

Internal Assessment Test - I : Set-2

Sub: **Strategic Management**

Code: 22MBA25

Date: **09/08/2023**

Duration: 90 mins

Max Marks: 50

Sem: II

Branch: MBA

OBE

Marks CO RBT

Part A -Answer Any Two Full Questions (20*02=40 Marks)			
1 (a)	<p>What is meant by core competency?</p> <p>Ans. A successful business has identified what it can do better than anyone else, and why. Its core competencies are the "why." Core competencies are also known as core capabilities or distinctive competencies. Core competencies lead to competitive advantages.</p>	[03]	CO1 L1
(b)	<p>Discuss the importance and relevance of strategic management.</p> <p>Ans. Strategic management is the process of setting organizational goals, performing a competitive analysis, reflecting on a company's internal structure, and evaluating current strategies. The importance of strategic management can be understood by looking toward the future of a company. Management is responsible for planning and preparing for changes and challenges. A clear and focused effort by the top-level administration goes a long way in calibrating internal strengths with external deviations. Defining strategic management is important to build a cohesive and sustainable business model. For instance, a SWOT analysis (Strengths-Weaknesses-Opportunities-Threats) can help you understand where your company has the potential to make modifications, alter strategies, and find ways to compete in a dynamic world. Keeping up with internal changes such as business policies, change in management, and company norms help attain organizational goals. Industry changes such as customer preferences or a change in the socio-political climate can also affect a company's vision.</p>	[07]	CO1 L2
(c)	<p>Illustrate the key external forces for conducting an effective external audit.</p> <p>Ans. There are a number of key external forces that play a vital role in the external audit. Following are the five main categories of key external audit.</p> <ul style="list-style-type: none"> • Economic Forces • Social, Demographic, Cultural & Environmental Forces • Political, Legal & Governmental Forces • Technological Forces • Competitive Forces <p>External events and trends seriously influence all the products, services, organizations and markets in the world. The consumer demand for both consumer and industrial products. Although these are affected by changes in the external forces. External forces influence the kinds of products developed, Market Segmentation Strategies and nature of positioning. Also the kinds of services offered and the selection of businesses to sell or acquire. Suppliers and distributors both are directly affected by the external forces. Identification and evaluation of external opportunities and threats makes an organization to prepare a clear mission.</p> <p>Basically, to formulate strategies to accomplish long term objectives and to establish policies to accomplish annual objectives. The development of will and capacity by organizations makes today's business environment much more complex and competitive. There is a competitive trend of foreign</p>	[10]	CO2 L4

	<p>companies in the local marketplace which are more willing to learn, adapt, invent & innovate. Furthermore, new technological revolutions in the business world have changed the structure and functioning of the old concepts.</p> <p>The Nature of an External Strategic Management Audit</p> <p>The main objective of external audit is to highlight a number of external opportunities. So, that can be availed by the organization along with the threats that need to be avoided by the organization. In fact the external strategic management audit does not take into account all the possible factors. Subsequently, that affect the business organization but rather only important factors are focused that need proper actions. Thus the organization may show offensive or defensive behavior through developing strategies. Therefore that can get benefit from the external opportunities while reducing the effects of external threats.</p>			
2 (a)	<p>What is Resource Based View of a firm?</p> <p>Ans. The Resource-Based View (RBV) is a group of theories proposing that companies are able to establish competitive advantage through internal resources of the firm that are valuable, rare, not imitable, and organized for value capture.</p>	[03]	CO3	L1
2 (b)	<p>Illustrate the strategic management model.</p> <p>Ans.</p> <p>Strategic Management Process</p> <hr/> <p>Four basic elements in the process</p> <ol style="list-style-type: none"> 1) Environmental scanning 2) Strategy formulation 3) Strategy implementation 4) Evaluation and control 	[07]	CO2	L3

Strategic Management Process

1) Environmental Scanning:

- Monitoring the environment, and evaluating & disseminating information obtained through internal and external environments.
- Aim is to identify strategic factors that determine the future.
- SWOT analysis is most commonly used tool.

2) Strategy Formulation:

- Development of long-term plans to deal with S-W-O-T
- Strategists consider:
 - Company mission
 - Company profile
 - External environment
 - Long-term objectives
 - Grand strategy etc.



3) Strategy Implementation:

- Putting strategies into action
- Programs, budgets and procedures are developed
- Calls for changes in overall culture, structure, systems
- Typically handled by middle-level or lower-level managers

4) Evaluation and Control

- Activities and performance results are compared with desired performance
- Identifies weakness of strategic plans implemented
- Must obtain clear, prompt and unbiased information directly from those who execute them
- Feedback is sought to revise or correct decisions



(c)	Describe the Porter's Five Forces model. Apply the model to analyze any service industry.	[10]	CO2	L3
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Figure 2.3: The Porter's Five Forces Model of Competition

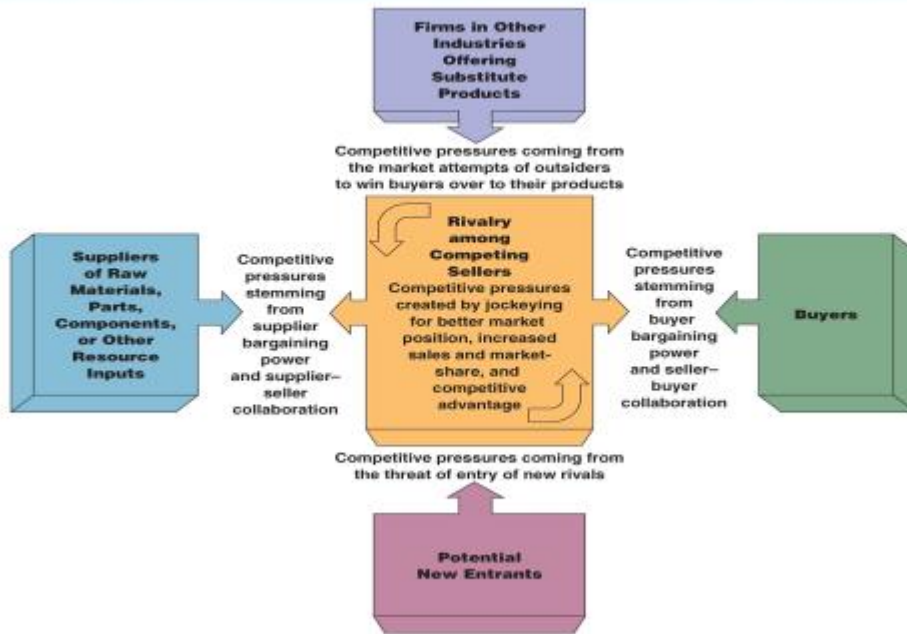


Fig. 2.4: Factors Affecting Strength of Threat of Entry

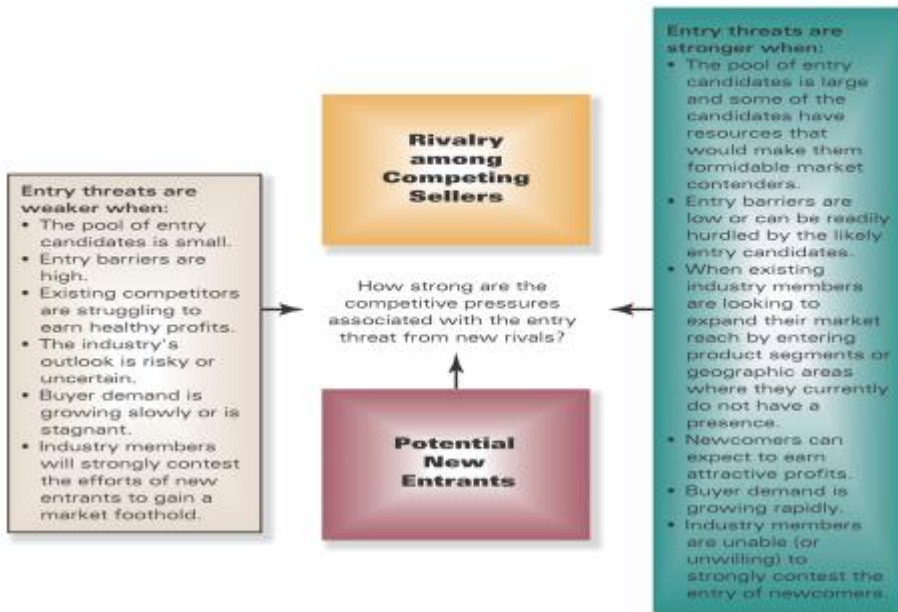


Fig. 2.5: Factors Affecting the Bargaining Power of Suppliers



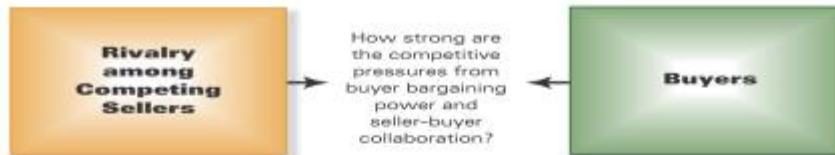
Supplier bargaining power is stronger when:

- Industry members incur high costs in switching their purchases to alternative suppliers.
- Needed inputs are in short supply (which gives suppliers more leverage in setting prices).
- A supplier has a differentiated input that enhances the quality or performance of sellers' products or is a valuable or critical part of sellers' production process.
- There are only a few suppliers of a particular input.
- Some suppliers threaten to integrate forward into the business of industry members and perhaps become a powerful rival.

Supplier bargaining power is weaker when:

- The item being supplied is a commodity that is readily available from many suppliers at the going market price.
- Seller switching costs to alternative suppliers are low.
- Good substitute inputs exist or new ones emerge.
- There is a surge in the availability of supplies (thus greatly weakening supplier pricing power).
- Industry members account for a big fraction of suppliers' total sales and continued high volume purchases are important to the well-being of suppliers.
- Industry members are a threat to integrate backward into the business of suppliers and to self-manufacture their own requirements.
- Seller collaboration or partnering with selected suppliers provides attractive win-win opportunities.

Fig. 2.6: Factors Affecting Bargaining Power of Buyers



Buyer bargaining power is stronger when:

- Buyer switching costs to competing brands or substitute products are low.
- Buyers are large and can demand concessions when purchasing large quantities.
- Large-volume purchases by buyers are important to sellers.
- Buyer demand is weak or declining.
- There are only a few buyers—so that each one's business is important to sellers.
- Identity of buyer adds prestige to the seller's list of customers.
- Quantity and quality of information available to buyers improves.
- Buyers have the ability to postpone purchases until later if they do not like the present deals being offered by sellers.
- Some buyers are a threat to integrate backward into the business of sellers and become an important competitor.

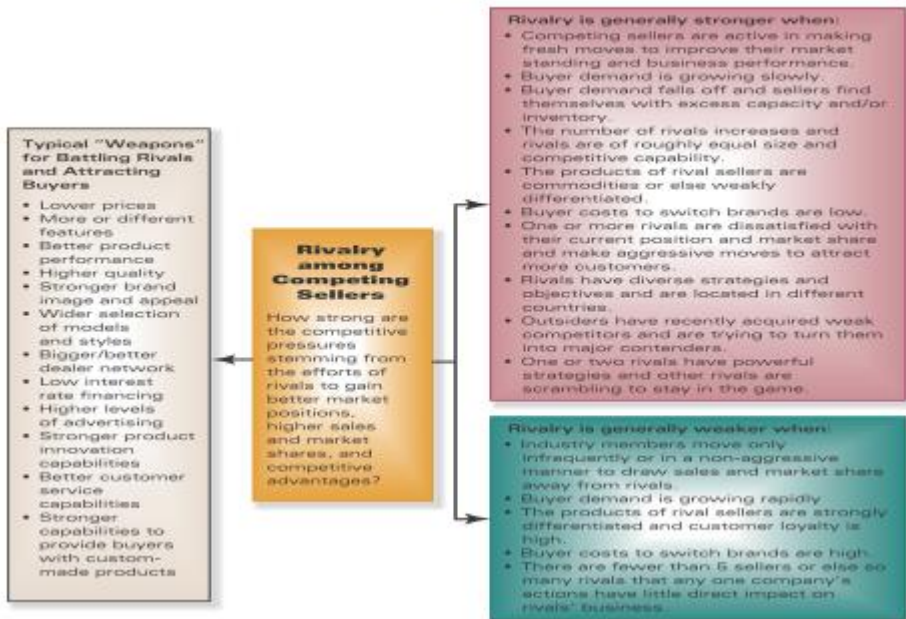
Buyer bargaining power is weaker when:

- Buyers purchase the item infrequently or in small quantities.
- Buyer switching costs to competing brands are high.
- There is a surge in buyer demand that creates a "sellers' market."
- A seller's brand reputation is important to a buyer.
- A particular seller's product delivers quality or performance that is very important to buyer and that is not matched in other brands.
- Buyer collaboration or partnering with selected sellers provides attractive win-win opportunities.

Fig. 2.7: Factors Affecting Competition From Substitute Products



Fig. 2.8: Weapons for Competing and Factors Affecting Strength of Rivalry



3 (a) Write few sources of Key Success Factors of an organization.

Ans.

[03] CO2 L1

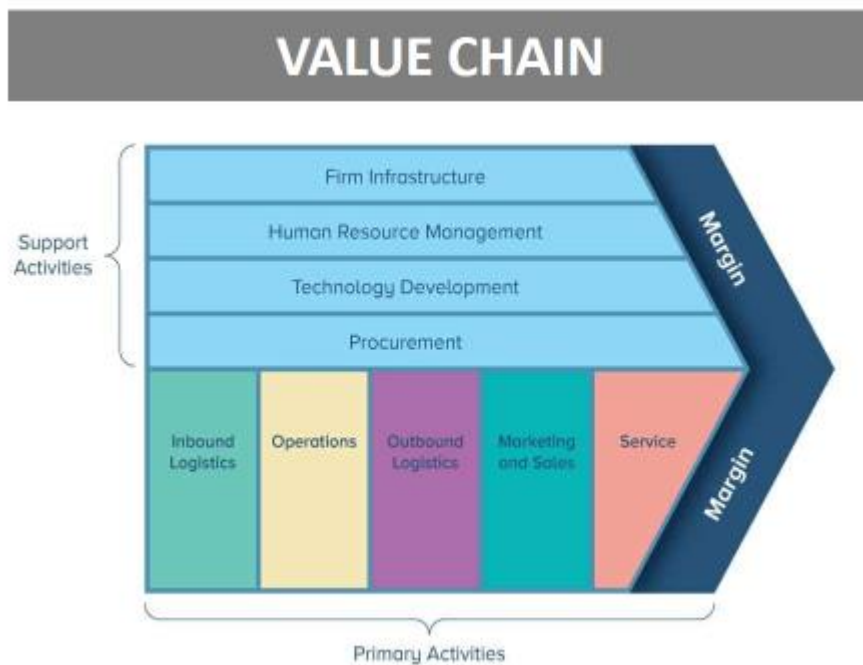
table 3.3 Common Types of Industry Key Success Factors (KSFs)

Technology-related KSFs	<ul style="list-style-type: none"> ● 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	<ul style="list-style-type: none"> ● 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	<ul style="list-style-type: none"> ● 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	<ul style="list-style-type: none"> ● 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	<ul style="list-style-type: none"> ● 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	<ul style="list-style-type: none"> ● 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

(b) Explain the value chain analysis with an example.

[07] CO3 L2

Ans.



THE CONCEPT OF A COMPANY VALUE CHAIN

The value chain:

- Identifies the inner workings of the firm's customer value proposition and business model
- Permits a deep look at the firm's **cost structure** and its ability to profitably **offer low prices**
- Reveals the emphasis that a firm places on activities that enhance differentiation and support higher prices

(c) Explain the relevant driving forces for any industries.
Ans.

[10] CO2 L2

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.

Part B - Compulsory (01*10=10marks)

4. On 15 September 2008 investment bank giant filed for bankruptcy sending shock waves across the world markets that were already reeling from shocks in the wake of global economic meltdown. With more book assets and lesser book debts, Lehman's bankruptcy filing was the largest in the banking history their assets far surpassed those of previous bankrupt giants such as World com and Enron, at the time of collapse with more than 25000 employees worldwide. Lehman's demise also made it the largest victim of the US subprime mortgage induced financial crisis that swept through global financial markets in the world. Record revenues from Lehman's real estate business enabled revenues in the capital market unit to

[10] CO2 L5

Cognitive level	KEYWORDS
L1	list, define, tell, describe, recite, recall, identify, show, label, tabulate, quote, name, who, when, where, etc.
L2	describe, explain, paraphrase, restate, associate, contrast, summarize, differentiate interpret, discuss
L3	calculate, predict, apply, solve, illustrate, use, demonstrate, determine, model, experiment, show, examine, modify
L4	classify, outline, break down, categorize, analyze, diagram, illustrate, infer, select
L5	grade, test, measure, defend, recommend, convince, select, judge, support, conclude, argue, justify, compare, summarize, evaluate
L6	design, formulate, build, invent, create, compose, generate, derive, modify, develop, integrate

PO1–Theoretical Knowledge; PO2–Effective Communication Skills; PO3–Leadership Qualities; PO4 –Sustained Research Orientation; PO5 –Self-Sustaining Entrepreneurship

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