

AMIT BACHHAWAT TRAINING FORUM

SOME MORE PAST QUESTIONS OF RECENT EXAMS

Q1. In your view what are the Key success Factors for operating in a competitive market place? (3 Marks Nov.14)

Ans: KSFs are the rules that shape whether a company will be financially and competitively successful. Important key success factors for operating in competitive markets are:

1. Cost structure of the market
2. The price sensitivity of the market
3. Technological structure of the market
4. The existing distribution of the market
5. Is the market mature?

Q2. An industry can have more than one strategic group. (2 Marks Nov 14)

Ans: Correct: An industry contains only one strategic group when all sellers pursue essentially identical strategies and have comparable market positions. At the other extreme, there are as many strategic groups as there are competitors when each rival pursues a distinctively different competitive approach and occupies a substantially different competitive position in the marketplace.

Q3. How strategic decisions differ in nature from other routine decisions taken in day to day working of any organization? Explain. (3 Marks Nov.14)

Ans: Strategic decisions are different in nature than all other decisions which are taken at various levels of the organization during day to day working of the organizations. The major dimensions of strategic decisions are listed below:

- a. Strategic issues require top management decisions.
- b. Strategic issues involves the allocation of large amounts of company resources
- c. Strategic issues are likely to have a significant impact on the long term prosperity of the firm
- d. Strategic issues are future oriented
- e. Strategic issues usually have major multifunctional or multi business consequences
- f. Strategic issues necessitate consideration of factors in the firm's external environment

Q4. A bakery starts producing pastries and other similar products. What type of diversification strategy is being following by it and why? (3 Marks Nov.15)

Ans: A bakery normally is a small organization that produces and sells flour – based food baked in an oven. A bakery produces breads, cake, cookies, pastries, pies, etc. A bakery that is not into producing pastries starts producing them and other similar products is following concentric diversification which is basically related diversification.

In this form of diversification, **the new business is linked to the existing businesses** through existing systems such as processes, technology or marketing. There are benefits of synergy with the current operations. The most common reasons for pursuing a concentric diversification are **that opportunities in existing line of business are available.**

Q5. Identify with reasons the type of growth strategies followed in the following cases:

- i. A leading producer of confectionery products advertising the new uses of its product 'Chokoo Mix' aggressively
- ii. A company in publishing industry deciding to revise college text books.

- iii. A renowned company in textile industry starting to **manufacture PFY and PSF, critical raw materials for textiles.**
- iv. A business giant in auto manufacturing enters into **edible oils, hotels, financial services and dairy businesses.** (4 Marks Nov.15)

Ans:

- i. The organization has adopted market penetration strategy (intensification) through advertising the new uses of its product 'chokoo mix' aggressively. Here the organization wants significant growth – within the current business by selling existing products in the existing markets without changing the product in a major way.
- ii. THE COMPANY HAS ADOPTED product development strategy (intensification) by deciding to revise college text books. The company is already in publishing industry and must be having appropriate competencies in dealer network and acceptance amongst the student community. Revising the college text books (new product) would help it to expand in the college text books segment (existing market)
- iii. The company has adopted backward integration strategy (vertically integrated diversification) by starting to manufacture PFY and PSF, critical raw materials for textiles. This strategy apart from overall growth of the organization ensures uninterrupted supply of critical raw materials for the present business of the firm. It will also enable the organization to retain the margins in dealing with the raw materials which otherwise would have gone to its suppliers.
- iv. The business giant in auto manufacturing has adopted conglomerate diversification strategy by entering into edible oils, hotels, financial services and dairy businesses. In conglomerate diversification a business enters into new businesses that may have little or no linkages with existing business. The organization has very high growth ambition.

Q6. A core-competence is a unique opportunity of an organization not shared by others. (3 Marks Nov. 07)

Ans: Incorrect: Core Competencies are unique strengths rather than opportunities of an organization. They are resources and capabilities that serve as a source of competitive advantage over rivals. In comparison with competitors an organization is in better position to leverage and take advantage of the core competencies.

Q7. To which industries the following development offers opportunities and threats?

- a) **The number of nuclear families, where husband and wife both are working, is fast increasing'. (3 Marks Nov.10)**
- b) **"Increasing trend in India to organize IPL (Cricket) type of tournaments in other sports also." (3 Marks Nov.14)**

Ans:

- a) An opportunity is a **favourable condition** in the organization's environment which enables it to strengthen its position. On the other hand threat is an **unfavourable condition in the organization's environment** which **causes a risk for**, or damage to, the organization's position.
Different developments in the environment can offer different opportunities and threats to business. In the social environment, there is growth of nuclear families that is away from the joint family system. Often both husband and wife are working. Having double income increases their spending capacity. Such developments brings direct opportunities to different business such as **ready to eat food, eateries, fast to cook items, dish washers, washing machines, crèches for children** etc. Indirect opportunities exist for other **lifestyle products**. At the same time, such development also **acts as threats to traditional raw food suppliers, Kitty party organizers and so on.**
- b) An opportunity is a favourable condition in the organization's environment which enables it to strengthen its position. On the other hand the threat is an unfavourable condition in the organization's environment which causes a risk for, or damage to, the organization's position.
An opportunity is also a threat in case internal weaknesses do not allow organizations to take their advantages in the manner rivals can.
The IPL (Cricket) Tournament is highly profit and entertainment driven. A number of entities and process are involved in this IPL type tournament. So financial opportunities are for:

- i. Stadiums
- ii. Sport Industry
- iii. Manufacturers of sport items
- iv. Media Industry- Sports channel/televisions, advertisers. It is also threat to entertainment industry as competitors will be fighting for same viewers.
- v. Tourism and Hotel industry.
- vi. Event Management.

Q8. Tele-shopping is an instance of direct marketing. (2 Marks Nov.07)

Ans: Correct: Direct marketing is done through various advertising media that interact directly with customers. Teleshopping is a form of direct marketing which operates without conventional intermediaries and employs television and other IT devices for reaching the customer. The communication between the marketer and the customer is direct through third party interfaces such as telecom and postal systems.

Q9. Product strategies implements, supports and drives higher strategies. (3 Marks May.10)

Ans. Correct: For effective implementation of higher level of strategies, strategist needs to **provide direction** to functional managers, including production, regarding the plans and policies to be adopted. Production strategies **provide a path for transmitting** corporate and business level strategy to the production systems and make it operational. It **may relate to production planning, Operational system, control and research & development.**

Q10. Marketers alone can deliver superior value to customers. (2 Marks May.11)

Ans: Incorrect: A marketer alone **cannot deliver** superior value to the customers. It needs to **work in coordination** with other **departments to accomplish this.** It is important to be a part of organization chain & marketers needs to work in coordination with other departments in the search for competitive advantage.

Q11. In the context of Ansoff's Product-Market Growth Matrix, identify with reasons, the type of growth strategies followed in the following cases:

- i. A leading producer of toothpaste, advises its customers to brush teeth twice a day to keep breath fresh.
- ii. A business giant in hotel industry decides to enter into dairy business.
- iii. One of the India's premier utility vehicles manufacturing company ventures to foray into foreign markets.
- iv. A renowned auto manufacturing company launches ungeared scooters in the market. (4 Marks Nov.14)

Ans: The Ansoff's product marketing growth matrix is a useful tool that helps businesses decide their product and marketing growth strategy. This matrix further helps analyse different strategic directions. According to Ansoff there are four strategies that organizations might follow.

- i. **Market Penetration:** A leading producer of tooth paste, advertises its customers to brush teeth twice a day to keep breath fresh. It refers to a growth strategy where the business focuses on **selling existing** products into existing market.
- ii. **Diversification:** A business giant in hotel industry decides to enter into dairy business. It refer to a growth strategy where a business markets new products in new markets.
- iii. **Market Development:** One of India's premier utility vehicles manufacturing company ventures to foray into foreign markets. It refers a growth strategy where the business seeks to sell its existing products into new markets.
- iv. **Product Development:** - A renowned auto manufacturing company launches ungeared scooter in the market. It refers to strategy where business aims to introduce new product into existing markets.

Q11. A CONCEPT OF STRATEGIC INTENT

Ans: Examples: A company's strategic intent can entail becoming

- i. The dominant company in the industry
- ii. Unseating the existing industry leader,
- iii. Delivering the best customer service, or
- iv. Turning a new technology into products

Q11. B There are two approaches for strategic planning – top down or bottom up.

- **Top down strategic planning describes a centralized** approach to strategy formulation in which the corporate centre or head office determines mission, strategic intent, objectives and strategies for the organization as a whole and for all parts.
- Bottom up strategic planning is the characteristic of autonomous or semi autonomous divisions in which the corporate centre does not conceptualize its strategic role as being directly responsible for determining the mission, objectives or strategies of its operational activities. It may prefer to act as a catalyst, keeping things reasonably simple and confining itself to perspective and broader strategic intent.

Q12. Analyze the following cases in the context of Michael Porter's Five Forces Model:

- a. **A supplier has a large base of customers.**
- b. **A manufacturer of sports goods has the advantage of economies of large scale production**
- c. **Products offered by competitors are almost similar (3 Marks May.15)**

Ans:

- a. Large base of customers of an organization (supplier) may increase its bargaining power in comparison to the bargaining power of the customer.
- b. The manufacturer of sports goods would be in better position amongst existing competitors since it has advantage of economies of scale. Even the threat of new entrants gets reduced.
- c. Similar products will reduce the bargaining power of the rivals, i.e., competitors in other words , the bargaining power of the customer will be more.

Q13. There is both opportunity and challenge in 'Change'. (Nov.09)

Ans. Correct: it is said that change is inevitable, especially in the context of business environment. Changes in the business environment from time to time throw **up new issues before businesses**. A right perspective of such new issues is **to view them both as challenges** and opportunities – challenge because appropriate action is **called for** and, opportunity **because it opens up new potentials for the future that would lead to** prosperous business.

Q14. Distinguish between Micro Environment and Macro Environment (4 Marks Nov.11)

Ans: The business environment consists of both the macro environment and the micro environment. Following are the differences between the two:

- The micro environment refers to the forces that are very **close to the company and affect its ability to do** routine functions. Macro environment refers to all forces that are part of the **larger periphery** and **distantly affect organization** and micro environment
- The elements of micro environment are specific to **the said business and affect** its working on **short term** basis. The elements of macro environment are general environment and affect the working of all the firms in an **insutry**.

Q15. What are kiretsus?

Ans: Kiretsus is a loosely coupled group of companies, usually in related industries. It is a Japanese term which is used for large cooperative networks of business. Kiretsus members are peers and may own **significant** amounts of each **other's stock** and have many **board members in common**.

Q16. Explain the need for a business organization to scan the environment on a continuous basis. Discuss the contemporary developments in the business environment.

Ans: The impact of the global recession on contemporary developments in the business environment. They may list different factors such as real estate etc. As far as social environment is concerned a new culture is evolving in the country on account of increased global interaction and impact of mass media. There is also increase in awareness. The Developments in the legal environment including introduction of new direct tax code, limited **liability partnership, GST, etc** have their own impact on the business.

Q17. Strategic Decision Making

Ans: Decision making is a managerial process and function of choosing a particular course of action out of several alternative courses for the purpose of accomplishment of the organizational goals. Strategic decisions are different in nature than all other decisions which are taken at various levels of the organization during day to day working of the organizations.

The major dimensions of strategic decisions are given below:

- a. Strategic issues require top – management decisions:** Strategic issues involve thinking in totality of the organizations and also there is lot of risk involved. Hence, problems calling for strategic decisions require to be considered by top management
- b. Strategic issues involve the allocation of large amounts of company resources:** It may require huge financial investments to venture into a new area of business or the organization may require huge number of manpower with new set of skills in them
- c. Strategic issues are likely to have a significant impact on the long term prosperity of the firm:** Generally the results of strategic implementation are seen on a long term basis and not immediately.
- d. Strategic issues are future oriented:** Strategic thinking involves predicting the future environmental conditions and how to orient for the changed conditions.
- e. Strategic issues usually have major multifunctional or multi – business consequences:** As they involve organization in totality they affect different sections of the organization with varying degree.
- f. Strategic issues necessitate consideration of factors in the firm's external environment:** Strategy focus in organization involves orienting its internal environment to the changes of external environment.

Q18. An organization is always an obstacle to successful strategy implementation? (2 Marks Nov.08)

Ans: Incorrect: A company's culture is manifested in the values and business principles that management preaches and practices. The beliefs, vision, objectives and business approaches and practices underpinning a company's strategy may be compatible with its culture or may not. **When they are compatible the culture becomes a valuable ally in strategy implementation and execution.**

Q19. "Efficiency and effectiveness mean the same in strategic management". (2 Marks May.08)

Ans: Incorrect: Efficiency pertains to designing and achieving **suitable input ratios of funds, resources, facilities** and efforts whereas effectiveness is concerned with the organization's attainment of goals **including that of desired competitive** position. While efficiency is **essentially introspective**, effectiveness **highlights the links** between the organization **and its environment in general terms**, to be effective is to do the right things while to be efficient is to do things rightly.

Q19. A

<p>NEED FOR MISSION</p>	<ul style="list-style-type: none"> a. To insure unanimity of purposes within the organization. b. To provide a basis for motivating the use of the organization's resources. c. To develop a basic, or standard, for allocating organizational resources. d. To establish a general tone or organizational climate, for example, to suggest a business-like operation. e. To serve as a focal point for those who can identify with the organization's purpose direction, and to deter those who cannot form participating further in the organizations activities. f. To facilitate the translations of objective and goals into a work structure involving the assignment of task to responsible elements within the organization. g. To specify organizational purposes and the translation of these purposes into goals in such a way that cost, time, and performance parameters can be assesses and controlled.
<p>Factors to be considered while writing mission statement</p>	<p>A good mission statement should be of precise, clear feasible, distinctive and motivating. It should indicate major components of strategy.</p> <ul style="list-style-type: none"> a. One of the roles of a mission statement is to give the organization into own special identity, business emphasis and path for development - one that typically sets it apart from other similarly situated companies. b. A company's business is defined by what needs it trying to satisfy, by which customer groups it is targeting and by the technologies and competencies it uses and the activities it performs. c. Technology competencies and activities are important in defining a company's business because they indicate the boundaries on its operation. d. Good mission statements are highly personalized- unique to the organization for which they are developed.

Q20. What business are we in?

Ans: Strategic vision

Company	Production-oriented answer	Marketing-oriented answer
AT&T	We operate a long distance telephone company	We provide multiple forms of reliable, efficient and inexpensive telecommunication services
Indian Oil	We produce oil and gasoline products	We provide various types of safe and cost effective energy.
Indian Railway	We run a railroad	We offer a transportation and material handling system
Eastern Kodak	We make cameras and film.	We help preserve beautiful memories
Revlon	In the factory, we make cosmetics	In the drugstore, We sell hope

Q21. Explain turnaround strategy

Ans. Stage One- Assessment of current problems: The first step is to assess the current problems and get t the root causes and the extent of damage the problem has caused. Once the problems are identified, the resources should be focused towards those areas essential to efficiently work on correcting and repairing any immediate issues.

Stage Two- Analyze the situation and develop a strategic plan: Before you make any major changes; determine the chances of the business's survival. Identify appropriate strategies and develop a preliminary action plan. For this one should look for the viable core businesses, adequate bridge financing and available organizational resources. Analyze the strengths and weaknesses in the areas of competitive position. Once major problems and opportunities are identified, develop a strategic plan with specific goals and detailed functional actions.

Stage Three- Implementing an emergency action plan: If the organization is in a critical stage, an appropriate action plan must be developed to stop the bleeding and enable the organization to survive. The plan typically includes human resources, financial, marketing and operations actions to restructure debts, improve working capital, reduce costs, improve budgeting practices, prune product lines and accelerate high potential products.

Stage Four - Restructuring the business: The financial state of the organization's core business is particularly important. If the core business is irreparably damaged, than the outlook for the entire organization may be bleak. Prepare cash forecast, analyze assets ad debts, review profits and analyze other key financial functions to position the organization for rapid improvement.

During the tournament, the "product mix" may be changed, requiring the organizations to do some repositioning. Core products neglected over time may require immediate attention to remain competitive some facilities might be closed; the organization may even withdraw from certain markets to make organization leaner or target its products towards a different niche.

The "people mix" is another important ingredient in the organization's competitive effectiveness. Rewards and compensation systems that encourage dedication and creativity encourage employees to think profits and return on investments.

Stage Five- Returning to normal: In the final stage of turnaround strategy process, the organization should begin to show signs of profitability, return on investments and enhancing economic value-added. Emphasis is placed on a number of strategy efforts such as carefully adding new products and improving customer service, creating alliances with other organizations, increasing the market shares, etc.

Q21. In your view, what is the role of corporate level managers in Strategic management? (3 Marks May 15)

Ans: Characteristics of strategic management decisions at different levels

Level of Strategy			
Characteristics	Corporate	Business	Functional
Type	Conceptual	Mixed	Operational
Measurability	Value Judgments dominant	Semi quantifiable	Usually Quantifiable
Frequency	Sporadic or Periodic	Periodic or Sporadic	Periodic
Relation to present activity	Innovative	Mixed	Supplementary
Risk	Wide Range	Moderate	Low
Profit Potential	Large	Medium	Small
Cost	Major	Medium	Modest
Time Horizon	Long Range	Medium Range	Short Range
Flexibility	High	Medium	Low
Cooperation Required	Considerable	Moderate	Little

Q22. Being a strategic professional, analyze and redesign in work flows in the context of business process reengineering. (3 Marks May 10)

Ans: The basic principles that differentiate reengineering from any other drive on improving organizational efficiency may be briefly summarized as follows:

1. **Discontinuous Thinking** :- At the core of reengineering lies the concept of discontinuous thinking. BPR approach recognizes that most of the existing rules and procedures of work methods are based on certain assumptions about technology, people and the goals of the organization. These assumptions may not be valid anymore.
2. **Dramatic Changes** :- Reengineering does not have any scope for any partial modification or marginal improvement in the existing business processes. It aims at achieving excellence and a breakthrough in performance by redesigning the process entirely and radically.
3. **Role of IT** :- BPR recognizes "the" vast and expanding potential of IT for the most rational, simple, and efficient redesign of work structure." BPR aims at utilizing information technology for involving a new process, instead of automating the existing process.
4. **Cross-Functional Prospective** :- Reengineering requires viewing a process from cross-functional prospective. Reengineering effort, therefore, focuses on a multidimensional approach disregarding the constraints of organizational structure departmental boundaries.
5. **Massive Organizational Change** :- "BPR efforts involves managing massive organizational change." Reengineering is not just changing the process. The change in process is almost always accompanied by a whole lot of changes n other areas too. Work changes from ask oriented to process oriented.

Q23. Market penetration ignores competition.

Ans: Incorrect: Market penetration refers to a growth strategy where the business focuses on selling existing products into existing markets. Penetration might require greater spending on advertising or personal selling. Overcoming competition in a mature market requires an aggressive promotional campaign, supported by a pricing strategy designed to make the market unattractive for competitors.

Q24. Skimming means keeping price very low.

Ans: Incorrect: In skimming, prices of a new product are kept at a very high level. The idea is to take advantage of the initial interest that a new product generates amongst the buyers who are relatively price insensitive.

Q25. PLC is an S shaped curve

Ans: Correct: Product Life Cycle (PLC) which is a graphical depiction of sales over time is an "S" shaped curve with four stages- introduction, growth, maturity and decline. The pattern is shared by all products and families through the duration for each phase is different in each case.

Q26. This management of internal linkages the value chain could create competitive advantage in a number of ways:

P to P Linkages Primary activities	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
P to S Linkages Primary to Secondary	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. Computer based systems have been exploited in many different types of service organization and have fundamentally transformed the customer experience.
S to S Linkages	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.
Cumulative study of linkages and co-ordination among different activities in VCA	It is easy to miss this issue of managing linkages between primary activities in an analysis if, for example, the organization's competences in marketing activities and operations are assessed separately. The operations may look good because they are geared to high volume , low variety , low – unit cost production. However, at the same time, the marketing team may be selling speed, flexibility and variety to the customers.

Other ways of creating competitive advantage by using Value Chain Analysis

In addition to the management of internal linkage, competitive advantage may also be gained by the ability to complement/co-ordinate the organization's own activities with those of suppliers, channels or customers. Again, this could occur in a number of different ways:

Vertical Integration	Vertical Integration attempts to improve performance through ownership of more parts of the value system, making more linkages internal to the organization.
Controlling the Performance of Suppliers	Within manufacturing industry, the competence in closely specifying requirements and controlling the performance of suppliers (sometimes linked to quality checking and/or penalties for poor performance) can be critical to both quality enhancement and cost reduction
Total Quality Management	A more recent philosophy has been total quality management, which seeks to improve performance through closer working relationships between the specialists within the value system
Merchandising Activities	The merchandising activities which manufacturers undertake with their distributors are now much improved and are an important source of competitive advantage.

Q27. Writes short notes on KSF

KEY SUCCESSFUL FACTORS (KSFs)

An industry's Key Success Factors (KSFs) are those things that most affect industry members' ability to prosper in the marketplace – the particular strategy elements, product attributes, resources, competencies, competitive capabilities that spell the differences between success or failure. The answers to 3 questions help identify an industry's key success factors:

- On what basis do customers choose between the competing brands of sellers? What product attributes are crucial?
- What resources and competitive capabilities does a seller need to have to be competitively successful?
- What does it take for sellers to achieve a sustainable competitive advantage?

A company with perspective understanding of industry KSFs can gain sustainable competitive advantage by training its strategy on industry KSFs and devoting its energies to being distinctively better than rivals on one or more of these factors.

Q28. Michael E Porter has suggested three generic strategies. Briefly explain them. What is the basic objective to follow a generic strategy? In what situations can the three strategies be used? Identify the type of strategy used in the following examples:

- a. Dell Computer has decided to rely exclusively on direct marketing
- b. "Our basic strategy was to charge a price so low that microcomputer makers couldn't do the software internally for that cheaply"
- c. 'NDTV', a TV Channel has identified a profitable audience niche in the electronic media. It has further exploited that niche through the addition of new channels like 'NDTV' Profit and 'Image'.

Ans. In the given examples the generic strategies that are being followed are given as follows:

- a. **Differentiation:** Dell Computers is differentiating on product delivery. Computer market is highly competitive and the products are very similar.
- b. **Cost Leadership:** Keeping the prices low so that microcomputer makers acquire the software rather than developing themselves is a case of cost leadership
- c. **Focus:** NDTV has identified a profitable area (audience niche) and is focusing on it.