organization through the organization in which the enterprise administered. This design, whether formally or informally defined, has two aspects. It includes, **first,** the lines of authority and communication between the different administrative offices and officers and, **second,** the information and data that flow through these lines of communication and authority. Such lines and data are essential to assure the effective coordination, appraisal, and planning so necessary in carrying out the basic goals and policies and in knitting together the total resources of the enterprise. When implementing a strategy, managers must take both the formal and the informal organizational structure into consideration for three reasons: • First, there is the question of whether the existing organizational structure will promote or impede successful implementation. • Second, there is question of what management levels and personnel within the organization will be responsible for various implementation tasks. • Third, the informal organization can be used to facilitate successful implementation. The organizational structure is viewed as having four elements: 1. The assignment of tasks and responsibilities that define the jobs of individuals and units. 2. The clustering of individual positions into units and units into departments and larger units to form an organization's hierarchy. 3. The various mechanisms required to facilitate vertical coordination, such as the number of individuals reporting to any given managerial position and the degree of delegation of authority. 4. The various mechanisms needed to foster horizontal coordination, such as task forces and interdepartmental teams.	
26.	Illustrate the differences between the following: a. High growth and high velocity market	April 2012

	b. Risk Vs return analysis c. Question mark-Vs stars d. Joint venture and strategic alliances	
ANS:	DISCUSS!	
27.	Competitors are important participants of any business and as such they must be considered in formulating the organizational strategies. Prepare a competitor profile for any Business Organization of your choice.	April 2011
ANS:	<u>COMPETITIVE SCOPE</u>: - Local, Regional, National, Global <u>STRATEGIC INTENT</u>: - Be dominant leader, Overtake leader, Be among Top 5, Be among Top 10, Overtake a particular rival, Maintain Position, Just survive <u>MARKET SHARE OBJECTIVES</u>: - Aggressive expansion via acquisition and internal growth, Expansion through organic growth, Expansion through acquisition, Hold on to present share, Give up share for short term profit <u>COMPETITIVE POSITION</u>: - Getting stronger, well entrenched, stuck in the middle, try to move on from weaker to stronger position, losing ground <u>STRATEGIC POSTURE</u>: - Mostly offensive on the move, mostly defensive, aggressive risk taker, conservative follower <u>COMPETITIVE STRATEGY</u>: - Striving for leadership, focusing on market niche, focusing on differentiation based on: *quality, service, technology, range, image, value*	
28.	'Managing change is the <u>Hallmark</u> of any successful Leader.' How do you handle the process of change management in formulation of strategies for a Business Organization?	April 2011
ANS:	Discuss!	
29.	The worldwide recession referred to as Global Economic Melt-down started from September 15, 2008 has totally changed the role of the Game for all sectors of Business such as financial, industrial, commercial, agricultural and so on. Various Governments and Regulatory Bodies and authorities of different Nations have taken needed actions quickly across the world. 'However, the biggest challenge for these economies was to manage their Business Models, besides continuing to be effective and active Engines of Economics growth and development.in uncertain economic and regulatory	

Environments." Uncertainty is the enemy of socio-Eco no-techno-politico-financial stability of any country."

It was the FMCG industry which helped Indian economy to emerge speedily out of this Great Global Recession. The feel-good factor is now here to stay for the fast-moving-consumer goods (FMCG) industry. Though rising food inflation and high in-put costs have hurt the FMCG sector in the first quarter of the current calendar year January to March 2011, a survey by the confederation of Indian Industry (CII) revealed that "the FMCG industry is optimistic[1] about maintaining a higher growth rate at 13% during the full year; as commodity prices are expected to cool down on the back of a good monsoons of 2010." Now, FMCG— Industry experts believe that a strong driver to the growth would be the positive attitude and sentiment of the consumer with respect to purchases. Topline is a function of inflation and volumes. The sentiment has turned positive and we are not likely to see a significant volume decline. Government's regulatory actions have brought down the inflation. The Economists and expert's world over have agreed that the conservative policies of the Indian Government, which were criticized earlier, helped India come out almost unscathed during this global recession. Experts are debating on Regulation after the Economic meltdown or Global recession: Excessive or Appropriate." They are not against reforming the financial or other systems of economy, but over-zealous regulations in. various fields may, in the long run, hamper a very fragile turnaround achieved recently. They felt India had a staggering amount of regulations in the last $2^1/2$ years and emerging economies will see more controls in the years to come. The best way is to acquire skills to effectively navigate through these regulations. The importance of regulations for any economy cannot be ignored but regulation could not be static and should reflect the realities and should spill over from one country to another. We must emphasize that one of the challenges in India was LEADERSHIP, where there is a real crisis.

Other experts describe this world as a 'schizophrenic world', in that, the model which the world has is that of Supplier of Markets and Consumer markets. In the new equilibrium of world, the lines are blurring between the developed and the developing world. Suppliers and Consumers. The key-here is "THE CONSUMER CONFIDENCE"

All of this aforesaid would bring about higher growth by a percentage point this year 2011-2012. The CII—FMCG survey revealed that India's FMCG—sector registered a growth of 11-4% in April-June 2010, while in 2009-10 it was 12%, during July-Sept 2010 it was 11% due to increase in the costs of various inputs such as petroleum products and packaging materials, and food inflation. During October-December 2010 the growth registered was 12% due to festive season spread over the second

	half of the calendar year 2010 which led to more consumer spending, spurred by the hike In the salaries of employees increasing their purchasing will and power. Interestingly, the sectors which are projected to achieve growth of above 20% during financial year 2011-12 over financial year 2010-2011 are emerging categories like deodorants, which are expected to clock a 41 -5% growth, anti-aging, creams (30-5%), skin and fairness cream (18%), men's fairness products (32%) and hair-colorants (22%). Other categories like detergents, washing cakes, toilet soaps, shampoos and branded cocoanut oils would grow in the range of 10-20%. While categories like tooth-pastes, liquid soaps, shaving products are expected to register moderate growth of under 10%. The FMCG dealers expect growth this year to be strongly led by two of the key-categories: viz; Insect-Repellents and hair-color. From the start of the current quarter (Jan-March 2011) toilet-soap too is witnessing good demand. The positive growth drivers mainly pertain to the focused initiatives and strategies of FMCG companies including mergers and acquisitions, overseas expansion, new product innovations and aggressive rural market penetration to cater to rising rural demand. Questions on above case study :— **1.** What were the reasons India survived and came out of the Global Crisis almost 3 unscathed? **2.** "Uncertainly is the main enemy of National instability." explain this statement relating, 3 to recent Global Economic Meltdown, What are the measures to avert these uncertainties? **3.** What are your views and observations regarding "Regulation after the Great 3 Recession: Excessive or Appropriate." ? What is need of Regulations in the country? **4.** Why world is called schizophrenic? How can it be eliminated? **5.** What are the positive growth driving initiatives and strategies the FMCG companies g must employ to immensely benefit them? Explain each one of these strategies in details.	
ANS:	DISCUSS!	
30.	Write Short Notes On:	
	1. Related & Unrelated Diversification	April 2015
	2. BCG Matrix	April 2015, 2014
	3. Critical Success Factors	April 2015
	4. Vertical Integration	April 2015, 2013
	5. Minzgerg's 5 P's of Strategy	April 2014
	6. Niche Market Strategy	April 2014
	7. Balanced Scorecard	April 2014

	8. Global strategy	April 2013
	9. GE matrix	April 2013
	10. Value Chain Analysis	April 2013
	11. Porter's three generic strategies	April 2013
	12. Vertical & Horizontal Integration	April 2012, 2011
	13. Turnaround Strategy & its process **Definition** – 'Turn-around' is the process of reactivating a deteriorating, sick unit which is facing 'survival crises' due to consistent downward trend in operating profits. **Turn-around Management:** It is defined as the measures adopted to reverse the negative trends of the performance indicators of a company, i.e. to turn a sick company into a healthy one. Example: **HMV case study** The elements of a successful turnaround strategy are: 1. **Change in Top management:** An efficient new CEO is usually appointed, who is expected to only streamline things but also to change the corporate culture. 2. **Initial Credibility-building measures:** With stakeholders, shareholders and especially employees. 3. **Neutralizing external pressures:** Economic, political, trade-unions, vested interests, etc. 4. **Initial control:** Quick firm grip over affairs of the organization 5. **Identifying quick pay-off activities:** Marketing promotional efforts. Identifying low hanging fruits and quickly achieving those targets so that there are quick benefits which will boost the confidence of the employees, stakeholders and the shareholders in the company's turn-around strategy. 6. **Rapid Cost reductions:** This includes reducing non-profiting activities, closing non-profiting wings of business, discontinuing non-profiting products or services. May require laying off surplus man-power. 7. **Revenue generation:** Emphasis on recoverable etc. 8. **Asset liquidation for generating cash:** SBUs, real estate, etc. 9. **Mobilization of Organization:** Infusing a sense of urgency and dynamism in the existing work-force, improvement in HR through training and recruitment of competent people, if necessary. 10. **Better internal co-ordination:** Lack of which is often a cause of the decline, in the first place.	April 2012

Causes of Corporate Sickness: *(Not required in the answer. Included in case any related question is asked)*

1. Inadequate Financial Controls: Ignorance of market dynamics and / or lack of adequate control over cash inflows / outflows.
2. Ineffective Management: Due to following factors

a) One Man Rule: All power concentrated in CEO's hands, hence organization suffers from the repetitive his past follies.

b) Combined Chairman & Chief Executive: Weakens process of execution, effective monitoring & controlling.

c) Ineffective Board of Directors: Not interested in the functioning of the organization due to which the organization falters on all fronts.

d) Other Managerial Shortcomings: Incapability / lack of attitude or aptitude of the back-door entrants or managers who have inherited the organizations. They remain in their own shells surrounded by sycophants and continue to be a constant liability to the company.

3. Competition: No pace with the consumer preferences in a competitive market will result in serious problems.
4. High Cost Structure: (compared to the competitors). Due to:
   - Inability to take advantage of economies of scale.
   - Cost disadvantage due to ineffective control of strategic variables.
   - Under-utilization of capacity / ill – maintenance of plant & machinery
   - Other operating inefficiencies / unfavourable Government Policies
5. Changes in Market Demand: Either due to change in consumer preferences or other innovations resulting in the emergence of better product in the market, resulting in huge financial losses to the company. Eg: Introduction of CDs & other digital format of music causing losses to cassette manufacturing companies.
6. Lack of Marketing effort: Resulting from managerial complacency in declining phase. Failure to keep up the tempo of sales / promotions or make the product appear attractive and presentable.
7. Big Projects & Acquisitions: Over ambitious Organisations sometimes go in for projects / acquisitions for which they have neither the resources nor the expertise to manage, thereby blocking funds without ROI.

	8. Inadequate reinvestment in Business: Investing in non-productive assets, plant and machinery. 9. Irrational Financial Policy: Either due to high Debt / Equity Ratio or use of inappropriate financing sources / cash management.	
	14. Strategic Audit	April 2011
	15. SWOT Analysis in Mergers and Acquisition process	April 2011
	16. Diversification as a Risk Reduction devise and a pathway for organizational success	April 2011
	17. Risk Versus Return Analysis	April 2011
	18. Sustainable competitive advantage in achieving organizational objectives under strategic planning.	April 2011