

PAPER 7 - SECTION – B: STRATEGIC MANAGEMENT

Question paper comprises of 5 questions, Answer Question No. 6 which is compulsory and any 3 out of the remaining 4 questions.

Question 6

Swagatam was a chain of hotels. The business was good until the whole nation was impacted by COVID-19 pandemic in early 2022.

The management soon understood that pandemic had seriously disrupted the hotel sector and average revenue-per-available room fell by nearly 90% and they expected this decline to continue due to travel bans and fear seen in the society.

Pandemic required 14-day compulsory quarantine for the affected individuals and hospitals were short of rooms.

Management found a small opportunity as they had sufficient rooms, staff and could follow required health and safety standards. They decided to do service transformation by letting some of their units to hospitals to be transformed into covid-care units & rest of the units were rented to individuals as a quarantine facility.

- (a) Name the strategic level of management at which such decisions are made. **(1 Mark)**
- (b) The above scenario depicts one of the limitations of strategic management. Discuss which limitation of strategic management is depicted here. **(2 Marks)**
- (c) Here the decision taken by the management was reactive. Discuss the benefit of proactive approach over reactive approach. **(2 Marks)**

Answer

- (i) The strategic level of management at which decisions like transforming hotel units into COVID-care units and quarantine facilities are made is at the **"Corporate Level."** This level of management is responsible for making decisions that affect the overall direction and scope of the entire organization.
- (ii) The given scenario highlights a limitation of strategic management known as **highly complex and turbulent** environment. Due to this, there exist environmental uncertainty and unpredictability of the external factors that affect an organization. In this case, the **COVID-19 pandemic created a highly uncertain and unpredictable business environment** for Swagatam Hotels. The pandemic significantly impacted the hotel sector, causing a rapid decline in revenue and necessitating a strategic shift to adapt to the changing circumstances.
- (iii) A proactive approach involves anticipating and addressing issues before they become critical, while a reactive approach responds to problems after they have occurred. In the scenario, the decision to transform hotel units into COVID-care units and quarantine facilities was reactive, driven by the unexpected impact of the pandemic.

A proactive approach offers several benefits.

First, it **allows for better risk management** by identifying potential challenges in advance, enabling organizations to develop contingency plans.

Second, proactive strategies often **result in cost savings** as preventive measures can be more efficient than addressing crises retroactively.

Third, organizations can **maintain a competitive edge** by staying ahead of industry trends and changes.

Overall, a proactive approach enhances organizational strength and responsiveness in navigating uncertainties.

Question 7

- (a) *According to Michael Porter, what are the five competitive forces that exist within an industry?* **(5 Marks)**
- (b) *"The approach to BPR begins with defining the scope and objectives of the re-engineering project." With reference to this statement explain briefly the steps for implementing BPR.* **(5 Marks)**

Answer

- (a) Michael Porter's Five Forces model is a widely utilized tool for systematically analyzing the competitive forces within an industry. The model identifies five competitive forces that shape the overall competitive landscape:
- **Threat of New Entrants:** New entrants bring added capacity and product variety, intensifying competition and impacting prices. The size of new entrants magnifies their competitive influence, placing constraints on prices and affecting existing players' profitability.
 - **Bargaining power of Buyers:** The ability of buyers to form groups or cartels influences their bargaining power. This force, particularly in industrial products, impacts pricing and often leads to demands for better services, influencing costs and investments for producers.
 - **Bargaining power of Suppliers:** Suppliers with specialized offerings exert significant bargaining power, especially when limited in number. Supplier bargaining power determines raw material costs, affecting industry attractiveness and profitability.
 - **Rivalry among Current Players:** Existing players engage in competition, influencing strategic decisions across various levels. This rivalry is evident in pricing, advertising, cost pressures, and product strategies, impacting the overall competitive landscape.

- **Threats from Substitutes:** Substitute products can alter an industry's competitive dynamics, offering price advantages or performance improvements. Substitutes limit prices and profits, and industries with substantial R&D investments are particularly susceptible to threats from substitute products.

These forces collectively determine industry attractiveness and profitability by influencing factors such as costs and investments required for industry participation. The strength of these forces varies across industries, ultimately shaping the potential for earning attractive profits.

- (b) BPR is an approach to unusual improvement in operating effectiveness through the redesigning of critical business processes and supporting business systems. BPR is a revolutionary redesigning of key business processes.

BPR involves the following steps:

- Determining objectives:** Objectives are the desired end results of the redesign process which the management and organization attempts to achieve. They will provide the required focus, direction, and motivation for the redesign process and help in building a comprehensive foundation for the reengineering process.
- Identify customers and determine their needs:** The designers have to understand customers – their profile, their steps in acquiring, using and disposing of a product. The purpose is to redesign the business process that clearly provides added value to the customer.
- Study the existing process:** The existing processes will provide an important base for the designers. The purpose is to gain an understanding of the 'what', and 'why' of the targeted process. However, some companies go through the reengineering process with a clean perspective without laying emphasis on the past processes.
- Formulate a redesign process plan:** Formulation of redesign plan is the real crux of the reengineering efforts. Customer focused redesign concepts are identified and formulated. Alternative processes are considered, and the optimum is selected.
- Implement the redesign:** It is easier to formulate new processes than to implement them. It is the joint responsibility of the designers and management to operationalise the new processes.

Question 8

- (a) *Disha is appointed as Human Resource Manager in a Telecom company. Currently, the company is facing various HR challenges. Disha's role involves implementing effective human resource management strategies to address HR challenges and ensure the success of the company. Enumerate any five prominent areas where Disha can play a strategic role.* **(5 Marks)**
- (b) *Care Ltd. has decided to acquire Trust Ltd. Discuss the major dimensions of strategic decisions.* **(5 Marks)**

Answer

(a) Disha, the Human Resource Manager in a Telecom company, plays a pivotal strategic role in addressing HR challenges and fostering the company's success. Key areas where Disha contributes strategically include:

1. **Providing purposeful direction:** The human resource manager leads people and the organization towards the desired direction involving people. He can ensure harmony between organisational objectives and individual objectives.
2. **Creating a competitive advantage:** In the present business environment, maintaining a competitive position or gains either by cost leadership or differentiation 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 can devote more time to promote acceptance of change rather than maintaining the status quo.
4. **Managing workforce diversity:** In a modern organization, management of a 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. Motivation, maintaining morale and commitment are some of the key tasks that a HR manager can perform.
5. **Empowerment of human resources:** Empowerment means authorizing every member of an organization to take up his/her own destiny realizing his/her full potential. Empowerment involves giving more power to those who, at present, have little control over 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 the core competency of 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.
7. **Development of work ethics and culture:** As changing work ethics requires increasing emphasis on individuals, jobs will have to be redesigned to provide challenge. 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.

In these strategic roles, Disha contributes to the organizational success by aligning human resource practices with the overall objectives of the telecom company, ensuring resilience and competitiveness in the industry.

- (b) Strategic decisions, particularly exemplified by Care Ltd.'s decision to acquire Trust Ltd., possess distinctive dimensions that set them apart from routine operational decisions. These dimensions underscore the gravity and complexity of strategic decision-making:
1. Strategic decisions **require top-management involvement**. Strategic decisions involve thinking about the totality of the organizations and there is also a lot of risk involved in that.
 2. Strategic decisions involve the **allocation/commitment of large amounts of company resources** - financial, technical, human etc.
 3. Strategic decisions are likely to have a **significant impact on the long-term prosperity** of the firm.
 4. Strategic decisions are **future oriented** by predicting future environmental conditions and how to orient for the changed conditions.
 5. Strategic decisions usually have major multifunctional or **multi-business consequences** as they involve organizations in totality.
 6. Strategic decisions necessitate consideration of **factors in the firm's external environment**.

Question 9

- (a) Rohan works in the R & D department of an electronic appliances company and is given complete autonomy to conduct experiments for business expansion. He accepted the challenge and developed a new product for the customers. Identify and explain the role of Rohan in the company. **(1 + 4 = 5 Marks)**
- (b) Which strategy is implemented by redefining the business, by enlarging its scope of business and substantially increasing investment in the business? Explain the major reasons for adopting this strategy. **(1 + 4 = 5 Marks)**

Answer

- (a) Rohan, in this case, is working within the R & D department of the electronic appliances company, and he is given the autonomy to conduct experiments for business expansion. This level of autonomy and the initiative to develop a new product showcase intrapreneurial qualities. **Intrapreneurs** are individuals who take the initiative to innovate, create, and develop new products, services, or processes within the confines of an existing organization.

An intrapreneur is nothing but an entrepreneur who operates within the boundaries of an organisation. He is an employee of a large organisation, who is vested with authority of initiating creativity and innovation in the company's products, services and projects, redesigning the processes, workflows and systems.

The intrapreneurs believe in change and do not fear failure. They discover new ideas, look for such opportunities that can benefit the whole organisation and take risks,

promote innovation to improve the performance and profitability of the organisation. The job of an intrapreneur is extremely challenging. They get recognition and reward for the success achieved by them.

It has now become a trend that large corporations appoint intrapreneur within the organisation, to bring operational excellence and gain competitive edge in the market.

(b) The strategy in question is the **growth/expansion** strategy.

The Growth/Expansion strategy involves redefining the business, expanding its scope, and significantly increasing investments. This dynamic and vigorous approach is synonymous with promise and success. It entails a substantial reformulation of goals, major initiatives, and strategic moves, including investments, exploration into new products, technologies, and markets, and innovative decision-making. While promising growth, this strategy navigates the enterprise through relatively unknown and risky paths, rich with potential but also pitfalls.

Major Reasons for Adopting Growth/Expansion Strategy:

- It may become imperative when environment demands increase in pace of activity.
- Strategists may feel more satisfied with the prospects of growth from expansion; chief executives may take pride in presiding over organizations perceived to be growth-oriented.
- Expansion may lead to greater control over the market vis-a-vis competitors.
- Advantages from the experience curve and scale of operations may accrue.
- Expansion also includes intensifying, diversifying, acquiring and merging businesses.

Question 10

(a) *Mr. LMN has established a successful venture in the textiles sector in Maharashtra. His enterprise specializes in crafting unique and high-quality home furnishings, which have garnered significant market presence. However, there was a sales dip in the previous year. Seeking professional advice, Mr. LMN consulted a strategic management expert who suggested his first course of action should be to grasp the dynamics of the competitive landscape.*

In order to comprehend the competitive landscape, what steps should Mr. LMN follow?

(5 Marks)

(b) *What do you understand by Strategic Alliance? Discuss its advantages.*

(1 + 4 = 5 Marks)

OR

CDE Holdings operates in various sectors, including manufacturing fitness equipment, organic foods, eco-friendly products and children's educational tools. The organization is currently in the process of recruiting Chief Executive Officer. In this scenario imagine yourself as a HR consultant for CDE Holdings.

Identify the strategic level that encompasses this role within CDE Holdings. (1 Mark)

Provide an overview of the key duties and responsibilities falling under the Chief Executive Officer's scope. (4 Marks)

Answer

- (a) Understanding the competitive landscape is crucial for Mr. LMN to navigate the textile sector in Maharashtra successfully. This involves identifying both direct and indirect competitors while gaining insights into their vision, mission, core values, niche markets, and strengths and weaknesses. Here are the structured steps Mr. LMN should follow to comprehend the competitive landscape and bolster his strategic position:
- (i) **Identify the competitor:** The first step to understand the competitive landscape is to identify the competitors in the firm's industry and have actual data about their respective market share.
 - (ii) **Understand the competitors:** Once the competitors have been identified, the strategist can use market research report, internet, newspapers, social media, industry reports, and various other sources to understand the products and services offered by them in different markets.
 - (iii) **Determine the strengths of the competitors:** What are the strengths of the competitors? What do they do well? Do they offer great products? Do they utilize marketing in a way that comparatively reaches out to more consumers? Why do customers give them their business?
 - (iv) **Determine the weaknesses of the competitors:** Weaknesses (and strengths) can be identified by going through consumer reports and reviews appearing in various media. After all, consumers are often willing to give their opinions, especially when the products or services are either great or very poor.
 - (v) **Put all of the information together:** At this stage, the strategist should put together all information about competitors and draw inference about what they are not offering and what the firm can do to fill in the gaps. The strategist can also know the areas which need to be strengthened by the firm.

By following these steps, Mr. LMN can gain a comprehensive understanding of the competitive landscape, enabling him to make informed strategic decisions. This tailored approach considers the specific dynamics of the textile sector in Maharashtra, ensuring that the insights gained are directly applicable to his business context.

- (b) **A strategic alliance is a relationship between two or more businesses that enables each to achieve certain strategic objectives** which neither would be able to achieve on its own. The strategic partners maintain their status as independent and separate entities, share the benefits and control over the partnership, and continue to make contributions to the alliance until it is terminated.

The advantages of strategic alliance can be broadly categorised as follows:

- (a) **Organizational:** Strategic alliance helps to learn necessary skills and obtain certain capabilities from strategic partners. Strategic partners may also help to enhance productive capacity, provide a distribution system, or extend supply chain.
- (b) **Economic:** There can be reduction in costs and risks by distributing them across the members of the alliance. Greater economies of scale can be obtained in an alliance, as production volume can increase, causing the cost per unit to decline. The partners can also take advantage of co-specialization, creating additional value.
- (c) **Strategic:** Rivals can join together to cooperate instead of competing. Strategic alliances may also be useful to create a competitive advantage by the pooling of resources and skills. This may also help with future business opportunities and the development of new products and technologies. Strategic alliances may also be used to get access to new technologies or to pursue joint research and development.
- (d) **Political:** Sometimes strategic alliances are formed with a local foreign business to gain entry into a foreign market either because of local prejudices or legal barriers to entry.

Or

The Chief Executive Officer (CEO) position within CDE Holdings operates at the **Corporate Level**. This executive level is key in leading the overall direction, performance, and success of the entire organization. The CEO assumes a central role in shaping the company's strategic vision, overseeing diverse business sectors, and ensuring alignment with organizational goals.

Key Duties and Responsibilities of the CEO:

The CEO's role encompasses various strategic responsibilities at the Corporate Level, involving:

1. **oversee the development** of strategies for the whole organization;
2. **defining the mission and goals** of the organization;
3. **determining what businesses**, it should be in;

4. **allocating resources** among the different businesses;
5. **formulating, and implementing** strategies that span individual businesses;
6. **providing leadership** for the organization;
7. ensuring that the corporate and business level strategies which company pursues are consistent with **maximizing shareholders wealth**; and
8. managing the **divestment and acquisition** process.

Given the diverse nature of CDE Holdings, spanning manufacturing, organic foods, eco-friendly products, and children's educational tools, the CEO's responsibilities are tailored to navigate the unique challenges and opportunities presented by each sector. In conclusion, the CEO at the Corporate Level plays a critical role in guiding CDE Holdings strategically, ensuring cohesive leadership, and driving sustainable success across its diverse business domains.