



J.K. SHAH[®]
TEST SERIES
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SUGGESTED SOLUTION
INTERMEDIATE N'19 EXAM
SUBJECT- S.M.
Test Code – CIM 8260
(Date :)

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ANSWER-1

(5*2 = 10 MARKS)

1. **Incorrect:** No, Strategic management is not a bundle of tricks and magic. It is a deliberate managerial process that involves systematic and analytical thinking. It involves systematic and analytical thinking and action. Although, the success or failure of a strategy is dependent on several extraneous factors, it cannot be stated that a strategy is a trick or magic. Formation of strategy requires careful planning and requires strong conceptual, analytical, and visionary skills.
2. **Incorrect:** SWOT analysis presents the information about both external and internal environment in a structured form to compare external opportunities and threats with internal strengths and weaknesses. This helps in matching external and internal environments so that strategic decision makers in an organization can come out with suitable strategies by identifying patterns of relationship and develop suitable strategies.
3. **Correct:** A core competence is a unique strength of an organization which may not be shared by others. If business is organized on the basis of core competence, it is likely to generate competitive advantage. A core competence provides potential access to a wide variety of markets. Core competencies should be such that it is difficult for competitors to imitate them.
4. **Incorrect:** Strategy is not a substitute for sound, alert and responsible management. Strategy can never be perfect, flawless and optimal. Strategies are goal-directed decision and actions in which capabilities and resources are matched with the opportunities and threats in the environment. A good management at the top can steer the organizations by adjusting its path on the basis of the changes in the environment.
5. **Incorrect:** Strategy is not a substitute for sound, alert and responsible management. Strategy can never be perfect, flawless and optimal. Strategies are goal-directed decision and actions in which capabilities and resources are matched with the opportunities and threats in the environment. A good management at the top can steer the organizations by adjusting its path on the basis of the changes in the environment.

ANSWER-2

ANSWER-A

Through **SWOT analysis organizations identify their strengths, weaknesses, opportunities and threats.** While conducting the SWOT Analysis managers are often not able to come to terms with the strategic choices that the outcomes demand. Heinz Weirich developed a matrix called TOWS matrix by matching strengths and weaknesses of an organization with the external opportunities and threats. The **incremental benefit of the TOWS matrix lies in systematically identifying relationships between these factors and selecting strategies on their basis.**

The TOWS Matrix is a **relatively simple tool for generating strategic options.** Through TOWS matrix four distinct alternative kinds of strategic choices can be identified.

SO (Maxi-Maxi): SO is a **position that any firm would like to achieve.** The strengths can be used to capitalize or build upon existing or emerging opportunities.

ST (Maxi-Mini): ST is a **position in which a firm strives to minimize existing or emerging threats through its strengths.**

WO (Mini-Maxi): The strategies developed need to **overcome organizational weaknesses** if existing or emerging opportunities are to be exploited to maximum.

WT (Mini-Mini): WT is a **position that any firm will try to avoid.** An organization facing external threats and internal weaknesses may have to struggle for its survival. **(5 MARKS)**

ANSWER-B

The major dimensions of strategic decisions are as follows:

- ◆ **Strategic decisions require top-management involvement:** Strategic decisions involve thinking in totality of the organization. Hence, problems calling for strategic decisions require to be considered by the top management.
- ◆ **Strategic decisions involve commitment of organizational resources:** For example, Strategic decisions to launch a new project by a firm requires allocation of huge funds and assignment of a large number of employees.
- ◆ **Strategic decisions necessitate consideration of factors in the firm's external environment:** Strategic focus in organization involves orienting its internal environment to the changes of external environment.
- ◆ **Strategic decisions 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.
- ◆ **Strategic decisions are future oriented:** Strategic thinking involves predicting the future environmental conditions and how to orient for the changed conditions.
- ◆ **Strategic decisions usually have major multifunctional or multi-business consequences:** As they involve organization in totality they affect different sections of the organization with varying degree. **(5 MARKS)**

ANSWER-3

ANSWER-A

A typical large organization is a **multidivisional organisation** that **competes in several different businesses.** It has **separate self-contained divisions** to manage each of these. There are three levels of strategy in management of business - corporate, business, and functional.

The corporate level of management consists of the chief executive officer and other top level executives. These individuals occupy the **apex of decision making within the organization.** The role of corporate-level managers is to **oversee the development of strategies** for the whole organization. This role includes defining the mission and goals of the organization, determining what businesses it should be in, allocating resources among the different businesses and so on rests at the Corporate Level.

The development of strategies for individual business areas is the responsibility of the general managers in these different businesses or business level managers. A business unit is a **self-contained division with its own functions** - for example, finance,

production, and marketing. The strategic role of business-level manager, head of the division, is to **translate the general statements of direction** and intent that come from the corporate level into concrete strategies for individual businesses.

Functional-level managers are **responsible for the specific business functions or operations** such as human resources, purchasing, product development, customer service, and so on. Thus, a functional manager's sphere of responsibility is generally **confined to one organizational activity**, whereas general managers oversee the operation of a whole company or division. **(5 MARKS)**

ANSWER-B

Value chain refers to separate activities which are necessary to underpin an organization's strategies and are linked together both inside and outside the organization. Organizations are much more than a random collection of machines, money and people. Value chain of a manufacturing organization comprises of primary and supportive activities.

Primary Activities are inclusive of:

- inbound logistics,
- operations,
- outbound logistics,
- marketing and sales; and
- services

Supportive Activities relate to:

- procurement,
- human resource management,
- technology development; and
- infrastructure

(5 MARKS)

ANSWER-4

ANSWER-A

Importance of Strategic Management: Strategic Management is very important for the **survival and growth of business organizations** in dynamic business environment. Other major benefits of strategic management are as follows:

- Strategic management helps organizations to be **more proactive rather than reactive** in dealing with its future. It facilitates to work within vagaries of environment and remains adaptable with the turbulence or uncertain future. Therefore, they are able to **control their own destiny** in a better way.
- It provides better **guidance to entire organization on the crucial point** – what it is trying to do. Also provides framework for all major business decisions of an enterprise such a decision on businesses, products, markets, organization structures, etc.

- It facilitates to **prepare the organization to face the future and act as pathfinder to various business opportunities.** Organizations are able to identify the available opportunities and identify ways and means as how to reach them.
- It serves as a **corporate defense mechanism against mistakes and pitfalls.** It helps organizations to avoid costly mistakes in product market choices or investments.
- Over a period of time strategic management helps organization to evolve **certain core competencies and competitive advantages** that assist in the fight for survival and growth. **(5 MARKS)**

ANSWER-B

The elements considered for situational analysis are as follows:

- **Environmental factors:** What external and internal environmental factors are there that needs to be taken into account. This can include economic, political, demographic or sociological factors that have a bearing on the performance.
- **Opportunity and issue analysis:** What are the current opportunities that are available in the market, the main threats that business is facing and may face in the future, the strengths that the business can rely on and any weaknesses that may affect the business performance.
- **Competitive situation:** Analyze main competitors of organisation: Who are they, what they up to are, how they compare. What are their competitive advantages?
- **Distribution situation:** Review the distribution situation - how are the products moving through channels.
- **Product situation:** The details about current product. The details about current product may be divided into parts such as the core product and any secondary or supporting services or products that also make up what you sell. It is important to observe this in terms of its different parts in order to be able to relate this back to core client needs. **(5 MARKS)**

ANSWER-5

(10*1 = 10 MARKS)

1. B
2. C
3. B
4. A
5. A
6. A
7. A
8. C
9. C
10. B