SUGGESTED SOLUTION

CS EXECUTIVE J'19 EXAM

SUBJECT- S.M.

Test Code – CSE 2022

BRANCH - () (Date :)

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ANSWER-1

ANSWER-A

Importance of business policy are as follows:

1. **From the viewpoint of the Course itself**

Business policy seeks to **integrate knowledge and experience** gained in various functional areas of management. It enables the **learner to understand and make sense of the complex interaction** that takes place between different functional area.

Business policy deals with the **constraints and complexities of the real-life business**. In contrast, the functional area courses are based on a **structured, specialized and well-developed body of knowledge** resulting from the simplification of the complexity of the overall takes and responsibilities of management.

Business policy makes the study and practice of management more meaningful as one can view business **decision-making in its proper perspective**. For instance, in the context of business policy, a **short-term gain for a department or a sub-unit** is willingly sacrificed in the interest of the long-term benefit that may accrue to the organization as a whole.

2. **For the Understanding of Business Environment**

Regardless of the level of management where a person is, business policy **creates an understanding of how policies are formulated**. This helps in creating an **appreciation of the complexities** of the environment that the senior management faces in policy formulation.

By gaining an understanding of the business environment, managers become more **receptive to the ideas and suggestions** of the senior management. Such an attitude on the part of managers makes the task of policy implementation simpler.

By being able to relate the environmental changes to policy changes within the organization, managers feel themselves to be a part of a greater design. This helps in reducing their feelings of isolation.

3. **For Understanding the Organization**

Business policy presents a basic framework for **understanding strategic decision-making** while a person is at the middle level of management. Such a framework, combined with the experience gained in working in a specialized functional area, enable a person to make preparations for handling general management responsibilities. This benefits the organization in a variety of ways.

Business policy, like most other areas of management, brings to the organization and also to its managers, the benefit of years of distilled experience in strategic decision-making. Case study, which is the most common pedagogical tool in business policy, provides illustrations of real-life business strategy formulation and implementation.

(2*3 = 6 MARKS)

ANSWER-B

The following are the major organizational systems:

(i) **Information System:** Management information and control systems are **closely interrelated**, the information system is designed on the basis of control system. Every manager in the organization should have **sufficient information** about his performance, **standards** and his contribution for achieving the organizational objectives. Information system initiates that every manager is getting the required information. Broadly speaking, the manager should be supplied with the information for taking appropriate action. For taking corrective steps for the deviations, if any, the manager must have the information at proper time and covering the functioning of a period which is subject to control.

(ii) **Planning System:** Planning provides the **entire spectrum on which control function is based**. Control function emphasizes that there is a plan which directs the behaviour and activities in the organisation. Control measures these behaviour and activities and suggests measures to overcome the deviations if any. **Since planning and control system are closely interlinked there should be proper integration of the two.** These integration can be achieved by developing consistency of strategic objectives and performance measures.

(iii) **Development System:** Development system is concerned with **developing personnel to perform better** in their existing position and likely future positions that they are expected to occupy. The system aims at increasing organization capability through people to achieve better results and later on these results becomes the basis for control.

(iv) **Appraisal System:** Performance appraisal system involves **systematic evaluation of the individual** with regard to his performance and his potential for development. For evaluating an individual his performance along with his abilities and potential is taken into consideration.

(v) **Motivation System:** Since the basic objective of the control is to **ensure that organizational objectives are achieved,** motivation plays crucial role in the control process. It energizes the managers and the other employees in the organization to perform better which is the key for organizational success.

(4 MARKS)

ANSWER-2

ANSWER-A

The following strategic control techniques are followed :

1. **Premise Control:** Premise control is designed to **check systematically** whether the assumptions set during **strategy formulation and implementation** process are still valid. Premises include assumptions or **forecast of the future and known conditions** that effect the operations of a strategy. Premises are usually concerned with environmental and industry factors. So every organization makes assumptions about industry structure and the nature of competition it faces.

2. **Strategic Momentum Control:** These techniques are suitable for organizations working in a **relatively stable environment.** The major assumptions made at the time of strategic formulation remain valid for quite long time. There may be change in the environmental factors but such change is gradual and on predicted lines. There are three approaches for strategic momentum control as under:
    a. Responsibility Control Centers
    b. Underlying Success Factors
    c. Generic Strategies

3. **Strategic Leap Control:** Strategic leap control enables the organizations operating in a **relatively unstable and turbulent environment** in defining new strategic requirements and to cope with environmental realities.

4. **Implementation Control:** This is designed to **assess whether the overall strategy should be changed** in the light of unfolding events and the results associated with incremental steps and actions to implement the overall strategy.

5. **Strategic Surveillance:** This is a **non-focused control** and is **designed to monitor a broad range** of events inside and outside the organization which are likely to threaten the course of strategy. The idea behind the strategy surveillance is that some form of **general monitoring** of multiple information sources should be encouraged with the objective to reveal unanticipated situations.

6. **Special Alert Control:** This measure is undertaken to **asses the impact of any major environmental events** such as technological invention, regional disturbance between countries affecting the business, strategic actions taken by a country or countries together in controlling some critical issues. For example, a sudden increase in critical resources may invite an immediate reassessment of the organization strategy.

(6*1 = 6 MARKS)

ANSWER-B

The significance of SWOT analysis lies in the following points

♦ **It provides a Logical Framework: SWOT analysis provides us with a logical framework for systematic and sound thrashing of issues having bearing on the business situation, generation of alternative strategies and the choice of a strategy.** Variation in managerial perceptions about organizational strengths and weaknesses and the environmental opportunities and threats lead to the approaches to specific strategies and finally the choice of strategy that takes place through an interactive process in dynamic backdrop.

(2 MARKS)

♦ **It presents a Comparative Account:** SWOT analysis presents the information about both external and internal environment in a structured form where it is possible to compare external opportunities and threats with internal strengths and weaknesses. The helps in matching external and internal environments so that a strategist can come out with suitable strategy by developing certain patterns of relationship. **The patterns are combinations say, high opportunities and high strengths, high opportunities and low strengths, high threats and high strengths, high threats and low strengths.**

♦ **It guides the strategist in Strategy Identification:** It is natural that a strategist faces a problem when his organization cannot be matched in the four patterns. It is possible that the organization may have several opportunities and some serious threats. It is equally, true that the organization may have powerful strengths coupled with major weaknesses in the light of critical success factors. In such situation, **SWOT analysis guides the strategist to think of overall position of the organization that helps to identify the major purpose of the strategy under focus.**

(2*1 = 2 MARKS)

ANSWER-3

ANSWER-A

Porter's five forces are as follows:

1. **Threat of new entrants:** This force determines the **ease of new entrants to enter** a particular industry. If an industry is profitable and there are hardly any barriers to enter, competition intensifies rapidly. Therefore, with the entry of more rivals, firms begin to compete for the fixed market share, profits start to decline. Hence, it is critical for existing organizations in the industry to build high barriers to enter to discourage new entrants.

2. **Bargaining power of suppliers:** This is determined by the **power of the suppliers to raise their prices.** It is also determined by the **volume of potential suppliers** in case existing supplier increase the price. Bargaining power will also be lower in case suppliers are not supplying identical product/service but a unique one. And the cost of switching from one supplier to another.

3. **Bargaining power of buyers:** Bargaining power of the buyers would depend on the **number of the buyers and the volume of their order**. It would also be a product of the cost of switching from company's products and services to products/services of the competitors.

4. **Threat of substitutes:** This force is especially threatening when buyers can easily find substitute products with attractive prices or better quality and when buyers can switch from one product or service to another with little cost. For example, if a company supplies a unique software product that automates data related to human resource records , the buyer/client may substitute the software either by making the process manual or outsourcing it.

5. **Rivalry among existing competitors:** it refers to the number and strength of competitors in the industry. Where rivalry is intense, companies can attract customers with aggressive price cuts and high-impact marketing campaigns. On the other hand, where competitive rivalry is minimal, and the product is differentiated, there will be high monopoly and steady profits for the company. This force is the major determinant on how competitive and profitable an industry is.

(5*1 = 5 MARKS)

ANSWER-B

Meaning of Six Sigma: Primarily Six sigma means maintenance of the desired quality in processes and end products. It means taking systemic and integrated efforts toward improving quality and reducing cost.

It is a highly disciplined process that helps in developing and delivering near-perfect products and services. It strives to meet and improve organizational goals on quality, cost, scheduling, manpower, new products and so on. It works continuously towards revising the current standards and establishing higher ones. Six sigma has its base in the concept of probability and normal distribution in statistics. **Six sigma strives that 99.99966% of products manufactured are defect free.**

(2 MARKS)

Six sigma efforts target three main areas:

- Improving customer satisfaction
- Reducing cycle time
- Reducing defects **(1 MARK)**

Six sigma and other quality programs

Six sigma is improvement over other quality programmes:

(i) Six sigma is **customer focused.** It strives to provide better satisfaction to the customer owning the product.
(ii) Six sigma is a **total management commitment and philosophy of excellence,** process improvement and the rule of measurement.

(iii) Six sigma **induces changes in management operations** - new approaches to thinking, planning and executing to achieve results.
(iv) Six sigma **combines both leadership and grassroots energy** and involvement for its success.

(2 MARKS)

ANSWER-4

ANSWER-A

Four Phases of strategic management process

1. **Environmental Scanning-** The Board of Directors and the top management will have to review the current performance of the documented. In view of the review, the organization will have to **scan the internal environment for the strengths and weaknesses and the external environment for opportunities and threats**. The internal and external scan helps in selecting the strategic factors. These have to be reviewed and redefined in relation to the mission and objectives. All the organizations have missions that define the significance of their existence.
2. **Strategy Formulation-** Strategy formulation is the **process of deciding about the best course of action for accomplishing organizational objectives** and therefore, attaining organizational purpose. After conducting environment scanning, managers formulate corporate, business and functional strategies.
3. **Strategy Implementation-** Strategy implementation implies **putting the chosen strategy into action.** Strategy implementation includes designing the organization's structure, distributing resources, developing decision making process, and managing the human resources.
4. **Strategy Evaluation-** Strategy evaluation is the final step of strategy management process. The key strategy evaluation activities are**: appraising internal and external factors that are the root of present strategies, measuring performance, and taking remedial/corrective actions.** Evaluation ascertains that the organizational strategy as well as its implementation is in line with the organizational objectives.

(4*1 = 4 MARKS)

ANSWER-B

A Mission statement tells you the fundamental purpose of the organization. It concentrates on the present. It defines the customer and the critical processes. It informs you of the desired level of performance. On the **other hand, a Vision statement outlines what the organization wants to be. It concentrates on the future. It is a source of inspiration. It provides clear decision-making criteria.**

(2 MARKS)

A mission statement can resemble a vision statement in a few companies, but that can be a grave mistake. It can confuse people. Following are the differences between vision and mission:

(1 MARK)

The vision describes a future identity while the Mission serves as an ongoing and time-independent guide.

The vision statement can galvanize the people to achieve defined objectives, even if they are stretch objectives, provided the vision is specific, measurable, achievable, relevant and time bound.

A mission statement provides a path to realize the vision in line with its values. These statements have a direct bearing on the bottom line and success of the organization.

(2 MARKS)

A mission statement defines the purpose or broader goal for being in existence or in the business and can remain the same for decades if crafted well while a vision statement is more specific in terms of both the future state and the time frame. Vision describes what will be achieved if the organization is successful.

(1 MARK)

ANSWER-5

ANSWER-A

The **BCG Matrix was developed by the Boston Consulting Group (BCG) and is used for the evaluation of the organization's product portfolio in marketing and sales planning.** BCG analysis is mainly used for Multi-Category/ Multi Product companies. All categories and products together are said to be the part of a Business portfolio. It aims to evaluate each product, i.e. the goods and services of the business in two dimensions:

- Market growth
- Market share

(1 MARK)

Steps in BCG Matrix

Step 1. Choose the unit. BCG matrix can be used to analyze SBUs, separate brands, products or a firm as a unit itself. Which unit will be chosen will have an impact on the whole analysis. Therefore, it is essential to define the unit for which you'll do the analysis.

Step 2. Define the market. Defining the market is one of the most important things to do in this analysis. This is because incorrectly defined market may lead to poor classification. For example, if we would do the analysis for the Daimler's Mercedes-Benz car brand in the passenger vehicle market it would end up as a dog (it holds less than 20% relative market share), but it would be a cash cow in the luxury car market. It is important to clearly define the market to better understand firm's portfolio position.

Step 3. Calculate relative market share. Relative market share can be calculated in terms of revenues or market share. It is calculated by dividing your own brand's market share (revenues) by the market share (or revenues) of your largest competitor in that industry.

Step 4. Find out market growth rate. The industry growth rate can be found in industry reports, which are usually available online for free. It can also be calculated by looking at average revenue growth of the leading industry firms. Market growth rate is measured in percentage terms. The midpoint of the y-axis is usually set at 10% growth rate, but this can vary. Some industries grow for years but at average rate of 1 or 2% per year. Therefore, when doing the analysis you should find out what growth rate is seen as significant (midpoint) to separate cash cows from stars and question marks from dogs.

Step 5. Draw the circles on a matrix. After calculating all the measures, you should be able to plot your brands on the matrix. You should do this by drawing a circle for each brand. The size of the circle should correspond to the proportion of business revenue generated by that brand.

(5*1 = 5 MARKS)

ANSWER-B

Divestment Strategy: **<u>Divestment strategy involves the sale or liquidation of a portion of business, or a major division, profit centre or SBU.</u>** Divestment is usually a part of rehabilitation or restructuring plan and is adopted when a turnaround has been attempted but has proved to be unsuccessful. The option of a turnaround may even be ignored if it is obvious that divestment is the only answer.

(2 MARKS)

Liquidation Strategy: **<u>Liquidation as a form of retrenchment strategy is considered as the most extreme and unattractive. It involves closing down a firm and selling its assets.</u>** It is considered as the last resort because it leads to serious consequences such as loss of employment for workers and other employees, termination of opportunities a firm could pursue, and the stigma of failure.

(2 MARKS)