

PAPER 7 - SECTION – B: STRATEGIC MANAGEMENT

Question paper comprises 5 questions. Question No. 6 is compulsory. Attempt any 3 out of 4 questions.

Question 6

'ALBELA' Foods and 'JustBE' Foods are successfully competing chain of restaurants in India. ALBELA's are known for their innovative approach, which has resulted in good revenues. On the other hand, JustBE is slow in responding to environmental change. The initial stages of Covid-19 pandemic and the ensuing strict lockdown had an adverse impact on both the companies. Realizing its severity and future consequences. ALBELA, foods immediately chalked out its post lockdown strategies, which include initiatives like:

- (a) Contactless dining
- (b) New category of foods in the menu for boosting immunity
- (c) Improving safety measures and hygiene standards
- (d) Introducing online food delivery app

Seeing the positive buzz around these measures taken by ALBELA Food, JustBE Foods also thinks to introduce these measures.

- (i) Identify the strategic approach taken by 'ALBELA' Foods and 'JustBE' Foods.
- (ii) Discuss these strategic approach.
- (iii) Which strategic approach is better and why? (1 + 3 + 1 = 5 Marks)

Answer

- (i) 'ALBELA' foods is **proactive** in its approach. On the other hand, 'JustBE' foods is **reactive** in its approach.

(ii)

- Proactive strategy is planned strategy. While continuing with the previously initiated business approaches that are working well, the newly launched managerial initiatives aim to strengthen the company's overall position and performance. These are outcomes of management's analysis and strategic thinking about the company's situation and its conclusions about the positioning of the company in the marketplace. If done well, it helps the company to effectively compete for buyer patronage.
- Reactive strategy is an adaptive reaction to changing circumstances. It is not always possible for a company to fully anticipate or plan for changes in the market. There is also a need to adapt strategy as new learnings emerge about which pieces of strategy are working well and which aren't. By itself also, the management may hit upon new ideas for improving the current strategy.

- (iii) In reference to the given case, proactive strategy seems to be better because ALBELA foods had been able to utilise available opportunities, reduce adverse impact, enhance the demand for product and is also able to avail the first mover advantage.

Question 7

- (a) A manufacturing company is in direct competition with fifteen companies at national level. Head of marketing department of this company wishes to study the market position of rival companies by grouping them into like positions. Name the tool that may be used by him/her. Explain the procedure that may be used to implement the techniques.

(1 + 4 = 5 Marks)

- (b) "Strategic decisions are different in nature than all other decisions." In the light of this statement explain major dimensions of strategic decisions. **(5 Marks)**

Answer

- (a) A tool to identify the market positions of rival companies by grouping them into like positions is **strategic group mapping**. A strategic group consists of those rival firms which have similar competitive approaches and positions in the market.

The **procedure for constructing a strategic group map** and deciding which firms belong in which strategic group are as follows:

1. **Identify the competitive characteristics** that differentiate firms in the industry typical variables that are price/quality range (high, medium, low); geographic coverage (local, regional, national, global); degree of vertical integration (none, partial, full); product-line breadth (wide, narrow); use of distribution channels (one, some, all); and degree of service offered (no-frills, limited, full).
 2. **Plot the firms on a two-variable map** using pairs of these differentiating characteristics.
 3. **Assign firms that fall in about the same strategy space** to the same strategic group.
 4. **Draw circles around each strategic group** making the circles proportional to the size of the group's respective share of total industry sales revenues.
- (b) Strategic decisions are different in nature than all other operational decisions. The dimensions of strategic decisions are not similar to that of other decisions which are taken at various levels of the organization during day-to-day working.

The following major dimensions of strategic decisions make them different than operational decisions:

1. Strategic decisions **require top-management decisions**. Strategic decisions involve thinking in totality of the organizations and there is also a lot of risk involved in that.

2. Strategic decisions involve the **allocation 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**.
5. Strategic decisions usually have major multifunctional or multi-business consequences.
6. Strategic decisions necessitate consideration of factors in the firm's external environment.

Question 8

- (a) *The CEO of a textile mill is convinced that his loss making company can be turned around. Suggest an action plan for a turnaround to the CEO.* **(5 Marks)**
- (b) *"Understanding the competitive landscape is important to build upon a competitive advantage". Explain.* **(5 Marks)**

Answer

- (a) A workable action plan for turnaround of the textile mill would involve:
- **Stage One – Assessment of current problems:** In the first step, assess the current problems and get to the root causes and the extent of damage.
 - **Stage Two – Analyze the situation and develop a strategic plan:** Identify major problems and opportunities, develop a strategic plan with specific goals and detailed functional actions after analyzing strengths and weaknesses in the areas of competitive position.
 - **Stage Three – Implementing an emergency action plan:** If the organization is in a critical stage, an appropriate action plan must be developed to stop the bleeding and enable the organization to survive.
 - **Stage Four – Restructuring the business:** If the core business is irreparably damaged, then the outlook for the entire organization may be bleak. Efforts to be made to position the organization for rapid improvement.
 - **Stage Five – Returning to normal:** In the final stage of turnaround strategy process, the organization should begin to show signs of profitability, return on investments and enhancing economic value-added.
- (b) Competitive landscape is a business analysis which identifies competitors, either direct or indirect. Competitive landscape is about identifying and understanding the competitors and at the same time, it permits the comprehension of their vision, mission, core values, niche market, strengths and weaknesses.

An in-depth investigation and analysis of a firm's competition allows it to **assess the competitors' strengths and weaknesses** in the marketplace and helps it to **choose and implement effective strategies** that will improve its competitive advantage.

Steps to understand the competitive landscape for building competitive advantage are:

- (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.

Question 9

- (a) *There are many companies in the market offering COVID vaccine. Analyse the product in terms of threat of new entrants.* (5 Marks)
- (b) *What are the issues to be resolved by a business enterprise to have an effective logistic strategy?* (5 Marks)

Answer

- (a) There are three companies offering a vaccine for COVID-19 in India and a fourth company is awaiting approval from authorities.

This product involves **huge capital requirements** and hence not every existing pharma company is likely to get into the competition. However, once approved for use, the entire world is the target market. This would lead to **economies of scale** helping the company to recover the investments made. The **product differentiation** is in terms of the low after effect of the vaccine and the effectiveness of the vaccine in controlling COVID-19. **Brand identity** is becoming very important with people preferring international brands compared

to a home – grown company. **Factors like switching cost, access to distribution channels and possibility of aggressive retaliation do not apply at present** because governments across the world are controlling these factors and the vaccine has not entered the phase of free competition.

- (b) Management of logistics is a process which integrates the flow of supplies into, through and out of an organisation to achieve a level of service which ensures that the right materials are available at the right place, at the right time, of the right quality and at the right cost.

For a business enterprise, effective logistic strategy will involve raising and finding solutions to the following questions:

- ◆ Which **sources of raw materials and components** are available?
- ◆ How many **manufacturing locations** are there?
- ◆ **What products** are being made at each manufacturing location?
- ◆ **What modes of transportation** should be used for various products?
- ◆ What is the **nature of distribution** facilities?
- ◆ What is the nature of **materials handling equipment** possessed? Is it ideal?
- ◆ What is the **method for deploying inventory** in the logistics network?
- ◆ Should the business firm **own the transport vehicles or hire**?

Question 10

- (a) "Entrepreneur is an individual who conceives the idea of starting a new venture." In light of this statement discuss who is an entrepreneur. **(5 Marks)**
- (b) Discuss various steps involved in Business Process Reengineering (BPR) while implementing in an organization. **(5 Marks)**

OR

Write short note on Richard Rumelt's criteria for strategy audit.

Answer

- (a) Entrepreneurship is an attitude of mind to seek opportunities, take calculated risk and drive benefits by starting and running a venture. It comprises of numerous activities involved in conception, creation and running an enterprise. An entrepreneur is an individual who conceives the idea of starting a new venture, takes all type of risks, not only to put the product or service into reality but also to make it an extremely demanding one.

An entrepreneur is one who:

- Initiates and innovates a new concept.

- Recognises and utilises opportunity.
 - Arranges and coordinates resources such as man, material, machine and capital.
 - Faces risks and uncertainties.
 - Establishes a startup company.
 - Adds value to the product or service.
 - Takes decisions to make the product or service a profitable one.
 - Is responsible for the profits or losses of the company.
- (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:

- (i) **Determining objectives and framework:** Objectives are the desired end results of the redesign process which the management and organization attempts to achieve. This will provide the required focus, direction, and motivation for the redesign process.
- (ii) **Identify customers and determine their needs:** The designers have to understand customers – their profile, their steps in acquiring, using and disposing a product. The purpose is to redesign business process that clearly provides added value to the customer.
- (iii) **Study the existing process:** The existing processes will provide an important base for the redesigners. 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 clean perspective without laying emphasis on the past processes.
- (iv) **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.
- (v) **Implement the redesign:** It is easier to formulate new process than to implement them. It is the joint responsibility of the designers and management to operationalise the new processes.

OR

Richard Rumelt’s Criteria for Strategy Audit

- (i) **Consistency:** A strategy should not present inconsistent goals and policies which can lead to organizational problems and conflicts. Inconsistencies in strategy are indicated if

- (a) the cause of organizational problems is issue based;
 - (b) success for one department implies failure for another;
 - (c) the top management is expected to resolve policy problems and issues every time.
- (ii) **Consonance:** Consonance refers to the need for strategists to examine *sets of trends*, as well as individual trends, in auditing strategies. The difficulty is that most trends are the result of interactions among other trends. A strategy must represent an adaptive response to the external environment and to the critical changes occurring within it.
- (iii) **Feasibility:** A strategy must neither overtax available resources nor create unsolvable sub-problems. The final broad test of strategy is its feasibility; that is, can the strategy be attempted within the physical, human, and financial resources of the enterprise?
- (iv) **Advantage:** A strategy must provide for the creation and/or maintenance of a competitive advantage in a selected area of activity. The advantage may reflect superiority in any one or combination of: **resources, skills and position**.