SUGGESTED SOLUTION

INTERMEDIATE M'19 EXAM

SUBJECT- S.M.

Test Code – CIM 8147

BRANCH - () (Date :)

ANSWER-1

ANSWER-A

Correct: Augmented marketing refers to deliberate and accelerated efforts to get better marketing returns through additional means. It includes provision   of additional customer services and benefits built around the care and actual products that relate to introduction of hi-tech services like movies on demand, on-line computer repair services, secretarial services, etc. Such innovative offerings provide a set of benefits that promise to elevate customer service to unprecedented levels.

ANSWER-B

Incorrect: Although, organizations can diversify into businesses that are vertically or horizontally related to the existing businesses, the diversification is not limited to the related businesses. In conglomerate diversification; the new businesses/ products are disjointed from the existing businesses/products in every way. There is no connection between the new products and the existing ones in process, technology or function.

ANSWER-C

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.

ANSWER-D

Incorrect: Benchmarking relates to setting goals and measuring productivity based on best industry practices. The idea is to learn from the practices of competitors and others to improve the firm's performance. On the other hand, business process reengineering relates to analysis and redesign of workflows and processes both within and between the organizations.

ANSWER-E

Correct: In vertically integrated diversification, firms opt to engage in businesses that are related to the existing business of the firm. It moves forward or backward in the chain and enters specific product with the intention of making them part of new businesses for the firm.

ANSWER-2

ANSWER-A

Backward integration is a step towards, **creation of effective supply** by entering business of input providers. Strategy employed to **expand profits and gain greater control** over production of a product whereby a company will purchase or build a business that will increase its own supply capability or lessen its cost of production.

In case of hospitals there can be number of businesses that can be entered. Following are indicative list of backward integration strategies that hospitals may pursue:

- Drugs and pharmaceuticals – Specific drugs can be manufactured or traded.
- Business of gases required in hospitals – oxygen.
- Pathology labs / diagnostic services. This can be created in-house if not available already. Alternatively, a chain can be started Blood Banks.
- Ambulance services.

ANSWER-B

Management of logistics is a process that **integrates the flow of supplies** into, through and out of an organization to **achieve a level of service** that facilitate movement and availability of materials in a proper manner. When a company creates a logistics strategy it is defining the service levels at which its **logistics is smooth and is cost effective**.

A company may develop a number of logistics strategies for specific product lines, specific countries or specific customers because of constant changes in supply chains. There are different areas that should be examined for each company that should be considered and should include:

♦ **Transportation:** Does the current transportation strategies help service levels required by the organization?

♦ **Outsourcing:** Areas of outsourcing of logistics function are to be identified. The effect of partnership with external service providers on the desired service level of organization is also to be examined.

♦ **Competitors:** Review the procedures adopted by competitors. It is also to be judged whether adopting the procedures followed by the competitors will be overall beneficial to the organization. This will also help in identifying the areas that may be avoided.

♦ **Availability of information:** The information regarding logistics should be timely and accurate. If the data is inaccurate then the decisions that are made will be incorrect. With the newer technologies it is possible to maintain information on movement of fleets and materials on real time basis.

♦ **Strategic uniformity:** The objectives of the logistics should be in line with overall objectives and strategies of the organization. They should aid in the accomplishment of major strategies of the business organization.

ANSWER-3

ANSWER-A

The most important phenomenon which often distinguishes one organization with another is its corporate culture. **Corporate culture refers to a Company's values, beliefs, business principles, traditions, and ways of operating and internal work environment**. Every corporation has a culture that exerts powerful influences on the behaviour of managers.

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

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

ANSWER-B

The audit of management performance with regard to its strategies helps an organization **identify problem areas and correct the strategic approaches that have not been effective** so far. An assessment of the external environment shows where changes happen and where organization's strategic management no longer match the demands of the marketplace. Based on such analysis, the organization can improve business performance by periodically conducting such an audit.

Companies **review their business plans and strategies** on regular basis to identify weaknesses and shortcomings to enable a successful development plan. The strategy audit secures that all necessary information for the development of the company are included in the business plan and that the management supports it.

The core of Strategy Audit, for any corporate entity, lies on two important questions:

1. How well is the current strategy working?

2. How well will the current strategy be working in future?

3. How can this be evaluated in present and future?

4. How urgent is there a need to change the strategy?

For this, a **periodic review and evaluation of the fundamental characteristics** of a strategy are necessary.

A strategy audit is an **examination and evaluation of areas** affected by the operation of a strategic management process within an organization. A strategy audit provides an excellent platform for discussion with the top management regarding necessary corporate actions or changes in the existing business plan. It also identifies the need to adjust the existing business strategies and plans.

ANSWER-4

ANSWER-A

Acquisition or merger with an existing concern is an instant means of achieving the expansion. It is an **attractive and tempting proposition** in the sense that it circumvents the time, risks and skills involved in screening internal growth opportunities, seizing them and building up the necessary resource base required to materialise growth. Organizations

consider merger and acquisition proposals in a systematic manner, so that the marriage will be mutually beneficial, a happy and lasting affair.

Apart from the urge to grow, acquisitions and mergers are resorted to for purposes of achieving a **measure of synergy** between the parent and the acquired enterprises. Synergy may result from such bases as **physical facilities, technical and managerial skills, distribution channels, general administration, research and development** and so on. Only positive synergistic effects are relevant in this connection which denotes that the positive effects of the merged resources are greater than the some of the effects of the individual resources before merger or acquisition.

Merger and acquisition in simple words are defined as a process of combining two or more organizations together. There is a thin line of difference between the two terms but the impact of combination is completely different in both the cases. Some organizations prefer to grow through mergers. **Merger is considered to be a process when two or more companies come together to expand their business operations**. In such a case the deal gets finalized on friendly terms and both the organizations share profits in the newly created entity. In a merger two organizations combine to **increase their strength and financial gains along with breaking the trade barriers.**

When one organization takes over the other organization and controls all its business operations, it is known as acquisitions. In this process of acquisition, one financially strong organization overpowers the weaker one. Acquisitions often happen during recession in economy or during declining profit margins. In this process, one that is financially stronger and bigger establishes it power. The combined operations then run under the name of the powerful entity. A deal in case of an acquisition is often done in an unfriendly manner, it is more or less a forced association where the powerful organization either consumes the operation or a company in a weaker position is forced to sell its entity.

ANSWER-B

The prominent areas where the human resource manager can play strategic role are as follows:

1. **Providing purposeful direction:** The human resource management must be able to **lead people** and the organization towards the desired direction involving people. The management have to **ensure harmony** between organizational objectives and individual objectives. Objectives are specific aims which must be in the line with the goal of the organization and the all actions of each person must be **consistent** with them.

2. **Creating competitive atmosphere:** In the present business environment, maintaining competitive position or gains is an important objective of any business. Having a **highly committed and competent workforce** is very important for getting a competitively advantageous position.

3. **Facilitation of change:** The human resource manager will be more concerned about furthering the organization not just maintaining it. He has to devote more time to promote acceptance of change rather than maintaining the status quo.

4. **Diversion of workforce:** In a modern organization, management of diverse workforce is a great challenge. Workforce diversity can be observed in terms of male and female, young and old, educated and uneducated, unskilled and professional

employee and so on. Maintaining a **congenial healthy work environment** is a challenge for HR Manager. **Motivation, maintaining morale and commitment** are some of the key task that a HR manager has to perform.

5. **Empowerment of human resources:** Empowerment involves giving more power to those who, at present, have little control what they do and little **ability to influence** the decisions being made around them.

6. **Building core competency:** The human resource manager has an important role to play in developing core competency by the firm. A core competence is a unique strength of an organization which may not be shared by others. Organization of business around core competence implies **leveraging the limited resources of a firm**. It needs **creative, courageous and dynamic leadership** having faith in organization's human resources.

7. **Development of works ethics and culture:** A vibrant work culture will have to be developed in the organizations to create an atmosphere of trust among people and to encourage creative ideas by the people. Far reaching changes with the help of technical knowledge will be required for this purpose.

ANSWER-5

ANSWER-A

Most organizations find that organizing around either functions (in the functional structure) or around products and geography (in the divisional structure) provides an appropriate organizational structure. The matrix structure, in contrast, may be very appropriate when organizations conclude that neither functional nor divisional forms, even when combined with horizontal linking mechanisms like strategic business units, are right for the implementation of their strategies. **In matrix structure, functional and product forms are combined simultaneously at the same level of the organization.** Employees have two superiors, a product or project manager and a functional manager. The "home" department - that is, engineering, manufacturing, or marketing - is usually functional and is reasonably permanent. People from these functional units are often assigned temporarily to one or more product units or projects. The product units or projects are usually temporary and act like divisions in that they are differentiated on a product-market basis.

A matrix structure is the most **complex of all designs** because it depends upon both vertical and horizontal flows of authority and communication (hence the term matrix). In contrast, functional and divisional structures depend primarily on vertical flows of authority and communication. A matrix structure can result in **higher overhead** **because it has more management positions.** Other characteristics of a matrix structure that contribute to overall complexity include **dual lines of budget authority** (a violation of the unity command principle), dual sources of reward and punishment, shared authority, dual reporting channels, and a need for an **extensive and effective communication system**.

Despite its complexity, the matrix structure is widely used in many industries, including construction, healthcare, research and defence. Some advantages of a matrix structure are that project **objectives are clear,** there are many channels of communication workers can see the visible results of their work, and shutting down a project is accomplished relatively easily.

In order for a matrix structure to be effective, organizations need **planning, training, clear mutual understanding of roles and responsibilities, excellent internal communication, and mutual trust and confidence.** The matrix structure is used more frequently by businesses because they are pursuing strategies add new products, customer groups, and technology to their range of activities. Out of these changes are coming product managers, functional managers, and geographic managers, all of whom have important strategic responsibilities. When several variables such as product, customer, technology, geography, functional area, have roughly equal strategic priorities, a matrix organization can be an effective structural form.

Matrix structure was developed to **combine the stability of the functional structure with the flexibility of the product form.** It is very useful when the external environment (especially its technological and market aspects) is very complex and changeable. It does, however, produce conflicts revolving around duties, authority, and resource allocation. To the extent that the goals to be achieved are vague and the technology used is poorly understood, a continuous battle for power between product and functional mangers is likely. The matrix structure is often found in an organization or within an SBU when the following three conditions exists: 1**) Ideas need to be cross- fertilised across projects or products, 2) Resources are scarce and 3) Abilities to process information and to make decisions need to be improved.**

ANSWER-B

Strategic Control focuses on the dual questions of whether: (1) the strategy is being implemented as planned; and (2) the results produced by the strategy are those intended.

There are four types of strategic control:

1. **Premise control:** A strategy is formed on the basis of certain assumptions or premises about the environment. Premise control is a tool for **systematic and continuous monitoring** of the environment to verify the **validity and accuracy** of the premises on which the strategy has been built.

2. **Strategic surveillance:** Strategic surveillance is unfocussed. It involves general **monitoring of various sources of information** to uncover unanticipated information having a bearing on the organizational strategy.

3. **Special alert control:** At times unexpected events may force organizations to reconsider their strategy. Sudden changes in government, natural calamities, unexpected merger/acquisition by competitors, industrial disasters and other such events may **trigger an immediate and intense review of strategy.**

4. **Implementation control:** Managers implement strategy by converting major plans into **concrete, sequential actions** that form incremental steps. Implementation control is directed towards assessing the need for changes in the overall strategy in light of unfolding events and results.