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M.M.P.C.-12

Strategic Management

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**Sample Preview
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QUESTION PAPER

June – 2023

(Solved)

STRATEGIC MANAGEMENT

M.M.P.C.-12

Time: 3 Hours]

[Maximum Marks: 100

Note: Attempt any five questions. All question carry equal marks.

Q. 1. Describe the different features of strategy giving examples.

Ans. Ref.: See Chapter-1, Page No. 2, 'Features of Strategy'.

Q. 2. What are the different traits of an effective objective ? Explain each of them giving examples.

Ans. Ref.: See Chapter-2, Page No. 20, 'Objectives and Goals'.

Q. 3. How can one analyze the external environment ? Describe the process of analyzing the external environment.

Ans. Ref.: See Chapter-4, Page No. 55, 'External Environment and Process for Analysing the External Environment'.

Q. 4. Explain the concept of scenario planning giving examples.

Ans. Ref.: See Chapter-5, Page No. 71, 'Scenario Planning'.

Q. 5. Write short notes on the following :

(a) Critical success factors

Ans. Ref.: See Chapter-6, Page No. 88, 'The Critical Success Factor (CSF)'.

(b) Cost leadership

Ans. Ref.: See Chapter-7, Page No. 111, Q. No. 1.

Q. 6. Explain the concept of differentiation strategy and its different types. Support your answer with suitable examples.

Ans. Ref.: See Chapter-7, Page No. 107, 'Differentiation' and Page No. 108, 'Types of Differentiation'.

Q. 7. How can 'Harvest Strategy' become a competitive strategy for declining industries? Explain.

Ans. Ref.: See Chapter-8, Page No. 129, 'Declining Industries and Competitive Strategy'.

Q. 8. Describe the Katz Model-Skills of an effective manager with respect to corporate culture.

Ans. Ref.: See Chapter-10, Page No. 184, 'Corporate Culture'.



QUESTION PAPER

December – 2022

(Solved)

STRATEGIC MANAGEMENT

M.M.P.C.-12

Time: 3 Hours]

[Maximum Marks: 100

Note: Attempt any five questions. All question carry equal marks.

Q. 1. Explain the features of any company's vision. Discuss briefly the purpose of vision statement with the help of a diagram.

Ans. Ref.: See Chapter-2, Page No. 18, 'Vision' and Page No. 32, Q. No. 5.

Q. 2. Explain the meaning of global business environment. Why is there a need for internationalization?

Ans. Ref.: See Chapter-3, Page No. 36, 'Global Business Environment' and 'Need for Internationalization'.

Q. 3. Briefly analyse Porter's five forces framework. Diagrammatically explain Porter's five forces model of competition.

Ans. Ref.: See Chapter-5, Page No. 67, 'Porter's Five Force Framework'.

Q. 4. Describe value chain framework. How does it analyze organization's strengths and weaknesses?

Ans. Ref.: See Chapter-6, Page No. 89, 'The Value Chain Framework' and Page No. 97, Q. No. 4.

Q. 5. Describe the formulation of competitive strategy. What are the factors to develop realistic competitive strategy?

Ans. Ref.: See Chapter-8, Page No. 124, 'Formulation of Competitive Strategy' and Page No. 90, 'Comparison Standards'.

Q. 6. Examine the nature and scope of corporate strategies. Discuss the types of generic corporate strategies.

Ans. Ref.: See Chapter-9, Page No. 144, 'Nature and Scope of Corporate Strategies' and 'Types of Corporate Strategies'.

Q. 7. Explain the basic models of corporate governance. Discuss the important provisions of different models.

Ans. Ref.: See Chapter-11, Page No. 202, 'Models of Corporate Governance' and Page No. 206, Q. No. 3.

Q. 8. Describe balanced score card. How are critical success factors determined?

Ans. Ref.: See Chapter-13, Page No. 241, 'Balance Score Card (BBC)' and Page No. 247, Q. No. 3.

■ ■

Sample Preview of The Chapter

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STRATEGIC MANAGEMENT

BLOCK-1 : INTRODUCTION TO STRATEGIC MANAGEMENT

Concept of Strategy



INTRODUCTION

Strategic management refers to the process by which objectives are formulated and achieved. Strategy is an overall plan, which an organisation makes to move towards the set objectives by using various resources. The management selects a course of action from different alternatives to meet the objectives. Effective coordination between objectives and strategies makes an organisation efficient and operationally successful. Strategy is very important. Without an effective strategy, the organisation is like a ship without a rudder. Strategy has been defined in various ways as it changes with the needs and requirements of the organisation. In this chapter, we will study different aspects of strategy and its importance.

CHAPTER AT A GLANCE

MEANING OF STRATEGY

The strategy refers to a set of plans made and deployed at different organisational levels for the achievement of objectives. It comprises a set of coherent actions performed for achieving a sustainable competitive advantage. This term was first used in military and was later adapted in the field of business and management. It derived from a Greek word 'Strategos', a combination of 'Stratos' which means army, and 'agos', which implies to lead. It has now been used to gain a competitive advantage over others. Strategies can be general or specific depending upon the situation.

The objectives for which strategies are made are: satisfying customers, surviving in the market, expanding the business, improving market share, increasing profitability and ultimately to attain

objectives of the organisation. According to Glueck, "Strategy is the unified, comprehensive and integrated plan that relates the strategic advantage of the organisation to the challenges of the environment and is designed to ensure that basic objectives of the enterprise are achieved through proper implementation process." It lays stress on the following: Unified comprehensive and integrated plan; challenges of environment; proper implementation for achieving the basic objectives.

Strategies, used as a response to the change in environment and in accordance with the strength and weakness of the organisation, aim to seek out the opportunities favoured by the external environment and get rid of the threats simultaneously. The organisation can adopt strategies to achieve the desired position in the industry. The term strategy has been defined differently. One definition says "Strategy is organisation's pattern of response to its environment over a period of time to achieve its goals and mission." It stresses on organisation's pattern of response to its environment and achieving goals and mission. There are two broad categories of definitions: strategy as action inclusive of objective setting and strategy as action exclusive of objective setting.

Strategy as Action Inclusive of Objective Setting

Under this category, Chandler's definition can be considered. He defines strategy as "the determination of basic long-term goals and objective of an enterprise and the adoption of the courses of action and the allocation of resources necessary for carrying out these goals." It refers to three types of actions:

- Deciding long-term objectives
- Taking course of action and
- Allocating resources

Strategy as Action Exclusive of Objective Setting

In this category, the organisation deploys its principal resources in reaction to the environment and siphons its efforts in pursuit of its purpose. Michael Porter’s definition can be taken. He says: “Creation of a unique and valued position involving a different set of activities. The organisation that is strategically positioned, performs different activities from rivals or performs similar activities in different ways.” It calls strategy a unified, comprehensive and integrated plan relating to the strategic advantage of the organisation to the challenges of the environment. After considering both the views, strategy can simply be put as management’s plan for achieving its objectives. It includes determination and evaluation of alternative paths to an already established mission or objective and eventually, choice of best alternative to be adopted.

FEATURES OF STRATEGY

Strategy as an integral part of any managerial activity, is a plan of action and involves different parameters. Mintzberg includes the following 5 Ps for strategy:

- (a) Pattern
- (b) Plan
- (c) Position
- (d) Perspective
- (e) Ploy

(a) Pattern: A pattern is a regular way in which something happens or is done. Organisations follow a particular course of action and that becomes a pattern. This becomes the realised strategy of the organisation. It also shows the past behaviours.

(b) Plan: A plan means an action for future or looking ahead. A plan becomes an intended strategy. When an intended strategy becomes a realised strategy, it turns out to be a deliberate strategy. An organisation planning to diversify does not decide to diversify at one time, instead it moves towards diversification step-by-step.

(c) Position: Positioning is about finding the right place for a brand in marketplace as well as the consumer mind. A consumer should easily identify that for a given need or want is the brand. If brand fails to do this, it simply becomes just another product or commodity on supermarket or mall shelf.

For example, a fast food chain aims to locate particular products in specific markets.

(d) Perspective: Perspective looks at the internal environment. An organisation has its own perspective and that will get reflected in the perspective.

(e) Ploy: Ploy is the tactic organisations use to outwit their competitors.

These five Ps of strategy explain the concept of strategy under different situations. Thus, strategy:

- Sets direction
- Focuses on effort
- Defines the organisation
- Provides consistency.

The figure below reflects the features of a strategy.

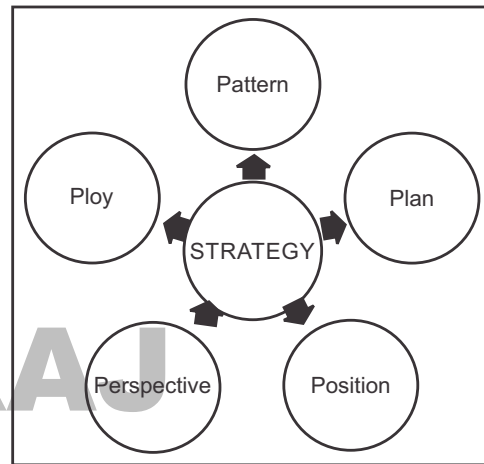


Fig: Features of Strategy

NATURE OF STRATEGY

The nature of strategy includes:

- It is formulated at different levels.
- It is an integration of concept with analysis for decision making.
- It involves both organisation and environment and both are linked.
- It combines content and process.
- Like a Mosaic, it cannot be structured, programmed, routine and repetitive.
- It is futuristic in nature.

The 5Ps can be customised as per the organisational requirements. Strategy aims to determine and communicate a picture of enterprise through a system of major objectives and policies. It is concerned with a unified direction and efficient allocation of an organisation’s resources and guides managerial action and thought. It provides an integrated approach for the organisation and aids in meeting the challenges posed by the environment.

STRATEGIC MANAGEMENT: CONCEPT

Strategy includes a series of steps based on an organisation’s vision, mission, goals and objectives. Strategic management means effective deployment of business strategies for achieving organisational

CONCEPT OF STRATEGY / 3

objectives. It involves making strategic decisions at various organisational levels. Strategic decisions are generally taken at the top management level and then transferred to lower management level. These decisions are related to moving from the present state of an organisation to a future state. It develops a framework within which an organisation functions. Thus, strategic management defines organisational capability, forms of value addition and the purpose of an organisation.

Strategic management:

- Enables organisations to have an edge over competitors in the market.
- Is a medium and long-term process.

- Starts with the formulation of a desirable future position for the organisation, followed by decisions.
- Matches the organisational capabilities with the environmental opportunities.
- It is futuristic and organisation-wide process.
- Sets up targets for reaching the future state.
- Formulates strategies for effective and efficient utilisation of resources.

STRATEGY VS POLICY

Strategy and policy are different. Strategy is a plan of action, whereas policy is a set of rules and procedures. Policy can be said to be a part of strategy. The table below differentiates between strategy and policy.

Basis of Differentiation	Strategy	Policy
Concept	A plan of action for attaining organisational objectives.	A guideline for undertaking certain actions for the organisation.
Specification	It is a plan of action.	It is a principle of action.
Direction	It is action oriented.	It is decision oriented.
Formulation	It is formulated by top and middle-level management.	It is formulated by top-level management.
Application	It is related to decision making of the organisation for future situations; or situation which may happen in future.	Related to the rules of the organisation for the repetitive activities; governs and controls managerial action.
Coverage	It covers external environment.	It covers internal environment.
Description	It can be described as a plan of action use to achieve the goals.	It includes a set of principles or a mini mission statement.
Nature	It is flexible.	It is fixed barring exceptions.

Policy can be organisational or functional, written or implied and general or specific, depending on the need of the organisation. Strategies and policies are the means towards the end. Both aim at meeting organisational objectives but policy is contingent decision and strategy is a rule for making decision.

STRATEGY VS TACTICS

In ‘The Art of War’, Sun Tzu write on the importance of strategy and tactics. He mentions strategy without tactics is the slowest route to victory. Tactics without strategy is the noise before the defeat. According to Carl Von Clausewitz, a Prussian army general and military scientist, military strategy is making use of battles in the furtherance of the war and the tactics is the use of armed forces in battles. Some differences between the two are discussed below:

- Strategy decided the key plans to be conducted while by tactics, plans decided are implemented. According to military science, the rudimentary basic goal of strategy is to break the enemy’s

will, deprive the enemy of the means to fight, occupy territory, destroy or get control of resources or make the enemy surrender. Tactics aim at achieving success.

- Strategic decisions are delegated to top management in the organisation, whereas tactics are delegated to all the levels of an organisation. Strategy is made in both a continuous and irregular manner. Decisions are taken based on opportunities and new ideas. Organisations determine tactics on a periodic basis. There may be a fixed timetable for tactics to follow.
- The time horizon in terms of strategy is flexible because it has a long-term perspective and occasionally, it may have short-term duration. Tactics is short term and definite.
- In strategy formulation and implementation, the decisions taken have elements of uncertainty and are made under the conditions of partial ignorance.

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- Tactical decisions are more certain, since they work upon the framework set by the strategy. The evaluation of strategy thus, is difficult than the evaluation of tactics.
- In strategy, an effort is made to relate the organisation with its environment, the requirement of information is more in strategy than that required in tactics. Tactics use information available internally in an organisation.
- The strategy formulation is affected considerably by the personal values of the person involved in the process but the same is not the case in tactic implementation. Strategies are the most important factor of organisation because they decide the future course of action for the entire organisation. On the other hand, tactics are important only with the specific part of the organisation. The table below differentiates strategy and tactics:

Basis of Comparison	Strategy	Tactics
Goal	It aims to control resources.	It aims to achieve success.
Delegation	It is delegated at top and middle levels.	It is delegated at all levels.
Formulation	It is flexible and continuous.	It is fixed and periodic.
Perspective/time frame	It has long-term perspective.	It has short-term perspective.
Level of certainty	High-certainty level.	Low-level of certainty.
Environment	External environment.	Internal environment.

LEVELS OF STRATEGY

Strategic decisions are made at the top-management level but strategy operates at different levels. They can be:

- Corporate Level
- Business Level
- Functional Level

Two categories of organisations are there –

(i) Different businesses are organised at different directions or product groups known as profit centres or strategic business units (SBUs). For example, an organisation producing textile, yarn, and a variety of petro-chemical products. The SBU concept was introduced by General Electric Organisation (GEC) of USA to manage product business. The fundamental concept in the SBU is the identification of discrete independent product/market segments served by the organisation.

(ii) Single product organisations. For example, an organisation engaged in the manufacturing and selling of heavy commercial vehicles.

Features of SBU

(a) SBU is created for each independent product/segment because each product serves a different environment.

(b) SBUs are different from each other because of district business areas (DBAs) they serve.

(c) Each SBU has its own defined product/market segment and strategy and develops its strategy according to its own capabilities and needs.

(d) Each SBU allocates resources as per its requirements for achieving organisational objectives.

Single product organisations have single SBU. Corporate-level strategy serves the entire business in

these organisations. At the next lower level, the strategy is implanted by functional strategies. In multi-product organisation, each SBU implants its own strategy, which lies between corporate and functional-level strategies.

The three levels at which strategy works are explained below:

1. Corporate-level strategy

At this level, strategies are made as per the policies of the organisation.

Characteristics

(a) Corporate-level strategies are pervasive, futuristic and innovative.

(b) The primary groups involved at this level are the Board of Directors and the Chief Executive Officer.

(c) These are value oriented, conceptual and less concrete as compared to decisions at the other two levels.

(d) The entrepreneur in small and family-owned businesses is both the general manager and chief strategic manager.

(e) They occupy the highest level of strategic decision making and cover the actions dealing with the objectives of the organisation. Such decisions are made by top management of the organisation. Decisions regarding acquisitions, diversification and structural redesigning are examples.

(f) These are characterised by greater risk, cost and profit potential as well as flexibility.

2. Business-level strategy

Business level strategies are formulated by each SBU to make the best use of its resources, given the environment, it faces.

Characteristics

(a) Business strategy is about “how” and the corporate strategy is about “what”.