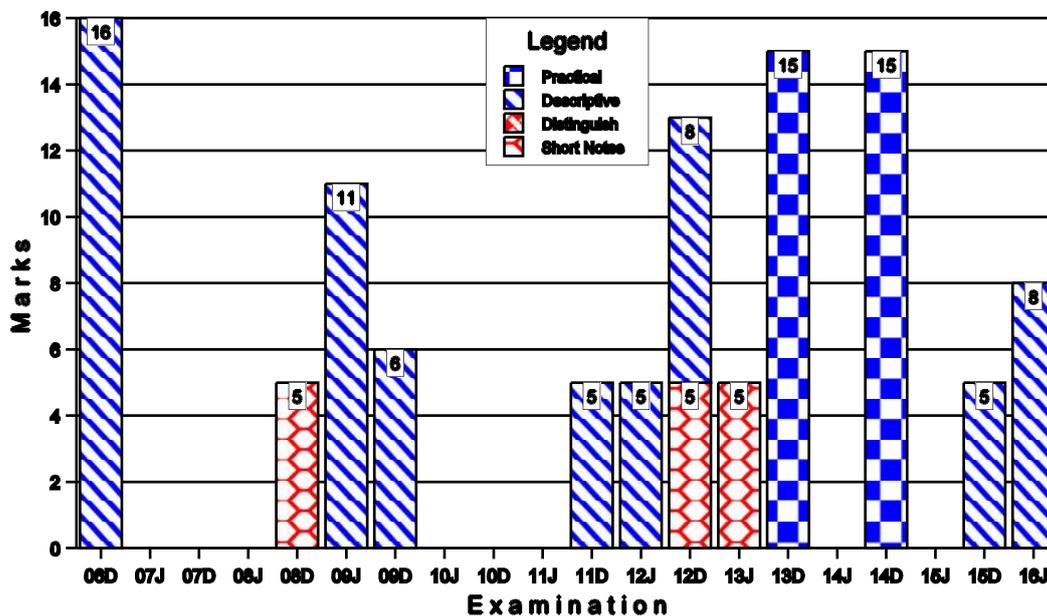


1

Business Strategy

This Chapter Includes : Nature of Business Strategy; Vocabulary of Strategy; Levels of Strategy; Strategic Decision; Strategic Management; Strategic Position; Choice of Strategy; Strategy into Action; Strategy Implementation

Marks of Short Notes, Distinguish Between, Descriptive & Practical Questions



SHORT NOTES

2008 - Dec [5] Write short note on the following:

(a) Strategic Management Process;

(5 marks)

Answer :

The strategic management process is important to set up the company's mission, goals and procedures. Typically created by the owner or top

management in a company, the strategic management plan offers direction and guidance to the employees, sets up measurable goals and time lines and designates duties of all personnel. Marketing and sales projections are included in the strategic plan as well as plans to review the achievements of each department. Strategic Management is a process, which leads to the formulation of Strategy/ Set of Strategies & managing thru Organizational System for the achievement of Vision, Mission Goals and Objectives.

Company Vision / Mission

1. Company Vision is What a Company Wishes to become or aspire to be.

2. Company Mission is what the Company is and why it exists.

Vision/ Core Ideology; Core Values; Core Purpose Mission; Envisioned Future; Audacious Goals; Vivid Description. Core Ideology: Is the unchanging part of organization. It is the character of an organization, this would not change for a longer time even it were disadvantageous. Core Values: What it believes in. Core Purpose **Mission**: Existence of Organization and that goes far behind. Envisioned Future: Are the goals to be reached. It is classified into:

Audacious Goals: These are the goals that the company would like to achieve. They are tough and needs extraordinary commitment and effort.

Vivid Description: These Goals are put into words that evoke a picture of what it would be like to achieve the Audacious Goals.

SWOT Analysis: External & Internal Analysis:

1. The External Environment is made up of all the Factors, Conditions & influences outside the organizations.

2. It gives rise to opportunities which can be exploited or it may give rise to threats which can weaken / cause problem to the organization.

STRENGTHS/WEAKNESS/CORE COMPETENCIES

Strengths: It's always in relation to the environment. It's an unborn capacity, which needs to fulfill two conditions.

1. Requirement for success.

2. It gives the Strategic Advantage.

It has strengths more than the competitor; it could gain more than the Competitor. E.g. Superior research where new products & Innovations are required

Weakness: It's something required for success is missing/inherent inadequacy. It gives strategic disadvantage to the Organization. E.g. Over dependence on a single product line in a mature market.

Core Competencies: Is developed over a period of time, using these competencies exceeding well, it develops a fine art of Competition with its rules. This capacity of exerting turns them to core competencies.

General Strategic Alternatives / Evaluate & Select : It means that there is a proper evaluation and exerting a choice from various alternative available resources in such a way it may lead to the achievement of company's objective.

Implement / Feedback/ Control : Implementation is the responsibility of CEO. He is responsible from implementation to review of Strategic Management.

2012 - Dec [3] (e) Write a brief note on 'Sensitivity Analysis'. (5 marks)

Answer:

The "Sensitivity Analysis (SA)" is the study of how the uncertainty in the output of a model (numerical or otherwise) can be apportioned to different sources of uncertainty in the model input. A related practice is uncertainty analysis which focuses on quantifying uncertainty in model output.

Ideally, uncertainty and sensitivity analysis should be run in tandem. In more general terms uncertainty and sensitivity analysis investigate the robustness of a study when the study includes some form of statistical modeling. Sensitivity analysis can be useful to computer modelers for a range of purposes including:

- (i) Support decision making or the development of recommendations for decision makers (e.g. testing the robustness of a result);
- (ii) Enhancing communication from modelers to decision makers (e.g. by making recommendations more credible, understandable, compelling or persuasive);
- (iii) Increase understanding or quantification of the system (e.g. understanding relationships between input and output variables); and
- (iv) Model development (e.g. searching for errors in the model).

Example; in any budgeting process there are always variables that are uncertain, like future tax rates, interest rates, inflation rates, headcount, operating expenses and other variables may not be known with great precision. SA answers the question, "if these variables deviate from

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expectations, what will the effect be (on the business, model, system or whatever is being analysed)".

2013 - June [4] Write short note on the following:

(c) Strategic Business Unit (SBU) (5 marks)

Answer:

A multi-business enterprise groups related business units from the strategic planning stand point. Each such grouped business unit will have its own mission, objectives, competition and strategy and is evaluated for its profit performance. Such a business is called a Strategic Business Unit (SBU).

SBU purposes grouping. There is no need for any grouping in a single product business entity. There is no effective use.

DESCRIPTIVE QUESTIONS

2006 - Dec [12] Discuss the relationship between Mission and Vision statement. What can be the sources of conflicts between them?

(10 + 6 = 16 marks)

Answer :

Mission and vision both relate to an organization's purpose and are typically communicated in some written form. Mission and vision are statements from the organization that answer questions about who we are, what do we value and where we're going.

Moreover, firms with clearly communicated, widely understood, and collectively shared mission and vision have been shown to perform better than those without them, with the caveat that they related to effectiveness only when strategy and goals and objectives were aligned with them as well. A mission statement communicates the organization's reason for being and how it aims to serve its key stakeholders. Customers, employees and investors are the stakeholders most often emphasized, but other stakeholders like government or communities (i.e., in the form of social or environmental impact) can also be discussed. Mission statements are often longer than vision statements. Sometimes mission statements also include a summation of the firm's values. Values are the beliefs of an individual or group and in this case the organization, in which they are emotionally invested.

A vision statement, in contrast, is a future-oriented declaration of the

organization's purpose and aspirations. In many ways, you can say that the mission statement lays out the organization's "purpose for being", and the vision statement then says, "based on that purpose, this is what we want to become". The strategy should flow directly from the vision, since the strategy is intended to achieve the vision and thus satisfy the organization's mission.

To reiterate, mission statements are longer than vision statements, often because they convey the organization's core values. Mission statements answer the questions of "Who are we?" and "What does our organization value?" Vision statements typically take the form of relatively brief, future-oriented statements-vision statements answer the question "Where is this organization going?" Increasingly, organizations also add a value statement which either reaffirms or states outright the organization's values that might not be evident in the mission or vision statements.

2009 - June [1] {C} (c) Define the following terms (in not more than two sentences):

(iii) Balanced Scorecard, (2 marks)

Answer :

Balanced scorecard is a system that measures and evaluates the progress of an organization towards strategic objectives incorporating financial indicators as well as three other perspectives namely customer, internal business and learning/innovation.

2009 - June [2] (a) Define a Mission Statement of an organisation. What are its contents? Identify the steps for developing the mission statement for an organisation. (2 + 3 + 4 = 9 marks)

Answer :

Mission statement:

- (a) An enduring statement of purpose.
- (b) Distinguishes one firm from another in the same business.
- (c) A declaration of a firm's reason for existence.

Mission is the purpose of or a reason for organization existence. Mission is a well convincing statement that includes fundamental and unique purpose which makes it different from other organization. It identifies scope of its operation in terms of product offered and market served. Mission also means what we are and what we do. A survey in North America and in Europeans corporation reveal that 60% to 75% have written or formal and remaining has no written or formal mission.

Components and corresponding questions that a mission statement should answer are given here.

- (a) **Customer:** Who are the firm's customers?
- (b) **Products or services:** What are the firm's major products or services?
- (c) **Markets:** Geographically, where does the firm compete?
- (d) **Technology:** Is the firm technologically current?
- (e) **Concern for survival, growth and profitability:** Is the firm committed to growth and financial soundness?
- (f) **Philosophy:** What are the basic beliefs, values, aspirations and ethical priorities of the firm?
- (g) **Self-concept:** What is the firm's distinctive competence or major competitive advantage?
- (h) **Concern for public image:** Is the firm responsive to social, community and environmental concerns?
- (i) **Concern for employees:** Are employees a valuable asset of the firm?

The Process of Developing a Mission Statement :

A clear mission is needed before alternative strategies can be formulated and implemented. Mission is important to have as broad a range of participation as possible among managers in developing the mission. As indicated in the strategic-management model, a clear mission statement is needed before alternative strategies can be formulated and implemented. It is important to involve as many managers as possible in the process of developing a mission statement, because through involvement, people become committed to an organization. A widely used approach to developing a mission statement is first to select several articles about mission statements and ask all managers to read these as background information. Then ask managers themselves to prepare a mission statement for the organization. A facilitator or committee of top managers, then should merge these statements into a single document and distribute this draft mission statement to all managers. A request for modifications, additions, and deletions is needed next, along with a meeting to revise the document. To the extent that all managers have input into and support the final mission statement document, organizations can more easily obtain managers' support for other strategy formulation, implementation, and evaluation activities. Thus the process of developing a mission statement represents a great opportunity for strategists to obtain needed support from all managers in the firm. During

the process of developing a mission statement, some organizations use discussion groups of managers to develop and modify the mission statement. Some organizations hire an outside consultant or facilitator to manage the process and help draft the language. Sometimes an outside person with expertise in developing mission statements and unbiased views can manage the process more effectively than an internal group or committee of managers. Decisions on how best to communicate the mission to all managers, employees and external constituencies of an organization are needed when the document is in final form. Some organizations even develop a videotape to explain the mission statement and how it was developed.

2009 - Dec [2] (a) Discuss the importance of Strategy Implementation. What are the key steps involved in Strategy Implementation? (6 marks)

Answer :

Implementation of strategy is the process through which a chosen strategy is put into action. It involves the design and management of systems to achieve the best integration of people, structure, processes and resources in achieving organizational objectives. Once the creative and analytical aspects of strategy formulation have been settled, the managerial priority is one of converting the strategy into operationally effective action. Indeed a strategy is never complete, even as formulation until it gains a commitment of the organization's resources and becomes embodied in organizational activities. Therefore, to bring the result, the strategy should be put to action because the choice of even the soundest strategy will not affect organizational activities and achievement of its objectives. Therefore, effective implementation of strategy is a must for the organization. Implementation of strategy can be defined as Judging from this definition; it can be observed that the scope of managerial activities associated with strategy implementation is virtually coexistence with the entire management process. This is because the entire management process is geared up according to the needs of the strategy.

2011 - Dec [2] (a) Discuss in brief the elements of a meaningful mission statement of a corporate organization. (5 marks)

Answer :

The major elements of an effective corporate mission statement are :

- (a) The mission statement should be succinct and easy to understand so that the values, purposes and goals of the organization are clear to everybody in the organization and will serve as a guide to them.

- (b) A mission statement should be appropriate to the organization in terms of its history, culture and shared values.
- (c) A mission statement may become obsolete after some time. As such it should be reviewed and updated on a regular basis taking into consideration the changes in environmental and organizational factors.
- (d) A mission statement should be capable of inspiring and encouraging commitment towards fulfilling the mission.
- (e) A mission statement should continually guide and inspire and be challenged in the pursuit of the mission of the organization, ever achieving the ultimate goal.

2012 - June [4] Answer the following in brief:

- (d) How a firm's vision and mission help to achieve organisation's goal?
(5 marks)

Answer:

The firm's vision is a picture of what it wants to be and what it wants to ultimately achieve. The firm's mission is based on its vision. It specifies the business in which the firm intends to compete and the customers it intends to serve. The value of having a vision and mission is that they inform stakeholders what the firm is, what it seeks to accomplish and who it seeks to serve? A successful vision is inspirational. The mission is more concrete and guides employees' behaviour as they achieve the firm's vision. Research shows that an effectively formed vision and mission positively impacts firm performance in terms of growth in sales, profits, employment and net worth.

2012 - Dec [2] (a) What is the value to the firm of having a specified vision and mission?
(4 marks)

Answer:

The firm's vision is a picture of what it wants to be and what it wants to ultimately achieve. The firm's mission is based on its vision. It specifies the businesses in which the firm intends to complete and the customer it intends to serve. The value of having a vision and mission is that they inform stakeholders what the firm is, what it seeks to accomplish and who it seeks to serve. A successful vision is inspirational. The mission is more concrete and guides employees' behaviour as they achieve the firm's vision. Research shows that an effectively formed vision and mission

positively impacts firm's performance in terms of growth in sales, profits, employment and net worth.

Developing a vision, mission, objectives and goals is the most important step of strategic management. Vision provides a roadmap to company's future and specify about company's intention and capabilities to adapt a new technology, while the corporate mission highlights the organizational self-concept and indicates the nature of product or service to be offered or rendered for fulfilment of requirements of the customers as also for the community and society as a whole.

2012 - Dec [3] (c) Your research shows that over 53% of all purchases are made on impulse. You advise your packaging design team that the package must communicate many of the sales tasks. List the sales tasks that packaging must now incorporate. (4 marks)

Answer:

Packaging may be defined as the general group of activities in the planning of a product. These activities concentrate on formulating a design of the package and producing an appropriate and attractive container or wrapper for a product. The tasks of packaging are:

- (i) Attract attention;
- (ii) Describe the product's features;
- (iii) Create consumer confidence; and
- (iv) Make a favourable overall impression.

2015 - Dec [3] (a) There are increasing number of Indian companies implementing the SMART methodology for goal setting. State in brief the different meanings of goals in SMART. (5 marks)

Answer:

The goals should be described accomplishments, not activities.

- (i) **Specific:** Goal objectives should address the five Ws like who, what, when, where and why.
- (ii) **Measurable:** Goal objectives should include numeric or descriptive measures that define quantity, quality, cost etc.
- (iii) **Achievable or Attainable:** Goal objectives should be within the staff member's control and influence. A goal may be a 'stretch' but still 'feasible'.
- (iv) **Relevant or Realistic:** Goal should be instrumental to the mission of the department and ultimately, the institution.

Two considerations: Why is the goal setting is so important?

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How will the goal setting help the department achieve its objectives?

- (v) **Time-bound or Timely:** Goal setting objectives should identify a definite target date for completion and/or frequencies for specific action steps that are important for achieving the goal.

2016 - June [1] {C} (a) State three operative levels of strategy in corporate management structure. How they help the management? (8 marks)

PRACTICAL QUESTIONS

2013 - Dec [1] {C} (a) Fastfix is a small company operating in a single city. Its business is repairing laptops. It has earned a good name for its fair charges and speedy delivery. For the next five years, the environment offers the following information:

Many school students are being given laptops by the school themselves and this trend is likely to continue for another five years. College students and coaching centres provide new laptops to all the students during the admission. The fees are inclusive of these costs.

Tablets are first replacing laptops in certain market segments and models are changing every six months. If there are major repairs, richer people discard the products and go in for new products or newer versions. However, there are rural markets and certain parts of urban markets which will still be interested in the low-cost repaired and re-sold products. Considering the above case of Fastfix it will limit its operations to only one city. You are required to give:

- (i) A vision statement;
- (ii) A mission statement;
- (iii) Does SWOT analysis exist?
- (iv) Some parameters that could be used in such the above situation relating to the financial and growth perspectives in a Balance Score Card (BSC). (2 + 2 + 2 + 2 = 8 marks)

(b) A case of Business Intelligence in Aviation—The entire matrix of India's aviation industry has challenged ever since no-frills airlines made air travel affordable for the country's growing middle class. Given that Low Cost Carriers (LCC) are the future air travel in India, LCC are practically non-existent in now-a-days. What is the reason behind such sorry state of affairs among airlines? The answer lies in 'pricing'. Experts say that Indian LCC have not been able to price their tickets right and at one point even brought their fares close to

that of Full Service Carriers (FSC).

According to global standards, the average cost per passenger for LCCs should be \$35 lower than that of FSCs. But this is contingent on better utilization of aircraft through faster turnarounds i.e., the time taken between landing and the next flight.

This is where technology initiatives such as Corporate Performance Management using Business Intelligence (BI) tools can come very handy.

- (i) What is 'Business Intelligence'?
- (ii) How to create a 'Business Intelligence Strategy' in aviation industry?
- (iii) How 'Business Intelligence' can enhance the overall decision-making process in Low Cost Airlines Carriers.

(2 + 2 + 3 = 7 marks)

Answer :

- (a)(i) **Vision Statement:** Our Company intends to provide the best quality of repairs to laptops in the fastest possible time anywhere in the city with the most reasonable charges to customers.
- (ii) **Mission Statement:** We deliver at customers' doorstep their fully functional laptops with minimum down times for customers while ensuring:
 - (a) Timely delivery as promised;
 - (b) Reasonable charges;
 - (c) Good quality of services;
 - (d) Replacement of parts by genuine parts based on genuine needs;
 - (e) Pick up of faulty laptops; and
 - (f) Offer stand by laptops as per customer requests.
- (iii) **SWOT Analysis:**
 - (a) **Strengths:** Access to standard parts that normally fail in laptops, network of trained employees who have thorough job knowledge, available loyal customers, less time in delivery and perfect commitment.
 - (b) **Weakness:** Going beyond the scope of faults recognised by the customers, often leading to cost over runs while preventing future repairs calls.
 - (c) **Opportunities:** Branches may be opened in schools/colleges/big coaching centres. Business can be extended to sale of reworked computers in ready and going markets, preventing maintenance services, annual maintenance

contracts, upgrades and compatibility addition with new peripherals, etc.

- (d) **Threats:** Unless tablet markets also are created to, there is a threat to long term survival. Threats from one stop shops for repairing all types of mobiles/computers/laptop/tablets/iphones/smart phones, etc. Threats of obsolescence resulting in non-availability of spares.
- (iv) **Balance Score Cards (BSC):**
- (a) **Financial perspective:** Revenue from repairs, average job order cost, total spares purchases, delivery costs, (revenue per jobless variable cost per job) as a % of revenue per job, debtors management (target nil), etc.
- (b) **Learning/innovation/growth perspectives:** Number of employees trained, number of new products repaired, number of new spares used, machinery used for cleaning/servicing, new logistics management, service call tracking, repair status on-line tracking, etc.

Answer:

- (b)(i) **The term Business Intelligence (BI)** represents the tools and systems that play a key role in the strategic planning process of the corporation. These systems allow a company to gather, store, access and analyse corporate data to aid in decision making. Generally these systems will illustrate BI in the areas of customer profiling, customer support, market research, market segmentation, product profitability, statistical analysis and inventory & distribution analysis to name a few.
- (ii) BI can help here on two counts by utilising the data held within the organisation, trusting that it is reasonably clean and accurate:
- (a) Establishing Early Warning Systems and Detection of Trends;
- (b) Finding Relevant Patterns and Insights.
- So a BI strategy needs to:
- (a) be aligned to support the business strategy and goals;
- (b) provide the information the business needs to be an effective job;
- (c) make best and cost effective use of the BI technology and best practices available in terms of implementation speed and development.
- (iii) The BI tools can serve to provide self-service querying and reporting facilities, dashboards and the like to analyse the

performance of the airlines in depth and enhance the overall decision making process in the organisation. BI can help capture information such as:

- Average landing per day in each serviced location;
- Average flight duration between any two destinations;
- Average seat capacity utilization during different times of the day;
- Average delay in take-off or landing; and
- Average turnaround time of aircraft.

2014 - Dec [4] From peak sales of over 27,000 units in the January-March 2012 quarter to under 4,000 in the three months to December 2013, Tata Motors' Nano hasn't quite lived up to the hype and expectations built up since its launch in mid-2009. To combat with the situation now it launched Nano Twist, a 'smart city car' costing just under ₹ 2.36 lakhs.

Answer the following questions:

- (a) What is strategic decision? What are its characteristics?
- (b) Strategic decisions are complex in nature-explain.
- (c) Explain how this strategic decision will help Tata Motors to repositioning themselves in the market. (1 + 7 + 5 + 2 = 15 marks)

Answer:

- (a)** Strategic decisions are the decisions that are concerned with whole environment in which the firm operates the entire resources and the people who form the company and the interface between the two.

The characteristics of strategic decision are as follows:

- (i) Strategic decisions are likely to affect the long-term direction of an organisation.
- (ii) Strategic decisions are normally about trying to achieve some advantage for the organisation.
- (iii) Strategic decisions are likely to be concerned with the scope of an organization's activities: Does (and should) the organisation concentrates on one area of activity or does it have many? The issue of scope of activity is fundamental to strategic decisions because it concerns the way in which those responsible for managing the organisation conceive its boundaries. It is to do with what they want the organisation to be like and to be about.
- (iv) Strategy is to do with the matching of the activities of an

organisation to the environment in which it operates.

- (v) Strategy can also be seen as 'stretching' an organization's resources and competencies to create opportunities or capitalize on them. It is not just about countering environmental threats and taking advantage of environmental opportunities; it is also about matching organizational resources to these threats and opportunities. There would be little point in trying to take advantage of some new opportunity if the resources needed were not available or could not be made available or if the strategy was rooted in an inadequate resource-base.
 - (vi) Strategic decisions therefore often have major resource implications for an organisation. In the 1980s a number of UK retail firms had attempted to develop overseas with little success and one of the major reasons was that they had underestimated the extent to which their resource commitments would rise and how the need to control them would take on quite different proportions. Strategies, then, need to be considered not only in terms of the extent to which the existing resource-base of the organisation is suited to the environmental opportunities but also in terms of the extent to which resources can be obtained and controlled to develop a strategy for the future.
 - (vii) Strategic decisions are therefore likely to affect operational decisions.
 - (viii) The strategy of an organisation will be affected not only by environmental forces and resource availability, but also by the values and expectations of those who have power in and around the organisation. In some respects, strategy can be thought of as a reflection of the attitudes and beliefs of those who have the most influence on the organisation. Whether a company is expansionist or more concerned with consolidation, and where the boundaries are drawn for a company's activities, may say much about the values and attitudes of those who influence strategy -- the stakeholders of the organisation. The beliefs and values of these stakeholders will have a more or less direct influence on the organisation.
- (b) Strategy is the direction and scope of an organisation over the long term, which achieves advantage for the organisation through its

configuration of resources within a changing environment, to meet the needs of markets and fulfill stakeholder expectations.

Strategic decisions are, then, often complex in nature: it can be argued that what distinguishes strategic management from other aspects of management in an organisation is just this complexity.

The complexity arises for at least three reasons.

1. Strategic decisions usually involve a high degree of uncertainty: they may involve taking decisions on the basis of views about the future which is impossible for managers to be sure about.
2. Strategic decisions are likely to demand an integrated approach to managing the organisation. Unlike functional problems, there is no one area of expertise or one perspective that can define or resolve the problems.

Managers, therefore, have to cross functional and operational boundaries to deal with strategic problems and come to agreements with other managers who, inevitably, have different interests and perhaps different priorities. This problem of integration exists in all management tasks but is particularly problematic for strategic decisions.

3. As has been noted above, strategic decisions are likely to involve major change in organizations. Not only is it problematic to decide upon and plan those changes, it is even more problematic actually to implement them. Strategic management is therefore distinguished by a higher order of complexity than operational tasks.
- (c) Tata developed the Nano car world's cheapest car. Tata want to provides car to all common man but unfortunately that didn't go down with buyers too well. From the start, Tata Nano car faced trouble in factory establishment and many other issues. But now Tata comes out stronger on other side and ready to offer Nano automatic transmission.

With the new Nano Twist and the Nano-Max a few months back, Nano portfolio stands true to its brand essence: of a youthful, exciting car offering great value but, at the same time, builds in a different set of features to suit differing customer needs.

Focus on youth: The attempt over the past years has been to attract youngsters. To build a youthful and aspirational value around the brand, Tata Motors through its 'awesomeness' branding and marketing campaign launched Nano Twist. The makeover campaign

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is an attempt to get youngsters to look at the Nano as a fashion accessory. The company promises more on-ground activities and showcases at colleges to woo the youth.

Fresh positioning: From a people's car and the world's cheapest, the Nano is now positioned as the smart city car for young achievers. While the perception of a cheap car has still not gone away, the profile of the consumer has tremendously improved - along with the features in the car. Based on market research, Tata Motors has segmented potential customers into first-time buyers, those looking for a replacement or an additional car and others who want more features and performance. Near-term plans include a variant with automated transmission to strengthen the smart city car positioning. With all the significant product changes, it is a really easy-to drive car, great to maneuver, with a distinct individuality and color and offering what no car can in this price range - a great style, entertainment and music, industry-leading power steering and more. The repositioning will make the product cater to a larger number of customer segments.

Table Showing Marks of Compulsory Questions										
Year	11 D	12 J	12 D	13 J	13 D	14 J	14 D	15 J	15 D	16 J
Descriptive										8
Practical					15					
Total					15					8