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| C:\Users\J. K. Shah Classes\Desktop\JKSC LOGO.bmp | **INTER CA – MAY 2018**  **Sub – STRATEGIC MANAGEMENT**  **(FULL PORTION)**  **Test Code – M40**  **Branch: MULTIPLE Date:28.01.2018**  **(50 Marks)** |

*Note:* ***All*** *questions are compulsory.*

**Question 1 (4 Marks)**

The important Characteristics of Business Environment are-

1. **Pervasive:** No Business enterprise can operate in a vacuum, Every business, irrespective of its size, objectives , nature of business , products/services, years of standing etc. has to interact with its environment.**(1 mark)**

**2. Complexity:** Business environment consists of a number of factors, events, conditions, and influences arising from different sources, which interact with each other continuously to create entirely new sets of complex influences. (**1 mark)**

**3. Dynamism:** Business environment is ever-changing in nature. Due to the operation of multifarious influences, there is total dynamism in the environment, causing it to continuously change its shape , nature and character. (**1 mark)**

**4. Multi –faceted:** the shape and character of an environment depends on the perception of the observer. A particular change in the environment, or a new development, may be welcomed as an opportunity by one Firm while another Firm perceives it as a threat .(e.g. Introducing of GST). (**1/2 mark)**

**5.Impact:** Environment has a far-reaching impact on business. The growth and profitability of a Firm depends critically on the environment in which it exists. Every environment changes has an impact on the Firm in several ways. (**1/2 mark)**

**Question 2 (4 Marks)**

**Meaning :** Strategic Management refers to the Management process of- **(2 marks)**

1. forming a strategic **vision,**
2. setting **objectives,**
3. crafting a **strategy,**
4. implementing and **executing** the strategy, and
5. initiating whatever corrective **adjustments** in the vision, objectives, strategy, and execution are deemed appropriate , over a period of time.

**Note:** According to Peter Drucker, “Strategic Management is not a box of tricks or bundle of techniques . It is analytical thinking and commitment of resources to action”.

2. The **Objectives** of Strategic Management are- **(2 marks)**

(a) To Create **Competitive Advantage** so that the Company can gain advantage over competitors ,and dominate the market.

(b) to guide the Company through all changes in the environment .

**Question 3 (4 Marks)**

**1. Business Models :** SWOT analysis helps Managers to create a business model(s) that allows a Company to gain a competitive advantage in its area of activity. **(1 mark)**

**2. Logical Framework:**

**(a)** SWOT Analysis provides a logical framework for systematic and sound analysis of issue having bearing on-

(i) business situation, (ii) generation of alternative strategies,(iii) choice of a strategy.

(b) Variation in Managerial perceptions about organizational strength and weaknesses and the environmental opportunities and threats, lead to differences in approaches to specific strategies. **(1 mark)**

**3. Comparative Analysis :**

(a) SWOT Analysis presents the information in a structured manner so as to compare external opportunities and threats with internal strengths and weaknesses.

(b) This helps in matching external and internal environment ,and identifying certain patterns of relationship ,e.g. high opportunities and high strengths , high opportunities and low strengths etc. **(1 mark)**

**4. Strategy Identification:**

(a) SWOT Analysis helps to identify the **.** Strategies that create a Firm-specific business model, that will best align, fit or match a Company’s resources and capabilities to the demands of the environment in which it operates.

(b) Strategic Managers compare and contrast the various alternative possible Strategies against other with respect to their ability to achieve major Company goals. **(1 mark)**

**Question 4 (4 Marks) (1 mark for each)**

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| **Situation** | **Opportunity** | **Threat** |
| 1. The number of nuclear families ,where Husband and Wife both are working is fast increasing. | * Children Day Care, Supply of Packed Food/Fast Food ,Lifestyle Products FMCG Sector, etc. | * Vegetable and Groceries used for Home Food Preparation , etc. |
| 1. Increasing trend in India to organize IPL (Cricket ) type of tournaments in other sports also. | * Sports Training Institutions Media & Marketing Firms. | * Education ,cinema Theaters, Fine Arts, Other Entertainment, etc. |
| 1. Significant reducing in Domestic Air-Fares spanning over a long period. | * Travelers – both Business and Non- Business (affordability). * Air Ticketing Agents, E-Intermediaries, Credit Card Agencies, Tourism Agents, etc.(higher business volumes) | * Other Models of Transport (e.g. Railways , Roadways, Cabs on Rant), * Company itself (loss of Revenue0 |
| 1. Cut in interest Rates by Banks | * Borrowers (Reduction in Interest Rates). * Banks (higher volume of – Business due to lower Interest Rates). | * Other Categories of Lenders (Reduction in – Business Volume) * Depositors (lower rate of interest on Deposits accepted by Banks) |

**Question 5 (4 Marks)**

* **Decision Making** involves choosing the best course of action , out of a set feasible alternatives available for achieving a given objective. **(1/2 mark)**
* **Strategic Decision Making** covers –(a) definition of the - business ,(b) products to be handled ,(c) markets to be catered to ,(D) functions to be performed , and (e) policies required to achieve the given strategic objectives. **(1/2 mark)**
* The features /major dimension of Strategic Decisions are **– (3 marks)**

**1. Top-Management:** problems calling for strategic decision should be considered by Top Management due to –(a) co-ordinate /harmonized thinking ,(b0 effect on various sub-systems in the organization , and (c) risk involved.

**2. Resources :** strategic issues involve commitment of resources , i.e. large amounts of Company’s financial investment, to venture into new area of business , employing more people with new set of skills in them , take over of another enterprise, etc.

**3. Long –Term Effect :**The results of strategic implementation should be analysed and reviewed on a long term basis, and not immediately. Strategic Decisions have an impact on long –term prosperity.

**4. Furniture oriented :** Strategic thinking involves predicting the future environmental conditions and how to orient for the changed conditions.

**5. Multi functional Effects :** Strategic decision –making involves an organization in its totality .They affect different section of the organization with varying degrees.

**6. Environment factors:** Strategic decision –making in organization involves orienting its internal environment to the changes of external environment .Hence , external environment factors have to be carefully analysed.

**Question 6 (4 Marks)**

**1. Meaning :** A **Strategic Vision is – (2 marks)**

(a) a road of a Company’s future,

(b) providing **specifics about technology** and customer focus, the geographic and product market to be pursued, &

(c) the capabilities it plans to develop , and the kind of Company that the Management is trying to create.

**2. Elements:** The three elements of Strategic vision are- **(2 marks)**

**(a) Coming** up with a Mission Statement that defines what business the Company is presently in, and conveys the essence of “Who are and Where we are now?

(b) **Using**  the Mission Statement as basis for deciding on a long – term course making choices about “Where we are going?”

(c) **Communicating**  the strategic vision in clear, exciting terms, that initiates Firm-wide commitment.

**Question 7 (6 Marks)**

1. **Porter’s Five Model Competitive Analysis (2 marks)**

**it**  is a powerful and widely used tool for systematically diagnosing the principal competitive pressure in a market and assessing the strength and importance of each .The five forces together determine industry attractiveness /profitability.

**2. Competitive Pressures: (2 marks)**

This Model states that the state of competition in an industry is the result of competitive pressure operating in five areas of the overall market, i.e. Competitive Pressures arising from-

(a) the market ,i. e striving for Buyer patronage , that goes on among **Rival Seller** in the industry.

(b) the threat of **New Entrants**  into the market.

(c) the attempts of Companies in other industries to win Buyers over to their own **Substitute Products.**

**(d) Supplier Bargaining Power** and Supplier –Seller Collaboration.

(e) **Buyer Bargaining Power** and Seller –Buyer Collaboration.

**3. Steps :**the steps to determine competition in a given industry are- **(2 marks)**

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| **Step** | **Description** |
| 1 | Identify the specific competitive pressure associated with each of the forces. |
| 2 | Evaluate how strong the pressure from each of the five force are- (a) fierce,(b) strong ,(c) moderate to normal , or (d) weak. |
| 3 | Determine whether the collective strength of the 5 –Forces is conducive to earning attractive profits. |

**Question 8 (4 Marks)**

The Marketing Mix is the set of controllable marketing variables that the Firm blends-

(a) to influence the demand for its products, and

(b) to produce the response it, wants, in the target market,**(1/2 mark)**

These variable are often referred to as the “Seven Ps” [or] Seven Cs” Marketing .

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| **7 P’s of Marketing Mix**  **(**from Selling Company’s perspective) |  | **7 C’s of Marketing Mix**  **(**from Customer’s perspective) |
| * Product * Price * Place * Promotion * People * Physical Environment * process |  | * Customer Solution * Customer Cost * Convenience * Communication * Customer Interaction * Customer Service * Chain of Processes and activities. |

**(1/2 mark for each point)**

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| **Variable** | **Areas of Strategy /Matters** |
| **1. Product :** Goods & services offered by the Company, to the target market. | * To manage existing product(s) over time. * To add new products and drop failed products. * To decide on branding , packaging , and other product features (e.g. Warranties) |
| **2. Price :** Amount of money that customers have to pay to obtain the product . | * Location of customers and effect on Price, * Price flexibility, * Pricing of related items within a product line, * Terms of Sale, * New Product Pricing , i.e. penetration or skimming pricing . |
| **3. Place :**  All Company activities that make the product available to target customers | * To manage the channel(s) by which ownership of product is transferred from producers to customers. * To review the system(s) by which goods are moved from where production locations to sales outlets * To decide terms of business (e.g. Wholesalers and Retailer) |
| **4. Promotion :**Activities that communicate the merits of the product and persuade target consumers to buy it. | * To combine individual methods such as advertising, personal selling , and sales promotion into a co-ordinated campaign. * To effectively counter/ manage the Competitor’s strategies in promotion , and retain the Firm’s customers. |
| **5. People :** All human actors who play a part in delivery of the market offering and thus influence the Buyer’s perception , namely the Firm’s personnel and the customer. | * To determine extent of co-ordination between Firm’s personnel (In rendering services) to the customer. * To identify ways and means to improve healthy business relations with customers. |
| **6. Physical Environment**: The environment in which the market offering is delivered , and where the Firm and customer interact. | * To identify impact of service environment on the customer and level of his satisfaction. |
| **7. Process:** The actual procedures, mechanisms and flow of activities by which the product /service is delivered. | * To simplify the ‘process flow’ by eliminating unnecessary or non-value added activities and processes. * To obtain cost reduction advantage by simplifying essential activities and processes. |

**Note :** An effective marketing program seeks to co-ordinate and blend the above variables so as to deliver value to the customer and improve the Company ‘s profitability.

**Question 9 (4 Marks)**

1.Whether Culture is an ally or obstacle to strategy execution/ implantation, depends on the **compatibility** between the Company’s strategy and its culture .If there is compatibility between strategy and culture , then the culture becomes a **valuable ally** in Strategy implementation. **(1 1/2 marks)**

2. When the culture is in **conflict** with the aspect of the Company’s direction, performance target or strategy , the culture becomes a **stumbling block**  that impedes successful strategy implantation and execution .A sizable and prolonged strategy –culture conflict weakness and may even defeat managerial efforts to make the strategy work. **(1 1/2 marks)**

3. A Strategy –Culture Conflict requires –(a) revamping strategy to produce culture fit , and also (b) revamping the mismatched cultural features to produce **strategy fit.** **(1 mark)**

**Question 10 (4 Marks)**

1. The Network Organization is a series of independent Firms or business units linked together by computers in an information system that designs, produces , and markets a product or service. **(1 mark)**

2.It is called a “**virtual organization “,**because it is composed of a series of project groups or collaborations linked by constantly changing non- hierarchical , cobweb –like networks. **(1 mark)**

3. Instead of having salaried employees, the Firm may contract with people for a specific project or length of time . Long –term contracts with Suppliers and Distributors replace services that the Company could provide for itself through vertical integration. **(1 mark)**

4. Instead of being located in a single building or area , the Firm’s business functions are scattered worldwide .The Firm is, in effect , only a shell , with a small Headquarters acting as a “Broker”, electronically connected to some fully –owned Divisions, partly –owned Subsidiaries , and other independent Companies. **(1 mark)**

**Question 11 (4 Marks)**

A re-engineered business process, characterized by IT assisted speed, accuracy , adaptability and integration of data and service points , is focused on meeting the customer needs and expectation quickly and adequately , thereby enhancing the level of customer satisfaction.**(1 mark)**

2. The impact of IT-system on BPR can be identified with respect to – **(3 marks)**

(a) **Operational Speed ,** drastic reductions in time,

(b) **Global Village** , i.e. overcoming restrictions of geography and or distance,

**(c) Restricting** of relationship ,

(d) Information systems that provide timely , reliable and accurate **information ,** and

(e) **Business Values** – IT-initiatives provide business values in the areas of-

* **Efficiency –**by way increased productivity,
* **Effectiveness –**by way of better management ,
* **Innovation –**by way of improved products and services.

**Question 12 (4 Marks)**

**Meaning** : Benchmarking is the process of identifying and learning from the best industry practices and the processes by which they are achieved. **(1 mark)**

**2. Activities :** Benchmarking involves – **(2 marks)**

(a) comparing different aspect of the Firm’s product ,service, activities and other aspects of performance with those of its competitors or other acknowledged leaders in their filed, and the best prevailing practices.

(b) identifying gaps and deficiencies in the Firm’s own performance ,

(c) finding out novel methods to reduce the gaps , and also to improve the situation ,and

(e) ensuring that these improved methods are implanted.

**3. Areas:** Benchmarking can lead to improvements and create competitive advantage in the areas – **(1 mark)**

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| (a) Product Development | (d) Human Resource Management , |
| (b) Plant Utilization Levels , | (e) Product Distribution , |
| © Maintenance Operations, | (f) Customer Services. |

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