CBCS SCHEME

USN

20MBA25

Second Semester MBA Degree Examination, July/August 2022
Strategic Management

Time: 3 hrs. Max. Marks:100

Note: ***1. Answer any FOUR full questions from Q1 to Q7.***
2. Question No.8 is compulsory.

Important Note : 1. On completing your answers, compulsorily draw diagonal cross lines on the remaining blank pages.
2. Any revealing of identification, appeal to evaluator and /or equations written eg, 42+8 = 50, will be treated as malpractice.

1 a. Outline the difference between strategy and Tactic. **(03 Marks)**
b. Explain the four levels of strategic management with example. **(07 Marks)**
c. Discuss Ansoff's matrix and its applications. **(10 Marks)**

2 a. Identify different types of integration strategies. **(03 Marks)**
b. Discuss the four types of strategic control. **(07 Marks)**
c. Explain the relevant driving forces for industries. **(10 Marks)**

3 a. What do you understand by social innovation? **(03 Marks)**
b. Explain the types of diversification strategies with their advantages and disadvantages. **(07 Marks)**
c. Discuss the strategic advantage of alliances and partnerships. **(10 Marks)**

4 a. What do you understand by PESTEL analysis? **(03 Marks)**
b. Explain value chain analysis with an example. **(07 Marks)**
c. Explain Porter's 5-forces model. Use the model to analyse the service industry. **(10 Marks)**

5 a. What is Resource Based View (RBV)? **(03 Marks)**
b. Compile the common types of Key Success Factor attain competitive advantage. **(07 Marks)**
c. Explain the steps involved in strategic planning process. **(10 Marks)**

6 a. What is the application of Benchmarking? **(03 Marks)**
b. Describe the conditions necessary for turn around strategies. **(07 Marks)**
c. Explain stability strategies with example. **(10 Marks)**

7 a. What is creative destruction? **(03 Marks)**
b. Explain Balance Score Card. **(07 Marks)**
c. Discuss the challenges in strategy implementation. **(10 Marks)**

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8 CASE STUDY :

MTR Foods management Team was dedicated capturing strategic benefit within the business line up throughout the value chain. The company marketed research information to develop new products that hit the consumer's taste. Company consolidated its purchasing to reduce costs. Company had also consolidated sales and marketing function of similar products to eliminate duplication of effort and present single face to customers.

The efforts to buy 67.8% stake in Eastern condiment through Orkla happened for an estimated cost of Rs.2000 crore. Norwegian consumer goods maker Orkla has decided to acquire a majority stake in Eastern Condiments Pvt. Ltd and merge it with wholly owned unit MTR Foods Pvt. Ltd. in a deal that will help to double its sales in India.

The acquisition comes 13 years after the Norwegian Food Giant acquired MTR to enter India. Since then MTR's revenue has grown five fold. The takeover of Eastern Condiments, the largest spice company in Kerala will strengthen Orkla's position in India's branded food products market. This alliance of Eastern and MTR will create solid platform in the fast growing Indian market based on strong local brands.

Questions:

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a. Explain what value chain activities used by MTR Foods have reduced the costs. **(05 Marks)**
b. Do you think that acquisition of Eastern Condiments by Orkla is a good strategy? Why? **(05 Marks)**
c. What advantages do you foresee with the alliance of Eastern and MTR? **(05 Marks)**
d. What further market growth strategies can you suggest for MTR Foods? **(05 Marks)**

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SOLUTIONS FOR STRATEGIC MANAGEMENT- AUG 2022

QUESTION NO.	QUESTION AND SOLUTIONS
1A	Outline the difference between strategy and tactic.
	The strategy is a long-term plan which one executes step by step to achieve a goal. It is the path which leads to the final success. Correct execution of a strategy results in the final outcome. Tactics are small steps or concrete actions which one takes to achieve smaller goals or to complete an action. A good tactic has a clear purpose that aids to strategy. Regardless of the interdependence of each other, there are fundamental differences between strategy and tactics.
1B	Explain the four levels of strategic management with example.
	Strategy-making is involved with the identification of the ways that an organization can undertake to achieve the performance targets, weaken the competitors, achieve competitive advantage and ensure the long-term survival of the organization. In a diversified company, a company having different lines of business under one umbrella, strategies are initiated at four levels. The strategies at each level of the organization are known by the name of the level. The four levels of strategy are: 1. Corporate level strategy. 2. Business level strategy. 3. Functional level strategy. 4. Operational level strategy.
1C.	Discuss Ansoff's matrix and its application.
	The Ansoff Matrix definition is: a strategic planning tool that shows four different ways companies can grow through product or market expansion. By using the matrix, businesses can better understand the risks and challenges presented by each strategy. When using an Ansoff Matrix, the company will consider questions, risks, and opportunities that follow under four categories. These include: Market Penetration

- Market Development
- Product Development
- Diversification

these categories make up the four quadrants in the matrix. Moving into a new section, either vertically or horizontally, increases the risks of the actions the company is considering. Market penetration is the option with the least risks, while diversification holds the highest risks.

Market Penetration

The least risky, in relative terms, is market penetration.

When employing a market penetration strategy, management seeks to sell more of its existing products into markets that they're familiar with and where they have existing relationships. Typical execution strategies include:

- Increasing marketing efforts or streamlining distribution processes
- Decreasing prices to attract new customers within the market segment
- Acquiring a competitor in the same market

Consider a consumer packaged goods business that sells into grocery chains. Management may seek greater penetration by amending pricing for a large chain in order to secure incremental shelf space not just for packaged food products but also for several lines of its pet food products, too.

Market Development

A market development strategy is the next least risky because it does not require significant investment in R&D or product development. Rather, it allows a management team to leverage existing products and take them to a different market. Approaches include:

- Catering to a different customer segment or target demographic
- Entering a new domestic market (regional expansion)
- Entering into a foreign market (international expansion)

Product Development

A business that firmly has the ears of a particular market or target audience may look to expand its share of wallet from that customer base. Think of it as a play on brand loyalty, which may be achieved in a variety of ways, including:

- Investing in R&D to develop an altogether new product(s).
- Acquiring the rights to produce and sell another firm's product(s).
- Creating a new offering by branding a white-label product that's actually produced by a third party.

An example might be a beauty brand that produces and sells hair care products that are popular among women aged 28-35. In an effort to capitalize on the brand's popularity and loyalty with this demographic, they invest heavily in the production of a new line of hair care products, hoping that the existing target market will adopt it.

Diversification

In relative terms, a diversification strategy is generally the highest risk endeavor; after all, both product development *and* market development are required. While it is the highest risk strategy, it can reap huge rewards – either by achieving altogether new revenue opportunities or by

	reducing a firm's reliance on a single product/market fit (for whatever reason).
2A	Identify different types of integration strategies.
	Integration basically means combining activities relating to the present activity of a firm. Such a combination can be done on the basis of the industry value chain. Integration is basically of two types: - Vertical integration and - Horizontal integration Vertical integration involves gaining ownership or increased control over suppliers or distributors. ***Backward Integration:*** It involves gaining ownership or increased control of a firm's suppliers. For e.g., Brooke Bond's acquisition of tea plantations. ***Forward Integration:*** It involves gaining ownership or increased control over distributors or retailers. For example, textile firms like Reliance, Bombay Dyeing, JK Mills (Raymond's) etc. have resorted to forward integration by opening their own showrooms. Horizontal integration - It is a strategy of seeking ownership or increased control over a firm's competitors. It generally involves the acquisition, merger or takeover of one or more similar firms operating at the same stage of the industry value chain. - For e.g., Arcelor by Mittal Steels and the acquisition of Corus by Tata Steel
2B	Discuss the four types of strategic control.
	Experts on strategic management process have identified certain types of strategic controls. According to them, there are four types of strategic controls. 1. **Premise Control** Premise control checks systematically and continuously whether the assumptions on which the strategy is based are still valid. If a vital premise is no longer valid, the strategy may have to be changed. The premise control is concerned with two types of factors: 1. **Environmental factors** 2. **Industry factors** 2. **Strategic Surveillance** Strategic surveillance is a broad-based vigilance activity in all daily operations both inside and outside the organisation. Business journals, trade conferences, conversations, observations etc. are some of the information sources for strategic surveillance. 3. **Special Alert Control** Sudden, unexpected events can drastically alter the course of the firm's strategy. Such events trigger an immediate and intense reconsideration of the firm's strategy. Example: The tragic events of September 11, 2001, created havoc in many US companies, especially the airline and hotel industry. 4. **Implementation Control** Implementation control is aimed at assessing whether the plans, programmes and policies are actually guiding the organisation towards the predetermined objectives or not. Implementation control assesses whether the overall strategy should be changed in the light of the results of specific units and individuals involved in implementation of the strategy.
2C	Explain the relevant driving forces for industries.
	Industries change because ***forces*** are ***driving*** industry ***participants*** to ***alter their actions*** ***Driving forces*** are the ***major underlying causes*** of changing industry and competitive conditions.

table 3.2 The Most Common Driving Forces

1. Growing use of the Internet and emerging new Internet technology applications.
2. Increasing globalization of the industry.
3. Changes in the long-term industry growth rate.
4. Changes in who buys the product and how they use it.
5. Product innovation.
6. Technological change and manufacturing process innovation.
7. Marketing innovation.
8. Entry or exit of major firms.
9. Diffusion of technical know-how across more companies and more countries.
10. Changes in cost and efficiency.
11. Growing buyer preferences for differentiated products instead of standardized commodity products (or for a more standardized product instead of strongly differentiated products).
12. Reductions in uncertainty and business risk.
13. Regulatory influences and government policy changes.
14. Changing societal concerns, attitudes, and lifestyles.

3A	What do you understand by social innovation?
	Social innovation refers to the process of developing and implementing new, effective solutions to solve social or environmental issues. Whether these come from national policies, governmental or non-governmental entities, such solutions should meet current social needs better than it has been done before. Social innovation is meant to have long term impact at large scale. Social innovation is traditionally advanced through non-profit endeavours, but the business community is also open to address society's challenges too.
3B	Explain the types of diversification strategies with their advantages and disadvantages.

Types of diversification strategies

There are six established types of diversification strategies:

1. Horizontal diversification
2. Vertical diversification
3. Concentric diversification
4. Conglomerate diversification
5. Defensive diversification
6. Offensive diversification

1. Horizontal Diversification

To diversify your company horizontally means introducing brand new products or services to your current offering in order to expand market share, either in a new market segment or your company's existing market.

This can be done through: –

- innovating or licensing new products,
- a merger, or acquisition of another company.

<table>
<tr><td></td><td>There are two types of horizontal diversification – concentric and conglomerate

▸ Concentric diversification

It involves acquisition of businesses that are related to the acquiring firm in terms of technology, markets or products. The selected new business has compatibility with the firm's current business.

▸ Conglomerate diversification

Adding a new, but unrelated business is called conglomerate diversification. The new business will have no relationship to the company's technology, products or markets. For example, ITC which is basically a cigarette manufacturer, has diversified into hotels, edible oils, financial services etc.

2.Vertical Diversification

Vertical diversification also referred to as vertical integration, entails a growth strategy where the company expands its product line through a forward or backward integration of products within its existing supply chain.

3. Concentric Diversification

Concentric diversification, a type of horizontal diversification, involves introducing new products or services to your product/service line that are closely related to your existing products or service.

Therefore, you are expanding your market share within the market your company already operates in.

4. Defensive Diversification

Defensive and offensive diversification are terms that have more to do with why a company wants to diversify, rather than how.

Defensive diversification refers to companies who diversify in order to remain competitive, as their market segment has become saturated, their existing products have matured and are in decline, or they're losing out to their competitors.

5.Offensive Diversification

Offensive diversification, on the other hand, occurs when a company is aggressively seeking to grow its profits and market share through diversifying its product or service line in order to enter new markets and capture more customers.</td></tr>
<tr><td>3C</td><td>Discuss the strategic advantage of alliances and partnerships.</td></tr>
<tr><td></td><td>Advantages of strategic alliances
• Sharing resources and expertise. A strategic alliance should combine the best both companies have to offer. This can be a deeper understanding of the product, sales, or marketing knowledge, or even just more hands on deck to increase speed to market.
• New-market penetration. In some cases, a strategic alliance gives access to new markets with a solution that wouldn't have been possible for either company on their own. For instance, companies going global often work with a trusted local partner to get an advantage in an emerging market.
• Expanded production. When it comes to manufacturing and distributing products,</td></tr>
</table>

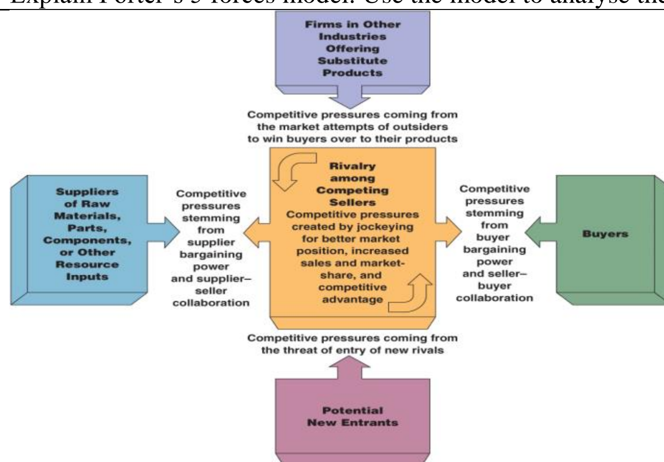
- strategic alliances allow partners to increase their capabilities and scale quickly to meet demand.
- Drive innovation. With the right alliance, partners can outpace the competition with new solutions that are a complete package for their customers. These alliances are creative and revolutionary and change the market landscape in a dramatic way.

4A	What do you understand by PESTEL analysis?
	A **PESTEL** analysis is a framework or tool used by marketers to analyze and monitor the macro-environmental (external marketing environment) factors that have an impact on an organization, company, or industry. It examines the Political, Economic, Social, Technological, Environmental, and Legal factors in the external environment. A PESTEL analysis is used to identify threats and weaknesses which are used in a SWOT analysis.
4B	Explain value chain analysis with an example.

Value chain analysis is a strategic process where a firm evaluates its internal activities to identify how each contributes to the firm's competitive advantage. The ultimate goal of a value chain analysis is to pin down the practices and processes that differentiate a firm from its competitors -for better or worse.

Completing a value chain analysis allows businesses to examine their activities and find competitive opportunities. For example, McDonald's mission is to provide customers with low-priced food items. The analysis helps McDonald's identify areas for improvement and activities that add value to their products and services.

4C	Explain Porter's 5 forces model. Use the model to analyse the service industry.



Let's take a look at Porter's Five Forces in more detail.

1. Competitive Rivalry

The first of Porter's Five Forces looks at the number and strength of your competitors. Consider

	how many rivals you have, who they are, and how the quality of their product compares with yours. In an industry where rivalry is intense, companies attract customers by cutting prices aggressively and launching high-impact marketing campaigns. This can make it easy for suppliers and buyers to go elsewhere if they feel that they're not getting a good deal from you. On the other hand, where competitive rivalry is minimal, and no one else is doing what you do, then you'll likely have tremendous competitor power, as well as healthy profits. Example If you were setting up a haulage business, you'd likely be entering a crowded market. You'd have to consider many potential rivals, how much they charged, and whether they were able to discount deeply. You'd also need to think about their resources: you might be setting up to compete with international logistics companies, as well as local competitors. 2. Supplier Power Suppliers gain power if they can increase their prices easily, or reduce the quality of their product. If your suppliers are the only ones who can supply a particular service, then they have considerable supplier power. Even if you can switch suppliers, you need to consider how expensive it would be to do so. The more suppliers you have to choose from, the easier it will be to switch to a cheaper alternative. But if there are fewer suppliers, and you rely heavily on them, the stronger their position – and their ability to charge you more. This can impact your profitability, for example, if you're forced into expensive contracts. Example Let's say your business idea was to manufacture electronic devices. You'd have to assess your supply options for a range of specialist components. If one supplier dominated the components market, then they could raise their prices without worrying about their own competitors. This might affect the viability of your product. 3. Buyer Power If the number of buyers is low compared to the number of suppliers in an industry, then they have what's known as "buyer power." This means they may find it easy to switch to new, cheaper competitors, which can ultimately drive down prices. Think about how many buyers you have (that is, people who buy products or services from you). Consider the size of their orders, and how much it would cost them to switch to a rival. When you deal with only a few savvy customers, they have more power. But if you have many customers and little competition, buyer power decreases. Example Buyer power is a significant factor in food retail. Think of large supermarkets that operate in a crowded, highly competitive market. This market has changed dramatically with the arrival of cheap, no-frills food discounters. Shoppers have strong buyer power here. That's why supermarkets have coupon schemes, loyalty cards, and aggressive discounting – to capture the largest share of buyers. 4. Threat of Substitution This refers to the likelihood of your customers finding a different way of doing what you do. It could be cheaper, or better, or both. The threat of substitution rises when customers find it easy to switch to another product, or when a new and desirable product enters the market unexpectedly. Example If your organization makes medical instruments, you may find your position being threatened by the rise of 3D printing. This enables instruments to be made from a wide range of materials, sometimes at a fraction of the cost of traditional methods. If a competitor gets it right, it can weaken your position and threaten your profitability. 5. Threat of New Entry Your position can be affected by potential rivals' ability to enter your market. If it takes little

money and effort to enter your market and compete effectively, or if you have little protection for your key technologies, then rivals can quickly enter your market and weaken your position. However, if you have strong and durable barriers to entry, then you can preserve a favorable position and take fair advantage of it. These barriers can include complex distribution networks, high starting capital costs, and difficulties in finding suppliers who are not already committed to competitors.

Existing large organizations may be able to use economies of scale to drive their costs down, and maintain competitive advantage over newcomers.

If it costs customers too much to switch between one supplier and another, this can also be a significant barrier to entry. So can extensive government regulation of an industry.

Example

Even industries that seem to be well protected against new entry can prove to be vulnerable. For many years, high-volume air travel was in the hands of a relatively small number of established airlines. The barriers to entry were formidable. Start-up costs were high, routes and take-off slots were mostly grabbed by the big operators, and the industry was strictly regulated.

Even so, some small operators did manage to break into the market, mostly by offering no-frills, low-cost travel to popular destinations, and taking advantage of reduced regulation. These smaller, more agile operators now hold strong positions in the industry, particularly in short- to medium-haul travel.

5A — What is Resource Based View (RBV)?

- The resource-based view or RBV is a strategy formulated by organizations to understand the elements of the business for a long-term competitive advantage.
- RBV model explains that it is significant to accept and fulfill external or new opportunities using existing resources innovatively by acquiring new niche skills.
- Resource-based view strategy aims to gain a sustainable competitive advantage through extensive resource analysis, resource allocation, and cross-functional usage of resources.

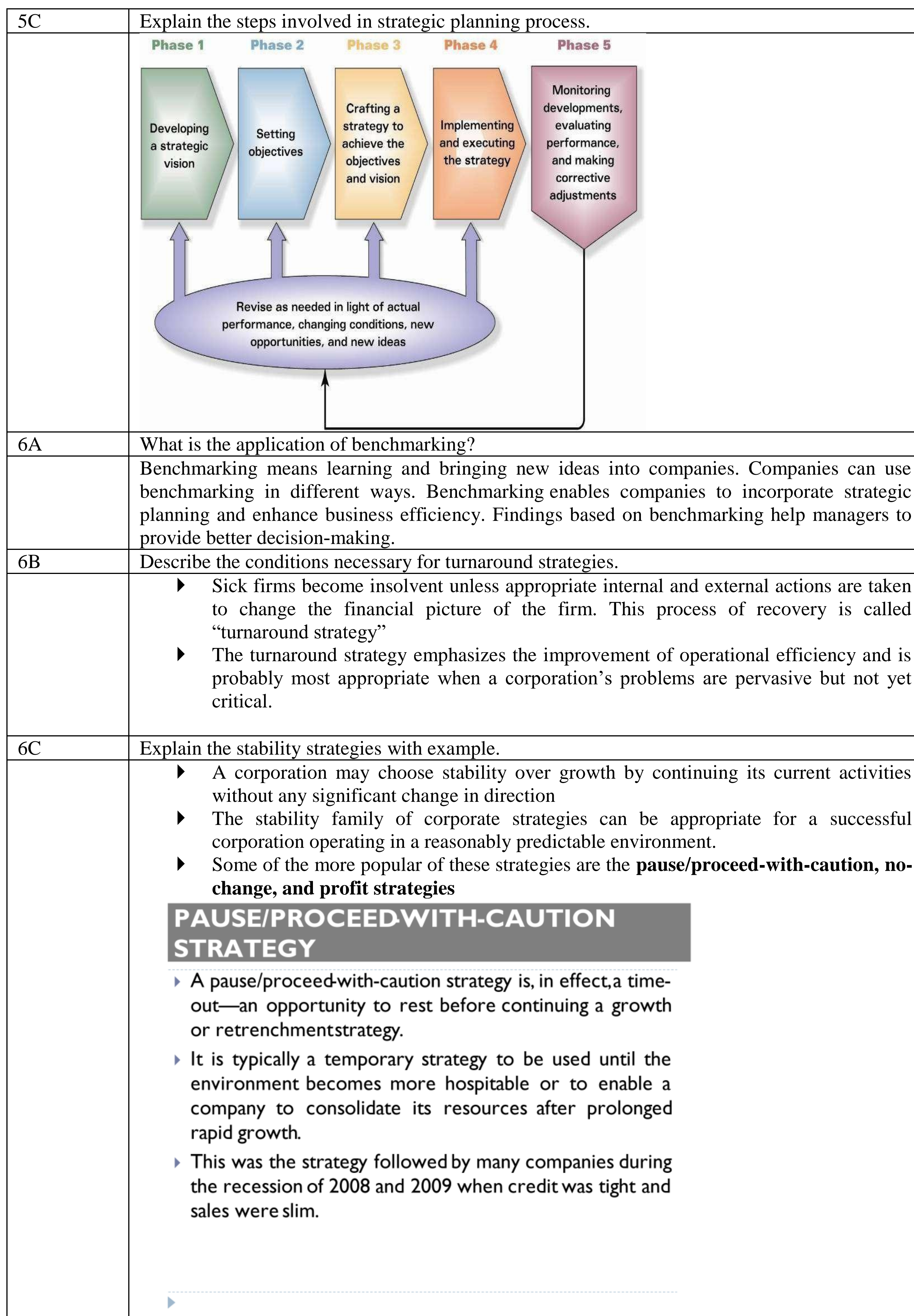
5B — Compile the common types of Key Success Factor attain competitive advantage.

- KSFs are those competitive factors most affecting ***every industry member's*** ability to prosper. They concern
  - Specific strategy elements
  - Product attributes
  - Resources
  - Competencies
  - Competitive capabilities

  that a company needs to have to be competitively successful
- ***KSFs*** are attributes that spell the ***difference*** between
  - Profit and loss
  - Competitive success or failure

table 3.3 **Common Types of Industry Key Success Factors (KSFs)**

Technology-related KSFs	• Expertise in a particular technology or in scientific research (important in pharmaceuticals, Internet applications, mobile communications, and most high-tech industries) • Proven ability to improve production processes (important in industries where advancing technology opens the way for higher manufacturing efficiency and lower production costs)
Manufacturing-related KSFs	• Ability to achieve scale economies and/or capture learning-curve effects (important to achieving low production costs) • Quality control know-how (important in industries where customers insist on product reliability) • High utilization of fixed assets (important in capital-intensive/high-fixed-cost industries) • Access to attractive supplies of skilled labor • High labor productivity (important for items with high labor content) • Low-cost product design and engineering (reduces manufacturing costs) • Ability to manufacture or assemble products that are customized to buyer specifications
Distribution-related KSFs	• A strong network of wholesale distributors/dealers • Strong direct sales capabilities via the Internet and/or having company-owned retail outlets • Ability to secure favorable display space on retailer shelves
Marketing-related KSFs	• Breadth of product line and product selection • A well-known and well-respected brand name • Fast, accurate technical assistance • Courteous, personalized customer service • Accurate filling of buyer orders (few back orders or mistakes) • Customer guarantees and warranties (important in mail-order and online retailing, big-ticket purchases, new product introductions) • Clever advertising
Skills and capability-related KSFs	• A talented workforce (superior talent is important in professional services like accounting and investment banking) • National or global distribution capabilities • Product innovation capabilities (important in industries where rivals are racing to be first to market with new product attributes or performance features) • Design expertise (important in fashion and apparel industries) • Short-delivery-time capability • Supply chain management capabilities • Strong e-commerce capabilities—a user-friendly Web site and/or skills in using Internet technology applications to streamline internal operations
Other types of KSFs	• Overall low costs (not just in manufacturing) so as to be able to meet low-price expectations of customers • Convenient locations (important in many retailing businesses) • Ability to provide fast, convenient after-the-sale repairs and service • A strong balance sheet and access to financial capital (important in newly emerging industries with high degrees of business risk and in capital-intensive industries) • Patent protection



5C	Explain the steps involved in strategic planning process.
	(diagram above)
6A	What is the application of benchmarking?
	Benchmarking means learning and bringing new ideas into companies. Companies can use benchmarking in different ways. Benchmarking enables companies to incorporate strategic planning and enhance business efficiency. Findings based on benchmarking help managers to provide better decision-making.
6B	Describe the conditions necessary for turnaround strategies.
	▸ Sick firms become insolvent unless appropriate internal and external actions are taken to change the financial picture of the firm. This process of recovery is called "turnaround strategy" ▸ The turnaround strategy emphasizes the improvement of operational efficiency and is probably most appropriate when a corporation's problems are pervasive but not yet critical.
6C	Explain the stability strategies with example.
	▸ A corporation may choose stability over growth by continuing its current activities without any significant change in direction ▸ The stability family of corporate strategies can be appropriate for a successful corporation operating in a reasonably predictable environment. ▸ Some of the more popular of these strategies are the **pause/proceed-with-caution, no-change, and profit strategies** **PAUSE/PROCEED-WITH-CAUTION STRATEGY** ▸ A pause/proceed-with-caution strategy is, in effect, a time-out—an opportunity to rest before continuing a growth or retrenchment strategy. ▸ It is typically a temporary strategy to be used until the environment becomes more hospitable or to enable a company to consolidate its resources after prolonged rapid growth. ▸ This was the strategy followed by many companies during the recession of 2008 and 2009 when credit was tight and sales were slim. ▸

	NO-CHANGE STRATEGY ‣ A no-change strategy is a decision to do nothing new—a choice to continue current operations and policies for the foreseeable future. ‣ Rarely articulated as a definite strategy, a no-change strategy's success depends on a lack of significant change in a corporation's situation. The corporation has probably found a reasonably profitable and stable niche for its products.
7A	What is creative destruction?
	• Creative destruction describes the deliberate dismantling of established processes in order to make way for improved methods of production. • Creative destruction is most often used to describe disruptive technologies such as the railroads or, in our own time, the internet. • The term was coined in the early 1940s by economist Joseph Schumpeter, who observed real-life examples of creative destruction, such as Henry Ford's assembly line.
7B	Explain Balance Score Card.
	A balanced scorecard (BSC) is defined as a management system that provides feedback on both internal business processes and external outcomes to continuously improve strategic performance and results. By bringing together measures around internal processes and external outcomes, a balanced scorecard supports continuous improvement at the level of strategic performance and results. The balanced scorecard is a strategic management tool that views the organization from different perspectives, usually the following: • Financial: The perspective of your shareholders • Customer: What your customers experience and perceive • Business process: The key processes you use to meet and exceed customer and shareholder requirements • Learning and growth: How you foster ongoing change and continuous improvement For each of these perspectives, the balanced scorecard to develop metrics, set performance targets and collect and analyze data. The scorecard thus offers an efficient mechanism for reviewing strategy implementation based on measurement.
7C	Discuss the challenges in strategy implementation.
	As stated by Gerstner, execution (implementation) is really the critical part of a successful strategy. Getting it done, getting it done right, getting it done better than the next person is far more important than dreaming up new visions (or strategies) of the future.1 Risks and challenges impacting strategy execution are typically related to one of the following imperatives: • Leadership and Governance • Creating a Performance Culture • Performance Analysis, Reporting and Informing • Aligning and Operationalizing Strategy • Project/Portfolio Management

8	Case Study