.:"":.SUBJECTIVE Mid Term MGT 603 .:"":.

Solved by

Anam Aslam, Fariha Maqbool

Question No: 29 (Marks: 3)
Planning function is mostly carried out by managers in strategy formulation stage. What activities are performed under this function?
Strategic formulation means a strategy formulate to execute the business activities. Strategy formulation Includes developing:-
1-Vision and Mission Statement (target of the organization)
2-Stregnths and Weaknesses.(Internal factors.)
3-Opportunities and Threats.(External factors)
Strategy formulation is concerned with setting long term goals and objectives, generating strategies to achieve those goals.
Strategy formulation is also concerned with setting **long term goals and objectives**, generating alternative strategies to achieve that long term goals and choosing particular strategy to pursue. Page #3&4
Question No: 30 (Marks: 3)
What should be the characteristics of a firm that is successfully pursuing a Cost Leadership Strategy? Enlist any six of them.
Answer:
Six characteristics of successfully pursuing cost leadership strategy firm:
1-Limited perks.
2-High efficiency.
3- Low overhead.
4-Wide spans of control.
5-Intensive screening of budget.
6-Employees participation in cost control efforts**.page#86**

Question No: 31 (Marks: 5)
List down and explain five steps that comprise an effective framework for conducting an IFE Matrix.
Steps involved in the development of IFE Matrix:

1-List any internal factors identified in the internal audit. Only ten to twenty factors will be enough including strengths and weakness. Use percentage, ratios and comparative numbers.
2-Assign weights to each factor ranging from 0 to 1.The rates assigned indicate the relative importance of each factor to being successful. Sum of all weights must be equal to 1.
3-Assign 1-4 rating to each factor to see whether the factor represents major weakness (rate=1) or minor weakness (rate=2), minor strength (rate =3) or major strength (rate=4).
4- Multiply each factor's weights to its ratings to determine its weighted score.
5-Sum the weighted score of each variable page#47

Question No: 29 (Marks: 3)

What activities are performed in strategy evaluation stage under controlling function of management?

Controlling function of management includes all those activities undertaken to ensure that actual operations conform to planned operations. Controlling function of management is particularly important for effective strategy evaluation. Controlling function of management has the following activities in strategy evaluation.

1. Establishing performance standards
2. Measuring individual and organizational performance
3. Taking corrective actions
4. Comparing actual performance to planned performance standards page#59

Question No: 30 (Marks: 3)

In your opinion, what can be the circumstances when a Low Cost Producer in an industry brings effectiveness?

Low-cost producer in an industry can be especially effective when the market is Composed of many price-sensitive buyers, when there are few ways to achieve product differentiation, when buyers do not care much about differences from brand to brand, or when there are a large number of buyers with significant bargaining power The basic idea is to under price competitors and thereby gains market share and sales, driving some competitors out of the market entirely. Page#86

Question No: 31 (Marks: 5)

What are the major stakeholders that affect pricing decisions?

Following are the five major stakeholders which affect pricing decisions.

1. Governments
2. Suppliers
3. Distributors
4. Consumers
5. Competitors page#62

Question No: 32 (Marks: 5)

Mergers or acquisitions are the methods by which two companies combine to form a larger company. What can be the reasons for achieving mergers or acquisitions?

- ✓ The 1st reason for acquisition and merger to combine is that they believe that synergy exist and by joining both of us can achieve something more than we can get individually.
- ✓ Acquisition and merger join to spread its risks and exploit new markets.
- ✓ The idea is that the larger firm resulting from the merger can produce more cheaply than the previously separate firms.
- ✓ firms may derive tax advantages from a merger or acquisition
- ✓ Gain new technology
- ✓ Gain economies of scale
- ✓ Improve capacity utilization

Question No: 32 (Marks: 5)

Give at least two examples of multinational or local firms that are operating in Pakistan and have initiated backward integration. Justify your answer?

Explain concentric diversification strategy with the help of two examples of local or multinational firms operating in Pakistan?

1. **List down and explain five steps that comprise an effective framework for conducting an EFE Matrix.**

Five-Step process:

- ✓ **List key external factors** (10-20)

 Opportunities & threats

You have to prepare a list of all external factors which will affect the EFE matrix. These factors should be
two points to be kept in mind these are opportunities and threats.

- ✓ **Assign weight to each** (0 to 1.0)

Sum of all weights = 1.0

Now you have to arrange them according to their weight age that which factor is most important. It should
be weight age in % ages. The sum of the total of all the factors should always be one.

- ✓ **Assign 1-4 rating to each factor**

• Firm's current strategies response to the factor: how well firms response to these factors.

- ✓ **Multiply each factor's weight by its rating**

• Produces a weighted score

How the firm will respond to these factors external factors. Such criteria are known as rating.

- ✓ **Sum the weighted scores for each**

Determines the total weighted score for the organization.
• Highest possible weighted score for the organization is 4.0; the lowest, 1.0. Average = 2.5
PAGE#44

Q_1) what is average collection period? (3 marks)

The approximate amount of time that it takes for a business to receive payments owed, in terms of receivables, from its customers and clients.

Calculated as:

$$\text{Average Collection Period} = \frac{\text{Days x AR}}{\text{Credit Sales}}$$

Where:
Days = Total amount of days in period
AR = Average amount of accounts receivables
Credit Sales = Total amount of net credit sales during period
http://www.investopedia.com/terms/a/average_collection_period.asp

Q_2) Suppose according to the EFE matrix, the weighted score of a certain company is 2.10. How that company will interpret this score in terms of its external factors? (3 marks)
see page#44 to 45

Q_3) joint ventures are Lon lasting the relationship of the firms, why the joint ventures fails give the reasons? (5 marks)

Following are the reasons of failure of joint venture.

Cultural Differences

Cultural and ideological differences top the list. In evaluating joint venture partners, most companies don't perform a proper compatibility and integration analysis

Poor Leadership

Poor or unclear leaders are another top reason of joint venture failure. Too often, joint venture partners insist on sharing a project leadership role. When the parties disagree, a standoff occurs.

Insufficient Planning

Insufficient planning is also one of the most prevalent reasons for failed joint ventures. Too often, a joint venture "plan" consists of nothing more than a statement of each party's intended contributions to the project and their respective share of the profits.

Other Failure Reasons

Other reasons of joint venture failure include poor commitment; disagreement over operating policies, strategies, and tactics; and differences in the approach towards management style and systems http://www.1000ventures.com/business_guide/jv_failure_reasons.html

Q_4) what are intensive strategies, explain each with relevant example? (5 marks

Intensive Strategies

Market penetration, market development, and product development are sometimes referred to as *Intensive strategies* because they require intensive efforts to improve a firm's competitive position with existing products.

Market Penetration

A *market-penetration* strategy seeks to increase market share for present products or services in present markets through greater marketing efforts. Market penetration includes increasing the number of salespersons, increasing advertising expenditures, offering extensive sales promotion items, or increasing publicity efforts

Market development involves introducing present products or services into new geographic areas. The climate for international market development is becoming more favorable. In many industries, such as airlines, it is going to be hard to maintain a competitive edge by staying close to home

Product Development

Product development is a strategy that seeks increased sales by improving or modifying present products or services. Product development usually entails large research and development expenditures. The U.S. Postal Service now offers stamps and postage via the Internet, which represents a product development strategy. Page#89

Question No: 29 (Marks: 3)

Explain test marketing and its significance for an organization.

Answer: Test markets allow an organization to test alternative marketing plans and to forecast future sales of new products. In conducting a test market project, an organization must decide how many cities to include, which cities to include, how long to run the test, what information to collect during the test, and what action to take after the test has been completed. Test marketing is used more frequently by consumer goods companies than by industrial goods companies. Test marketing can allow an organization to avoid substantial losses by revealing weak products and ineffective marketing approaches before large-scale production begins.page#61

Question No: 30 (Marks: 3)

Vertical integration is the degree to which the firm owns its upstream and its downstream buyers. What can be the possible benefits if the firm goes for vertical integration?

Answer: Benefits of vertical integration:

Allow a firm to gain control over:

- ✓ Distributors (forward integration)
- ✓ Suppliers (backward integration)

- ✓ Competitors (horizontal integration) page#81

What is the significance of Research and Development for an organization?

Answer:

Research and Development: The fifth major area of internal operations that should be examined for specific strengths and weaknesses is research and development (R&D). Many firms today conduct no R&D, and yet many other companies depend on successful R&D activities for survival. Firms pursuing a product development strategy especially need to have a strong R&D orientation.

The purpose of research and development are as follows:

- ✓ Development of new products before competition
- ✓ Improving product quality
- ✓ Improving manufacturing processes to reduce costs page#71

Question No: 31 (Marks: 5)

What are the five forces of Porter's Five Forces Model?

Porter's Five- Forces Model
The central point lays the stress on rivalry of the competing firm. This relates to the intensity of the rivalry. How the firms compete with each other and to what extent? That should be taken into account very carefully. Potential entry for new competitors shows a balance between different firms competing in a market. It also refers whenever a new partner enter into a market he may become threat for one and opportunity for other competing partners. As all the new entries and existing firms are competing with each other so the new entry will definitely make an effect on every one transacting in the market. A potential development of substitute products also develops an environment of competition in the market among the competing partners. As all firms want to compete in term of quality and substitute will lasts for longer in the market if the quality of the substitute will be greater than the existing alternate. Other factors also have a major impact on the substitutes. Collective bargaining power of suppliers and consumers: if vendors are less in the market and the organizations that have to purchase from those vendors are more then the demand for those suppliers will be more as the firms have to purchase from that less suppliers. The reverse is the case if suppliers are more and buyers are less. Then the demand for those suppliers will be less. Such circumstances create difficulties in bargaining.
These above five components constitute the basics elements for the competitive analysis. Page#43

Question No: 32 (Marks: 5)

Explain Merger and Acquisition with the help of examples (examples should be related to a multinational or local company operating in Pakistan)?

When we use the term "merger", we are referring to the merging of two companies where one new company will continue to exist. The term "acquisition" refers to the acquisition of assets by one company from another company. In an acquisition, both companies may continue to exist. **example** main polka and walls or milk pack and nestle

Question No: 31 (Marks: 5)

What are the two basic types of R & D that can take place in an organization?

Types of research and development

Basic research:
Basic research is experimental or theoretical work undertaken primarily to acquire new knowledge of the underlying foundation of phenomena and observable facts, without any particular application or use in view.

Applied research:
Applied research is also original investigation undertaken in order to acquire new knowledge. It is, however, directed primarily towards a specific practical aim or objective.

Experimental development:
Experimental development is systematic work, drawing on existing knowledge gained from research and/or practical experience, that is directed to producing new materials, products or devices, installing new processes, systems and services, or improving substantially those already produced or installed.

http://www.nifustep.no/English/Pages/STATISTICS/R_and_D_Statistics/About%20R%20and%20D%20Statistics/TypesofR_D.aspx?ItemId=1910&ListId=8252dfaf-6056-4ccc-b6e1-7806d4dc4878

Question No: 31 (Marks: 5)

Mr. Mansoor is a finance manager of a firm. He is asked to prepare a financial ratio analysis. What can be the possible limitations of his analysis?

Financial ratio analysis is not without some limitations. First of all, financial ratios are based on accounting data, and firms differ in their treatment of such items as depreciation, inventory valuation, research and development expenditures, pension plan costs, mergers, and taxes. Also, seasonal factors can influence comparative ratios. Therefore, conformity to industry composite ratios does not establish with certainty that a firm is performing normally or that it is well managed. Likewise, departures from industry averages do not always indicate that a firm is doing especially well or badly. Page#67

Question No: 41 (Marks: 5)

A good mission statement should include "Customer orientation", what does it mean? Explain it with the help of simple examples.

Customer orientation definition: customer orientation is a set of activities undertaken by a company for the purpose of supporting beliefs in sales that allow considering customer needs and satisfaction as the major priorities of the company. Read the **customer orientation template** to find out how to undertake and maintain **customer oriented processes** in your organization.

Example:

This is the way AT&T's mission statement focuses on communication rather than telephones and ONGC's mission statement focuses on energy rather than oil and gas page#24

Question No: 42 (Marks: 5)

What are strengths and weaknesses of an organization? Explain with the help of examples.

The *strengths* and *weaknesses* internal to the organization we can define as:

Strengths: characteristics of the business or team that give it an advantage over others in the industry. **Examples**: As far as organizations go, strengths can include a known brand name and reputation, good quality service or products, a strong management team, and a strong sales staff. An individual can have strengths with a good word-of-mouth reputation and strong experience in an area of knowledge.

Weaknesses: are characteristics that place the firm at a disadvantage relative to others.

EXAMPLES.

* Poor quality goods or services.
* Damaged reputation.
* Undifferentiated products or services (i.e. in relation to your competitors).

Question No: 41 (Marks: 5)

Critically analyze this statement, "Internal audit provides more opportunity **for participants to understand how their jobs, departments, and divisions fit into the whole organization than the external audit".**

an internal audit provides more opportunity for participants to understand how their jobs, departments, and divisions fit into the whole organization. This is a great benefit because managers and employees perform better when they understand how their work affects other areas and activities of the firm. For example, when marketing and manufacturing managers jointly discuss issues related to internal strengths and weaknesses, they gain a better appreciation of issues, problems, concerns, and needs in all the functional areas. PAGE#50

Question No: 42 (Marks: 5)

What are strategies? Discuss their significance for an organization.

Definitions :

- ❖ Strategy refers to a plan of action designed to achieve a particular goal.
- ❖ Alternative chosen to make happen a desired future, such as achievement of a goal or solution to a problem.

significance for an organization:

- ✓ Strategy is more important than ever, particularly for organizations that want to differentiate themselves from others.
- ✓ The core aspects of strategies are to sustain a competitive advantage on other organizations
- ✓ Managers are at all time should be involved in implementing the set strategies.

- ✓ Strategic implementation entails the transformation of an organization strategies plan into action and ultimately into a result
- ✓ It increase its capacity to compete on the basis of its intellectual competencies

Question No: 41 (Marks: 5)

If CPM matrix reveals total weighted score of

_ A is 2.50

_ B is 1.50

_ C is 3.24

From above given data, how would you interpret the total weighted score of each firm and compare firm B with firm A and firm C.

B is the weakest firm as compared to A and c (for more detail see page#46)

Question No: 42 __ (Marks: 5)

Staffing is one of the functions of managers. Enlist and describe any five basic activities to be performed under the faction of staffing?

Staffing activities are centered on personnel or human resource management. Included are wage and salary administration, employee benefits, interviewing, hiring, firing, training, management development, employee safety, affirmative action, equal employment opportunity, union relations, career development, personnel research, discipline policies, grievance procedures, and public relations page#53

Question No: 41 (Marks: 5)

"Strategists today must possess skills to deal more legalistically and politically than Previous strategists". Elaborate this statement?

Strategists today must possess skills to deal more legalistically and politically than previous strategists, whose attention was directed more too economic and technical affairs of the firm. Strategists today are spending more time anticipating and influencing public policy actions. They spend more time meeting with government officials, attending hearings and government-sponsored conferences, giving public speeches, and meeting with trade groups, industry associations, and government agency directors. Before entering or expanding international operations, strategists need a good understanding of the political and decision-makings processes in countries where their firm may conduct business. For example, republics that made up the former Soviet Union differ greatly in wealth, resources, language, and lifestyle. Page#36

Question No: 42 (Marks: 5)

Explain any two intensive strategies with examples?

Product Development:

Developing and modifying new products and offering to the existing market is called product development strategy

Example: Google develop a new browser Chrome for the existing internet user

Market development:

Developing a new market for the existing company product is called market development strategy. It Involves introducing present products or services into new geographic areas.

EXAMPLE: Pakistan state oil (PSO) developing new market by exporting oil to Afghanistan Page#90

MGT603 - Strategic Management Subjective Solved Papers For Final Term Exam Preparation

Question No: (Marks: 3)

Auditors who perform audit can be divided into three groups? Identify and define each of them.

Answer

Auditing is defined by the American Accounting Association (AAA) as "a systematic process of objectively obtaining and evaluating evidence regarding assertions about economic actions and events to ascertain the degree of correspondence between those assertions and established criteria, and communicating the results to interested users." People who perform audits can be divided into three **groups: independent auditors, government auditors, and internal auditors**.
Independent auditors basically are certified public accountants (CPAs) who provide their services to organizations for a fee; they examine the financial statements of an organization to determine whether
they have been prepared according to generally accepted accounting principles (GAAP) and whether they fairly represent the activities of the firm. Independent auditors use a set of standards called generally accepted auditing standards (GAAS). Public accounting firms often have a consulting arm that provides strategy-evaluation services.
Two government agencies—the General Accounting Office (GAO) and the Internal Revenue Service (IRS)—employ government auditors responsible for making sure that organizations comply with federal laws, statutes, and policies. GAO and IRS auditors can audit any public or private organization. The third group of auditors are employees within an organization who are responsible for safeguarding company assets, for assessing the efficiency of company operations, and for ensuring that generally accepted business procedures are practiced**.(Page156)**

Question No: (Marks: 5)

Positioning is actually the way that a product is introduced to its market audience. What are the five steps required for effective product positioning?

Answer

Thefollowingstepsarerequiredinproductpositioning:
1. Select key criteria that effectively differentiate products or services in the industry.
2. Diagram a two-dimensional product-positioning map with specified criteria on each axis.
3. Plot major competitors' products or services in the resultant four-quadrant matrix.
4. Identify areas in the positioning map where the company's products or services could be most
competitive in the given target market. Look for vacant areas (niches).

5. Develop a marketing plan to position the company's products or services appropriately.
Page 134

Question No: (Marks: 3) **page (126)**

What is the significance of Production department in an organization?

Answer

Production department plays a crucial role for implementing organization strategy. Production-concerned decisions on plant location, plant size, , product design, choice of equipment, size of inventory, inventory control, quality control, cost control, use of standards, shipping and packaging, and technological innovation, job specialization, employee training, equipment and resource utilization. All these factors place an important impact on success and failure of the strategy.

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Question No: (Marks: 3)

Discuss the activities that can help an organization to reduce cost.

Answer

Organizations invest in R&D because they believe that such investment will lead to superior product or

Services and give them competitive advantages. Research and development expenditures are directed at developing new products before competitors do, improving product quality, or improving
Manufacturing processes to reduce costs.

1. Development of new products before competition
2. Improving product quality
3. Improving manufacturing processes to reduce costs

Question No: (Marks: 5)

QSPM requires intuitive judgments and educated assumptions. Discuss. Page 110 to 11

Answer

(Quantitative Strategic Planning Matrix)
QSPM. Strategists should use good intuitive judgment in
selecting strategies to include in a QSPM.
The last stage of strategy formulation is decision stage. In this stage it is decided that which way is most appropriate or which alternative strategy should be select. This stage contains QSPM that is only tool for objective evaluation of alternative strategies. A quantitative method used to collect data and prepare a matrix for strategic planning. It is based on identified internal and external crucial success factors.
That is only technique designed to determine the relative attractiveness of feasible alternative action. This technique objectively indicates which alternative strategies are best.
The QSPM uses input from
Stage 1 analyses and matching results from Stage 2 analyses to decide objectively among alternative strategies. That is, the EFE Matrix, IFE Matrix, and Competitive Profile Matrix that make up Stage 1, coupled with the TOWS Matrix, SPACE Analysis, BCG Matrix, IE Matrix, and Grand Strategy Matrix that make up Stage 2, provide the needed information for setting up the QSPM (Stage 3). **(page 110)**

Question No: (Marks: 5)

Finance or accounting plays an important role in successful strategy implementation process. You are required to give some of the examples of finance/accounting decisions that may require policies.(page no 135)

Answer
Some examples of
decisions that may require finance/accounting policies are:
1. To raise the amount of capital by issuing shares or obtaining a debt from external parties.

2. To enhance the inventory turn over level
3. To make or buy fixed assets.

4. To extend the time of accounts receivable.
5. To establish a certain percentage discount on accounts within a specified period of time.
6. To determine the amount of cash that should be kept on hand
7. To determine an appropriate dividend payout ratio.
8. To use LIFO, FIFO
.

Question No: (Marks: 5)
Explain the benefits and limitations of developing a Boston Consulting Group Matrix. (Page 104)
Answer
The Boston Matrix thus offers a very useful 'map' of the organization's product (or service) strengths and weaknesses (at least in terms of current profitability) as well as the likely cash flows.
The need which prompted this idea was, indeed, that of managing cash-flow. It was reasoned that one of the main indicators of cash generation was relative market share, and one which pointed to cash usage was that of market growth rate.
Limitations
1. Viewing every business as a star, cash cow, dog, or question mark is overly simplistic.
2. Many businesses fall right in the middle of the BCG matrix and thus are not easily classified.
3. The BCG matrix does not reflect whether or not various divisions or their industries are growing over time.
4. Other variables besides relative market share position and industry growth rate in sales are important in making strategic decisions about various divisions.

Why vision and mission are different. Are both necessary for organizations? page 18
Answer

Some organization developed both mission statement and vision statement. Mission statement explains the current and present position and activities of a firm whereas mission statement explains the future objective and goals of the company.
The extent of manager and employee involvement in developing vision and mission statements can make a difference in business success. Each division should involve its own managers and employees in developing a vision and mission statement consistent with and supportive of the corporative mission.

MISSION V/S VISION
1. Many organizations develop both vision and mission statements
2. Profit and vision are necessary to effectively motivate a workforce
3. Shared vision creates a commonality of interest

Question No: (Marks: 3)

What do you understand by the term Product and what can be the possible considerations that you will take into account while making decisions regarding a product or service?

Answer

Product Decisions

The term "product" refers to tangible, physical products as well as services. Here are some examples of the product decisions to be made:

- Quality
- Safety
- Packaging
- Brand name
- Functionality
- Styling

Question No: (Marks: 5)

What is dual bonus system. Elaborate with the help of examples

Answer

A dual bonus system based on both annual objectives and long-term objectives is becoming common. The percentage of a manager's annual bonus attributable to short-term versus long-term results should vary by hierarchical level in the organization. A chief executive officer's annual bonus could, for example, be determined on a 75 percent short-term and 25 percent long-term basis. It is important that bonuses not be based solely on short-term results because such a system ignores long-term company strategies and objectives.

Question No: (Marks: 5)

Discuss similarities and dissimilarities of restructuring and reengineering.

Answer

Restructuring and reengineering are becoming commonplace on the corporate landscape across the United States and Europe. Restructuring—also called downsizing, rightsizing, or delivering involves reducing the size of the firm in terms of number of employees, number of divisions or units, and number of hierarchical levels in the firm's organizational structure. This reduction in size is intended to improve both efficiency and effectiveness. Restructuring is concerned primarily with shareholder well-being rather than employee well-being.
In contrast, reengineering is concerned more with employee and customer well-being than shareholder well-being. Reengineering—also called process management, process innovation, or

process redesign—involves reconfiguring or redesigning work, jobs, and processes for the

purpose of improving cost, quality, service, and speed. Reengineering does not usually affect the organizational structure or chart, nor does it
imply job loss or employee layoffs. Whereas restructuring is concerned with eliminating or establishing, shrinking or enlarging, and moving organizational departments and divisions, the focus of reengineering is changing the way work is actually carried out.
Reengineering is characterized by many tactical (short-term, business function-specific) decisions, whereas restructuring is characterized by strategic (long-term, affecting all business functions) decisions. **(page 120)**
:

Question no. (Marks 3)

What is the stock ownership of employees?
Answer
Stock ownership plan (ESOP), are Corporations owned in whole or in part by their employees. Employees are usually given a share of the corporation after a certain length of employment or they can buy shares at any time. A corporation owned
Entirely by its employees (a worker cooperative) will not, therefore, have its shares sold on public stock markets. Employee-owned corporations often adopt profit sharing where the profits of the corporation are shared with the employees. These types of corporations also often have boards of directors elected directly by the employees.
Page 128

Question no. (Marks 3)

What is the four ways of Divisional structure? Explain them?
Answer
The divisional structures are
1. A divisional structure by geographic area
2. The divisional structure by product
3. Divisional structure by customer
4. A divisional structure by process

Question no. (Marks 3)
Define contingency plans?
Answer

Contingency plans can be defined as alternative plans that can
be put into effect if certain key events do not occur as expected. Only high-priority areas require the insurance of contingency plans. Strategists cannot and should not try to cover all bases by planning for all possible contingencies. But in any case, contingency plans should be as simple as possible.

Somecontingencyplanscommonlyestablishedbyfirmsincludethefollowing:

1. If a major competitor withdraws from particular markets as intelligence reports indicate, what

actions should our firm take?
2. If our sales objectives are not reached, what actions should our firm take to avoid profit losses?
3. If demand for our new product exceeds plans, what actions should our firm take to meet the higher demand?
4. If certain disasters occur—such as loss of computer capabilities; a hostile takeover attempt; loss of patent protection; or destruction of manufacturing facilities because of earthquakes, tornados, or hurricanes—what actions should our firm take?
5. If a new technological advancement makes our new product obsolete sooner than expected, what actions should our firm take?

Question no. (Marks 3)
What are the best strategy The firm falling in Quadrant IV of Grand Strategy Matrix?
Answer

Qurdant-4 contains that company's strong competitive situation and slow market growth. Finally, Quadrant IV businesses have a strong competitive position but are in a slow-growth Industry. These firms have the strength to launch diversified programs into more promising growth areas. Quadrant IV firms have characteristically high cash flow levels and limited internal growth needs and often can pursue concentric, horizontal, or conglomerate diversification successfully. Quadrant IV firms also may pursue joint ventures

Quardrant-4
Concentric diversification
Horizontal diversification
Conglomerate diversification
Joint ventures

Question no. (Marks 3)
What is marketing mix? Name the factor components of marketing mix.
Answer

The term "marketing mix" became popularized after Neil H. Borden published his 1964 article, *The Concept of the Marketing Mix*. Borden began using the term in his teaching in the late 1940's after James Culliton had described the marketing manager as a "mixer of ingredients". The ingredients in Borden's marketing mix included product planning, pricing, branding, distribution channels, personal selling, advertising, Promotions, packaging, display, servicing, physical handling, and fact finding and analysis. E. Jerome McCarthy later grouped these ingredients into the four categories that today are known as the 4 P's of marketing

MarketingMix
Marketing decisions generally fall into the following four controllable categories:
• Product
• Price
• Place (distribution)

• Promotion

Question no. (Marks 3)
What is the stock ownership of employees?
Answer

The responsibilities for human resource managers may include establishing and Administering an employee stock ownership plan (ESOP), are corporations owned in whole or in part by their employees. Employees are usually given a share of the corporation after a certain length of employment or they can buy shares at any time. A corporation owned entirely by its employees (a worker cooperative) will not, therefore, have its shares sold on public stock markets. Employee-owned corporations often adopt profit sharing where the profits of the corporation are shared with the employees. These types of corporations also often have boards of directors elected directly by the employees.

Question no. (Marks 5)
Identify any five questions arises while developing a revised EFE matrix for, Reviewing the underlying bases of an organization's strategy.
Answer
While developing a revised EFE matrix for, Reviewing the underlying bases of an organization's strategy response to key opportunities and threats. This analysis could also address such questions as the following:

- Why are some competitors' strategies more successful than others?
- How far can our major competitors be pushed before retaliating
- How could we more effectively cooperate with our competitors?

- How have competitors reacted to our strategies?
- How have competitors' strategies changed?
- Have major competitors' strengths and weaknesses changed
- Why are competitors making certain strategic changes?

Question no. (Marks 5)
What is the role of financial ratios in internal audit?
Answer

Financial Ratio Analysis:
Financial ratio analysis exemplifies the complexity of relationships among the functional areas of business. A declining return on investment or profit margin ratio could be the result of ineffective marketing, poor management policies, research and development errors, or a weak computer information system. The effectiveness of strategy formulation, implementation, and evaluation activities hinges upon a clear understanding of how major business functions affect one another. For strategies to succeed, a coordinated effort among all the functional areas of business is needed.

Question no. (Marks 3)
What is marketing mix? Name the factor components of marketing mix.

Answer

The term "marketing mix" became popularized after Neil H. Borden published his 1964 article, *The Concept of the Marketing Mix*. Borden began using the term in his teaching in the late 1940's after James Culliton had described the marketing manager as a "mixer of ingredients". The ingredients in Borden's marketing mix included product planning, pricing, branding, distribution channels, personal selling, advertising, Promotions, packaging, display, servicing, physical handling, and fact finding and analysis. E. Jerome McCarthy later grouped these ingredients into the four categories that today are known as the 4 P's of marketing

MarketingMix

Marketing decisions generally fall into the following four controllable categories:

- Product
- Price
- Place (distribution)
- Promotion

Question no. (Marks 5)

Seymour Tilles acknowledged six qualitative questions that are practical in evaluating strategies. You are required to identify any five of them.

Answer

Seymour Tilles identified six qualitative questions that are useful in evaluating strategies:

- Does the strategy have an appropriate time framework?
- is the strategy workable
- is the strategy internally consistent?
- Is the strategy consistent with the environment?
- Is the strategy appropriate in view of available resources?
- Does the strategy involve an acceptable degree of risk?

Question no. (Marks 3) page 97

What is a corporate-level objective? Write two statements exemplifying these objectives.

Answer

Strategists themselves, not analytic tools, are always responsible and accountable for strategic decisions. Lenz emphasized that the shift from a words-oriented to a numbers-oriented planning process can give rise to a false sense of certainty; it can reduce dialogue, discussion, and argument as a means to explore understandings, test assumptions and foster organizational learning. Strategists, therefore, must be wary of this possibility and use analytical tools to facilitate, rather than diminish, communication. Without objective

Information and analysis, personal biases, politics, emotions, personalities, and *halo error* (the tendency to put too much weight on a single factor) unfortunately may play a dominant role in the strategy-formulation process

Question no. 62 (Marks 5)
What is the SMART criterion in annual objectives?
Answer

The SMART criteria
Achievable
The objective should be realistic given the circumstances in which it is set and
The resources available to the business.

Relevant
Objectives should be relevant to the people responsible for achieving them
TimeBound
Objectives should be set with a time-frame in mind. These deadlines also need
To be realistic

Specific
The objective should state exactly what is to be achieved.
Measurable
An objective should be capable of measurement so that it is possible to
Determine whether (or how far) it has been achieved

Question no. (Marks 3)
What is a corporate-level objective?
Answer

Corporate level
These are objectives that concern the business or organization as a whole
Examples of "corporate objectives might include:
• We aim for a return on investment of at least 15%
• We aim to increase earnings per share by at least 10% every year for the foreseeable future

MGT603 - Strategic Management Solved Mcq and Subjective Lecture Wise For Final Term Exam Preparation

1. Question Formulation framework is considered to be the input stage of comprehensive strategy formulation framework u r required identifying strategy formulation tool in this stage?

Answer page 97

Stage-1 (Formulation Framework)

1. **External factor evaluation**
2. **Competitive matrix profile**
3. **Internal factor evaluation**

Stage 1of the formulation framework consists of the EFE Matrix, the IFE Matrix, and the Competitive
Profile Matrix. Called the Input Stage, Stage 1 summarizes the basic input information needed to formulate strategies.

2. Question Describe three stages of strategy formulation?

Answer page 97

A Comprehensive Strategy-Formulation Framework

Important strategy-formulation techniques can be integrated into a three-stage decision-making framework, as shown below. The tools presented in this framework are applicable to all sizes and types of organizations and can help strategists identify, evaluate, and select strategies. Stage-
1 (Formulation Framework)

1. **External factor evaluation**
2. **Competitive matrix profile**
3. **Internal factor evaluation**

Stage-2 (Matching stage)

1. **TWOS Matrix (Threats-Opportunities-Weaknesses-Strengths)**
2. **SPACE Matrix (Strategic Position and Action Evaluation)**
3. **BCG Matrix (Boston Consulting Group)**
4. **IE Matrix (Internal and external)**
5. **GS Matrix (Grand Strategy)**

Stage-3 (Decision stage)

1. **QSPM (Quantitative Strategic Planning Matrix)**

3. What are opportunities and threats? Explain briefly with the help of two examples of each Strengths are attributes of the organization that are helpful to the achievement of the objective.

Answer page 98

Opportunities are external conditions that are helpful to the achievement of the objective.

Threats are external conditions that are harmful to the achievement of the

objective.

Opportunities and threats are external factors.
For example, an opportunity could be a developing distribution channel such as the Internet, or changing consumer lifestyles that potentially increase demand for a company's products. A threat could be a new competitor in an important existing market or a technological change that makes existing products potentially obsolete. It is worth pointing out that SWOT analysis can be very subjective - two people rarely come-up with the same version of a SWOT analysis even when given the same information about the same business and its environment. Accordingly, SWOT analysis is best used as a guide and not a prescription. Adding and weighting criteria to each factor increases the validity of the analysis.

4. Question list down steps involved in constructing a TOWS Matrix:
Answer page 99
There are eight steps involved in constructing a TOWS Matrix:
1. Rank external opportunities
2. Rank external threats
3. Rank internal strength
4. Rank internal weaknesses.
5. Match internal strengths with external opportunities and mention the result in the SO Strategies cell.
6. Match internal weaknesses with external opportunities and mention the result in the WO Strategies cell..
7. Match internal strengths with external threats and mention the result in the ST Strategies cell.
8. Match internal weaknesses with external threats and mention the result in the WT strategies cell.

MCQ's
1. Which stage of the "Strategy Formulation Framework" includes an External Factor Evaluation Matrix and a Competitive Profile Matrix?
- ► Matching
- ► Decision
- ► Input page 97
- ► All of the given options

Formulation framework consists of the EFE Matrix, the IFE Matrix, and the Competitive Profile Matrix Called the Input Stage.

2. Input stage of strategy formulation framework includes developing which of the following set of matrices?
- ► IFE, EFE and QSPM matrix
- ► IFE, IE and BCG matrix
- ►IFE, CPM and EFE matrix page 97
- ► EFE, IE and CPM matrix

Input Stage: Stage 1 of the formulation framework consists of the EFE Matrix, the

IFE Matrix, and the Competitive Profile Matrix.

3. Matching stage of strategy formulation framework comprises of formulation of which of the following set of matrices?

► BCG, SPACE, QSPM matrix
► BCG, SPACE, TWOS Matrix PAGE 97
► SPACE, TWOS and IFE matrix
► BCG, SPACE, EFE Matrix

4. Which of the following stages of Strategy Formulation Framework involves development of Internal-Factor Evaluation Matrix?

►Input stage page 97
►Output stage
►Matching stage
►Decision stage

5. Which of the following stages of strategy formulation framework involves development of Internal External Matrix?

► Input stage
►Output stage
►Matching stage pg97
►Decision stage

Matching stage

TWOS Matrix (Threats-Opportunities-Weaknesses-Strengths) 2. SPACE Matrix (Strategic Position and Action Evaluation) 3. BCG Matrix (Boston Consulting Group)4. IE Matrix (Internal and external) 5. GS Matrix (Grand Strategy)

Lecture #25

1. Strategic position and the action evaluation of space matrix

Answer page 100

The Strategic Position and Action Evaluation (SPACE) Matrix is another important Stage 2 matching tool of formulation framework. It explains that what is our strategic position and what possible action can be taken. It is not closed matrix. It is prepared on graph. This follow counter clock wise direction. It contains four-quadrant named aggressive, conservative, defensive, or competitive strategies. The axes of the SPACE

Matrix represent two internal dimensions financial strength [FS] and competitive advantage [CA]) and two external dimensions (environmental stability [ES] and industry strength [IS]). These four factors are the most important determinants of an organization's overall strategic position.

2. Name and explain dimensions of space matrix

Answer page 100

It is divided into two internal and external dimensions which are as follow (Internal dimensions) financial strength, competitive advantage, (External dimensions)

environment stability and industry strength. This sequence is convention to be followed as graphed above. This frame work determines appropriate set of

strategies for each quadrant. First quadrant is aggressive the firm fall in this quadrant that fellow the aggressive strategy. Second quadrant is conservative all those firms that fall n this quadrant that must fallow conservative strategy and in next the firm fellow the defensive strategy. All the firms fall on competitive follow that strategy. After a rating is assigned ranging from +1 (worst) to +6 (best) to each of the variables that make up the financial strength and industry strength dimensions. Assign a numerical value ranging from -1 (best) to -6 (worst) to each of the variables that make up the environment stability and Competitive advantage dimensions.

MCQ's

1. What type of strategies would you recommend WHen a firm's SPACE Matrix directional vector has the coordinates (-4, -4)?

- ► Aggressive
- ► Conservative
- ► Competitive
- ► Defensive pag#100

2. Identify a case when a firm should adopt aggressive strategies.

►If a firm's directional vector is located in upper-right quadrant of a SPACE Matrix page 100
►If a firm's directional vector is located in upper-left quadrant of a SPACE matrix
►If a firm's directional vector is located in lower-right quadrant of a SPACE matrix
►If a firm's directional vector is located in lower-left quadrant of a SPACE matrix

3. SPACE matrix has four quadrants. All of the following are SPACE Matrix Quadrants EXCEPT:

► Aggressive
► Defensive
► Competitive
► Offensive page 100
SPACE matrix
Contains four-quadrant named aggressive, conservative, defensive, or competitive strategies

5. What type of strategies would you recommend when a firm's SPACE Matrix directional vector has the coordinates (+2, +3)?

► Aggressive page 100
► Conservative
► Competitive
► Defensive

Lecture #26

1. Assume that u want to determine internal external position of your company through SPACE matrix what factors or the variables will you consider under each of the following?
Answer page #101
Internal Strategic Position
A. Financial Strength (FS)
Risk involved in business
Debt to equity ratio
Working capital condition
Leverage
Liquidity
Ease of exit from market
Cash flow statement
Return on investment
b. Competitive Advantage (CA)
Access to the market
Market share
Quality of product and services
Product life cycle
Customer loyalty
Capacity, location and layout
Technological know-how
Backward and forward integration

External Strategic Position
C .Environmental Stability (ES)
Impact of technology
Price elasticity of demand
Political situation
Demand variability
Price range of competing products
Rate of inflation
Competitive pressure
D .Industry Strength (IS)
Demand and supply factors
Resource utilization
Growth potential
Profit potential
Financial stability
Technological know-how
Productivity, capacity utilization
Capital intensity
Ease of entry into market

2. List down step for preparation SPACE matrix?

StepsforthepreparationofSPACEMatrix

Answerpage#102

The steps required to develop a SPACE Matrix are as follows:

1. Select a set of variables to relating to financial strength, competitive advantage, environmental stability, and industry strength.

2. Assign a numerical value ranging from +1 (worst) to +6 (best) to each of the variables that make up the financial strength and industry strength dimensions. Assign a numerical value ranging from -1 (best) to -6 (worst) to each of the variables that make up the environmental stability and competitive advantage dimensions.

3. Compute an average score and dividing by the number of variables

4. Plot the average scores in the SPACE Matrix.

5. Add the two scores on the x-axis and plot the resultant point on X. Add the two scores on the y-axis and plot the resultant point on Y. Plot the intersection of the new xy point.

6. Draw a directional vector from the origin of the SPACE Matrix through the new intersection point.

This vector reveals the type of strategies recommended for the organization: aggressive, competitive, defensive, or conservative.

1. Which of the following are the two internal dimensions represented on the axes of the SPACE Matrix?

► Environmental stability and industry strength
► Industry strength and competitive advantage
► Competitive advantage and financial strength PAGE101
►Financial strength and environmental stability

SPACE Matrix

SPACE Matrix represent two internal dimensions financial strength and competitive

2. All of the following would be considered while judging the financial strength ofan organization EXCEPT:

► Increase in revenues
► Market share page101
► Return on Investment
► Cash flow statement

3. Which of the following is not the step of preparation SPACE matrix?

> Select a set of variables to relating to financial strength, competitive advantage, environmental stability, and industry strength.

>Assign a numerical value ranging from +1 (worst) to +6 (best) to each of the variables that make up the financial strength and industry strength dimensions.

>.Compute an average score and dividing by the number of variables

> assign weights to variables according to their relative importance to the firm.page102

Lecture#27

1. Simplify these terms Cash Cows, Star, Dogs, and Question Mark using in BCG matrix

Answer page#103

The BCG matrix displays the various business units on the graph of market growth rate vs. market share relative to competitors

Dogs: Low market share, low market growth rate

Question mark: Small market share in a high growth market

Stars: High market share, high market growth rate

Cash cows: large market share in a slow, mature growing industry

2. Explain the benefits and limitations of developing a Boston Consulting Group Matrix. (Page 104)

Answer

The Boston Matrix thus offers a very useful 'map' of the organization's product (or service) strengths and weaknesses (at least in terms of current profitability) as well as the likely cash flows.

The need which prompted this idea was, indeed, that of managing cash-flow. It was reasoned that one of the main indicators of cash generation was relative market share, and one which pointed to cash usage was that of market growth rate.

Limitations

1. Viewing every business as a star, cash cow, dog, or question mark is overly simplistic.

2. Many businesses fall right in the middle of the BCG matrix and thus are not easily classified.

3. The BCG matrix does not reflect whether or not various divisions or their industries are growing over time.

4. Other variables besides relative market share position and industry growth rate in sales are important in making strategic decisions about various divisions.

MCQ's

1. BCG matrix is used in matching stage of strategy formulation framework. It plots the business units along which of the following dimensions?

► Market share and industry strength

► Market share and market growth rate

► Market growth rate and competitive position

► Market growth rate and environment stability

Handout Page#103

2. When a division of an organization has a high relative market share and is in a fast growing industry, it will be categorized as which type in BCG matrix?

► Star

► Cash cow

► Question mark

► Dog

Stars Units with a high market share in a fast-growing industry Page#103

Lecture #28 and 29

1. Analysis that your company located in the 2 quadrant in the grand strategy matrix what type strategies should be adopted and why?

Answer page 108 Quardrant-
2

Market development
Market penetration
Product development
Horizontal integration
Divestiture
Liquidation

Qurdant-2contains that company's having weak competitive situation and rapid market growth. Firms positioned in Quadrant II need to evaluate their present approach to the marketplace seriously.

Although their industry is growing, they are unable to compete effectively, and they need to determine why the firm's current approach is ineffectual and how the company can best change to improve its competitiveness. Because Quadrant II firms are in a rapid-market-growth industry, an intensive strategy
(As opposed to integrative or diversification) is usually the first option that should be considered.

2. List down Steps that must follow while preparing IE matrix?

Answer Steps for the development of IE matrix page106

1. Based on two key dimensions IFE and EFE.
2. Plot IFE total weighted scores on the x-axis and the EFE total weighted scores on the y axis
3. on the x-axis of the IE Matrix, an IFE total weighted score of 1.0 to 1.99 represents a weak internal position; a score of 2.0 to 2.99 is considered average; and a score of 3.0 to 4.0 is strong.
4. on the y-axis, an EFE total weighted score of 1.0 to 1.99is considered low; a score of 2.0 to 2.99 is medium; and a score of 3.0 to 4.0 is high.
5. IE Matrix divided into three major regions.

Grow and build – Cells I, II, or IV
Hold and maintain – Cells III, V, or VII
Harvest or divest – Cells VI, VIII, or IX

3. What is the best strategy the firm falling in Quadrant IV of Grand Strategy Matrix?

Answer page#108

Qurdant-4 contains that company's strong competitive situation and slow market growth.

Finally, Quadrant IV businesses have a strong competitive position but are in a slow growth Industry. These firms have the strength to launch diversified programs into more promising growth areas. Quadrant IV firms have characteristically high cash

flow levels and limited internal growth needs and often can pursue concentric,

horizontal, or conglomerate diversification successfully. Quadrant IV firms also may pursue joint ventures
Quardrant-4
Concentric diversification
Horizontal diversification
Conglomerate diversification
Joint ventures

MCQ's
1."The business has a strong competitive position but is in a slow-growth industry. Further, the business typically has high cash flow levels and limited internal growth needs." The statement refers which of the following?
►The firm falling in Quadrant I of Grand Strategy Matrix
►The firm falling in Quadrant II of Grand Strategy Matrix
►The firm falling in Quadrant III of Grand Strategy Matrix
►The firm falling in Quadrant IV of Grand Strategy Matrix
Page#108 Qurdant-4 contains that company's strong competitive situation and slow market growth Quadrant IV firms have characteristically high cash flow levels and limited internal growth needs and often can pursue concentric, horizontal, or conglomerate diversification successfully

2. In Grand strategy matrix what will be the appropriate quadrant for the Ahmad textiles if it is operating in slow growing market and holds weak competitive position?
► Quadrant I
► Quadrant II
► Quadrant III
► Quadrant IV
Qurdant-3 contains that company's weak competitive situation and slow market growth.Page#108

3. Firms located in which quadrant of the Grand Strategy Matrix are in an excellent strategic position?
►I
► II
► III
► IV
Firms located in Quadrant I of the Grand Strategy Matrix are in an excellent strategic position. Page#107

4. on the x-axis of IE Matrix, an IFE total weighted score of 3.75 depicts what?
►A weak internal position
►An average internal position
►A strong internal position

►**A low internal position**

Page#106 on the x-axis of the IE Matrix, an IFE total weighted score of 1.0 to 1.99 represents a weak internal position; a score of 2.0 to 2.99 is considered average; and a score of 3.0 to 4.0 is strong.

5. Which of the following stages of strategy formulation framework involves development of Internal External Matrix?
►Input stage
►Output stage
►Matching stage
►Decision stage
Page#105& 97

6. IE matrix is based on which dimensions?
► Market share and industry growth
►Financial strength and industry strength
► Weighed scores of IFE and EFE matrices
► Market growth and competitive position
It relate to internal (IFE) and external factor evaluation (EFE). The findings form internal and external position and weighted score plot on it. Page#105

Lecture #30

1. Describe limitations and advantages of QSPM?
Answer page #111
Limitations
1. Requires intuitive judgments and educated assumptions
2. Only as good as the prerequisite inputs
3. Only strategies within a given set are evaluated relative to each other
Advantages
1. Sets of strategies considered simultaneously or sequentially
2. Integration of pertinent external and internal factors in the decision making process

2. QSPM requires intuitive judgments and educated assumptions. Discuss. Page 110
Answer
(Quantitative Strategic Planning Matrix) QSPM. Strategists should use good intuitive judgment in selecting strategies to include in a QSPM.
The last stage of strategy formulation is decision stage. In this stage it is decided that which way is most appropriate or which alternative strategy should be select. This stage contains QSPM that is only tool for objective evaluation of alternative strategies. A quantitative method used to collect data and prepare a matrix for strategic planning. It is based on identified internal and external crucial success factors.
That is only technique designed to determine the relative attractiveness of feasible alternative action. This technique objectively indicates which alternative strategies

are best.
The QSPM uses input from

Stage 1 analysis and matching results from Stage 2 analyses to decide objectively among alternative strategies. That is, the EFE Matrix, IFE Matrix, and Competitive Profile Matrix that make up Stage 1, coupled with the TOWS Matrix, SPACE Analysis, BCG Matrix, IE Matrix, and Grand Strategy Matrix that make up Stage 2, provide the needed information for setting up the QSPM (Stage 3). (page 110)

MCQ'S

1. What can be the limitation of QSPM?

►Only a few strategies can be evaluated simultaneously
►The cost of doing the analysis is very high
►Intuitive judgments and educated assumption are required
►It requires equal participation of everyone in organization

Page#111
Limitations
1. Requires intuitive judgments and educated assumptions
2. Only as good as the prerequisite inputs
3. Only strategies within a given set are evaluated relative to each other

2. "Other than ranking strategies to achieve the prioritized list, only one analytical technique in strategy formulation which is designed to determine the relative attractiveness of feasible alternative actions" is known as:

►SPACE
►QSPM
►IFE
►CPM

That is only technique designed to determine the relative attractiveness of feasible alternative action.Page#110

3. Alternative strategy is decided in decision stage of Strategy-Formulation Framework.
Which matrix is used in this stage to serve this purpose?

► BCG Matrix
► SPACE Matrix
► IE Matrix
► QSPM Matrix

Page#110The Quantitative Strategic Planning Matrix (QSPM)
The last stage of strategy formulation is decision stage. In this stage it is decided that which way is most appropriate or which alternative strategy should be select. This stage contains QSPM that is only tool for objective evaluation of alternative strategies.

Lecture#31

1. What are functional-level objectives? Write two statements exemplifying these

objectives.
Answer page 113

Functional level
E.g. specific objectives for marketing activities
Examples of functional marketing objectives" might include:
• We aim to build customer database of at least 250,000 households within the next 12 months
• We aim to achieve a market share of 10%
• We aim to achieve 75% customer awareness of our brand in our target markets .

2. What are corporate-level objectives? Write two statements exemplifying these objectives.
Answer page 113
(1) Corporate level
These are objectives that concern the business or organization as a whole
Examples of "corporate objectives might include:
• We aim for a return on investment of at least 15%
• We aim to achieve an operating profit of over £10million on sales of at least £100 million
• We aim to increase earnings per share by at least10% every year for the foreseeable future
3. What are the SMART criteria in annual objectives?
Answer page113
The SMART criteria
Specific - the objective should state exactly what is to be achieved.
Measurable - an objective should be capable of measurement – so that it is possible to determine whether (or how far) it has been achieved
Achievable - the objective should be realistic given the circumstances in which it is set and the resources available to the business.
Relevant - objectives should be relevant to the people responsible for achieving them
Time Bound - objectives should be set with a time-frame in mind. These deadlines also need to be realistic.

MCQ'S
1. Strategy formulation:
►Is managing forces during the action
►Focuses on effectiveness
►Is primarily an operational process
►Requires coordination among many people
Page#112 Strategy formulation focuses on effectiveness.

2. Which of these is TRUE about strategy implementation?
►It refers to positioning forces before the action
►It focuses on effectiveness
►It is primarily an operational process
►It is primarily an intellectual process

Strategy implementation is primarily an operational process. Page#112

3. Which of the following is TRUE about Strategy formulation?
►It manages forces during the action
►It requires good intuitive and analytical skills
►It is primarily an operational process
►It requires special motivation and leadership skills
Strategy formulation requires good intuitive and analytical skills. Page#112

4. Which of the following is a Functional level objective?
► Achieving return on investment of at least 15%
►Aiming to achieve a market share of 10%
►Attaining operating profit of over Rs.10 million
► Increase earnings per share by at least 10% every
Page#113 Functional level Objective
Examples of functional marketing objectives" might include:
• We aim to build customer database of at least 250,000 households within the next 12 months
• We aim to achieve a market share of 10%
• We aim to achieve 75% customer awareness of our brand in our target markets

5. Which of the following is a corporate level objective?
►Getting 75% customer awareness of company's brand in target markets
►Increasing earnings per share by at least 10%
►Building customer database of at least 250,000 companies
►Achieving a 10% share of International market
Page#113 Examples of "corporate objectives might include:
• We aim for a return on investment of at least 15%
• We aim to achieve an operating profit of over £10 million on sales of at least £100 million
• We aim to increase earnings per share by at least 10% every year for the foreseeable future

Lecture #32
1. Question is there any optimal organizational design or structure for a given strategy or type of organization and what can e possible indicator that can reveals the organizational structure is ineffective?
Answer page117
There is no one optimal organizational design or structure for a given strategy or type of organization.
That is appropriate for one organization may not be appropriate for a similar firm, although successful firms in a given industry do tend to organize themselves in a similar way.
Symptoms of an ineffective organizational structure include too many levels of management, too many meetings attended by too many people, too much attention being directed toward solving interdepartmental conflicts, too large a span of

control, and too many unachieved objectives. Changes in structure can facilitate strategy implementation efforts, but changes in structure should not be expected to

make a bad strategy good, to make bad managers good, or to make bad products sell.

2. Question Parties to conflict can conceptualize responses according to two dimensional schemes; what should be the hypothesis of this scheme?
Answer page#117
Theorists have claimed that parties can conceptualize responses to conflict according to a two-dimensional scheme; concern for one's own outcomes and concern for the outcomes of the other party. This scheme leads to the following hypotheses:
• High concern for both one's own and the other party's outcomes leads to attempts to find mutually beneficial solutions.
• High concern for one's own outcomes only leads to attempts to "win" the conflict.
• High concern for the other party's outcomes only leads to allowing the other to "win" the conflict.
• No concern for either side's outcomes leads to attempts to avoid the conflict.

MCQ'S
1. Which one of the following is the organizational structure that most of the medium size organizations follow?
►Divisional structure
►Strategic business unit
►Functional structure
►Matrix structure
Medium-size firms tend to be divisionally structured (decentralized).Page#117

2. Which of the following is NOT a part of resource allocation plan?
►Basic allocation decision
►Contingency mechanisms
►Primary allocation mechanism
►None of the given options
The plan has two parts: Firstly, there is the basic allocation decision and secondly there are contingency mechanisms. Page#116

3. A state of opposition between persons or ideas which are occasionally characterized by physical violence may be known as:
► Conflict
► Compromise
► Diffusion
► Avoidance
Conflict is a state of opposition, disagreement or incompatibility between two or more people or groups of people, which is sometimes characterized by physical violence. Page#116

4. the organizations, where resource allocation is not based on strategic-management approach to decision making, which approach is used for resource allocation?
►Financial budget
► Relative importance of departments
►on political or personal factors
► Relative cost of each resources
In organizations that do not use a strategic-management approach to decision making, resource allocation is often based on political or personal factors. Page#116

5. Which of the following is NOT a major factor that commonly prohibits effective resource allocation?
► Overprotection of resources
► Organizational politics
►Vague strategy targets
► Ability to take risks
A number of factors commonly prohibit effective resource allocation, including an overprotection of resources, too great an emphasis on short-run financial criteria, organizational politics, vague strategy targets, a reluctance to take risks, and a lack of sufficient knowledge Page#116

Lecture#33
1. Discuss similarities and dissimilarities of restructuring and reengineering.
Answer (page 120)
Restructuring and reengineering are becoming commonplace on the corporate landscape across the United States and Europe. Restructuring—also called downsizing, rightsizing, or delivering involves reducing the size of the firm in terms of number of employees, number of divisions or units, and number of hierarchical levels in the firm's organizational structure. This reduction in size is intended to improve both efficiency and effectiveness. Restructuring is concerned primarily with shareholder well-being rather than employee well-being.
In contrast, reengineering is concerned more with employee and customer well-being than shareholder well-being. Reengineering—also called process management, process innovation, or process redesign—involves reconfiguring or redesigning work, jobs, and processes for the purpose of improving cost, quality, service, and speed. Reengineering does not usually affect the organizational structure or chart, nor does it imply job loss or employee layoffs. Whereas restructuring is concerned with eliminating or establishing, shrinking or enlarging, and moving organizational departments and divisions, the focus of reengineering is changing the way work is actually carried out.
Reengineering is characterized by many tactical (short-term, business function-specific) decisions, whereas restructuring is characterized by strategic (long-term, affecting all business functions) decisions.

2. What is the four ways of Divisional structure? Explain them?

Answer page#119
The divisional structures are
1. A divisional structure by geographic area
2. The divisional structure by product
3. Divisional structure by customer
4. A divisional structure by process

MCQ'S
1. Which organizational structure is the most simple and economical?
► Strategic business unit
► Functional structure
► Divisional structure
► Matrix structure
The most widely used structure is the functional or centralized type because this structure is the simplest and least expensive of the seven alternatives. Page#118

2. of the following, which one is FALSE regarding a functional organizational structure?
►The tasks, people, and technologies necessary to do the work of the business are grouped together
► Functional structures predominate in firms with single or narrow product lines
► Marketing, operations, and finance would be considered groups found within this type of structure
► Functional structure is designed to achieve flexibility and better communication
They are economically efficient, but lack flexibility. Communication between functional areas can be difficult. Page#118

3. Advantages of a functional organization structure would include all EXCEPT which one of the following?
► Promotes division and specialization of labor
► Promotes functional rivalry
► Promotes economic efficiency
► Promotes delegation of authority
Some disadvantages of a functional structure are that it forces accountability to the top, minimizes career development opportunities, and is sometimes characterized by low employee morale, line/staff conflicts, poor delegation of authority, and inadequate planning for products and markets. Page#118

4. Identify a situation in which a divisional structure by geographic area is considered to be most appropriate.
► Organizations have similar branch facilities located in widely dispersed areas
► An organization offers only a limited number of products or services
► Strict control and attention to product lines are needed
► An organization has many skilled managers

A divisional structure by geographic area is appropriate for organizations whose strategies need to be tailored to fit the particular needs and characteristics of

customers in different geographic areas. This type of structure can be most appropriate for organizations that have similar branch facilities located in widely dispersed areas Page#119

5. All of the following fall under the category of restructuring EXCEPT:
► Reducing number of employees
► Reducing number of shareholders
► Reducing number of divisions
► Reducing number of hierarchical levels
Restructuring—also called downsizing, rightsizing, or delayring—involves reducing the size of the firm in terms of number of employees, number of divisions or units, and number of hierarchical levels in the firm's organizational structure.
Page#120

6. Which term is most often concerned primarily with shareholder well-being rather than employee well-being?
► Benchmarking
► Reengineering
► Product redesign
► Restructuring
Page#120 Restructuring is concerned primarily with shareholder well-being rather than employee well-being.

7. All of the following would be considered as true statements regarding the matrix organizational structure EXCEPT which one?
►It reduces managerial positions
►It shares authority and responsibility among managers
►It distributes stress among the team members
►It maintains better balance between time and performance
A matrix structure can result in higher overhead because it creates more management positions. Page#120

Lecture#34

1. Suggest that what can be the best way to overcome individuals' resistance to change while taking corrective actions. (3 marks)
Taking corrective actions raises employees' and managers' anxieties. Research suggests that participation in strategy-evaluation activities is one of the best ways to overcome individuals' resistance to change.
According to Erez and Kanfer, individuals accept change best when they have a cognitive understanding of the changes, a sense of control over the situation, and an awareness that necessary actions are going to be taken to implement the changes.

MCQ'S

1. Zairian Corporation has streamlined its operations by cutting costs, such as decrease in payroll or reduction in its size through the sale of assets. In which of the following activity Zaria Corporation is involved?

►E-Engineering
►Re-engineering
►Restructuring
►Benchmarking
Page#121
The primary benefit sought from restructuring is cost reduction.
Characteristics:
Staff reductions are often accomplished partly through the selling or closing of unprofitable portions of the company and partly by consolidating or outsourcing parts of the company that perform redundant functions (such as payroll, human resources, and training) left over from old acquisitions that were never fully integrated into the parent organization.

2. All of the following are the managerial issues for managing natural environment EXCEPT:

► Global warming-depletion of rain forests
► Employee understanding about environment
► Developing biodegradable products and packages
► Waste management to clean air and water
Special natural environmental issues include ozone depletion, global warming, depletion of rain forests, destruction of animal habitats, protecting endangered species, developing biodegradable products and packages, waste management, clean air, clean water, erosion, destruction of natural resources, and pollution control.
Page#124

3. Which one of the following is Educative change strategy?

►Giving orders to subordinates and enforcing those orders
►Changing the strategy of educational institutions
►Presenting information to convince people of the need for change
►Attempting to convince individuals that the change is for their interest
The educative change strategy is one that presents information to convince people of the need for change; Page#124

4. A change strategy that attempts to convince people that the change is in their personal advantage is:

► Diffusion
► Force
► Educative
► Rational
Page#124

A rational or self-interest change strategy is one that attempts to convince individuals that the change is to their personal advantage.

5. Resistance to change can be considered the single greatest threat to successful strategy implementation.

► True

► False

Page#124

Resistance to change can be considered the single greatest threat to successful strategy implementation

Lecture #35

1. What is the stock ownership of employees?

Answer

Stock ownership plan (ESOP), are Corporations owned in whole or in part by their employees. Employees are usually given a share of the corporation after a certain length of employment or they can buy shares at any time. A corporation owned Entirely by its employees (a worker cooperative) will not, therefore, have its shares sold on public stock markets. Employee-owned corporations often adopt profit sharing where the profits of the corporation are shared with the employees. These types of corporations also often have boards of directors elected directly by the employees.

Page 127 last two lines to 128

MCQ'S

1. Production processes typically constitute of what percentage of firm's total assets?

►More than 70 %

►More than 65 %

►More than 60 %

►More than 55 %

Production processes typically constitute more than 70 percent of a firm's total assets. Page#126

2. Under Just in Time (JIT) approach, when the new stock is ordered?

►When stock comes to an end

►When stock reaches the re-order level

►On 1st of each month

►At the start of the year

New stock is ordered when stock reaches the re-order level. Page#126

3. The inventory is viewed as which of the following in Just In Time Inventory system

►Incurring costs

►Adding value

►Disburse expense

►None of the given options

Page#127

First off inventory is seen as incurring costs instead of adding value, contrary to traditional thinking

4. Which of the following best describes "Just in time"?
► implementing strategies just before bankruptcy
► delivering materials just as they are needed
►a scheduling method for meetings
►a personnel planning method
With JIT, parts and materials are delivered to a production site just as they are needed, rather than being stockpiled as a hedge against later deliveries Page#127

5. All of the following are strategic responsibilities of the human resource manager EXCEPT:
► Assessment of staff needs
► Assessment of costs for alternative strategies
► Development of staffing plan
► Development of financial plan
Staffing need of the organization and its cost is an important function of the human resource manager. The other main concerns include health, safety and security of the workers. The plan must also include how to motivate employees and managers during a time when layoffs are common and workloads are high page#127

6. How can an ESOP empower employees?
►It empowers employees to work as owners
►It empowers employees to make financial plan
►It empowers employees to assess customer's needs
►It empowers employees to give training to other workers
An employee stock ownership plan (ESOP), are corporations owned in whole or in part by their employees. Employees are usually given a share of the corporation after a certain length of employment or they can buy shares at any time. Page#128

Lecture # 36

1. Is market segmentation linked with the strategy implementation?
Answer page130 to 131
Market segmentation Link with strategy implementation
Market segmentation is widely used in implementing strategies, especially for small and specialized firms.
Market segmentation can be defined as the subdividing of a market into distinct subsets of customers according to needs and buying habits.
Market segmentation is an important variable in strategy implementation for at least three major reasons.
First, strategies such as market development, product development, market penetration, and diversification require increased sales through new markets and

products. To implement these strategies successfully, new or improved market-segmentation approaches are required. Second, market segmentation allows a firm

to operate with limited resources because mass production, mass distribution, and mass advertising are not required. Market segmentation can enable a small firm to compete successfully with a large firm by maximizing per-unit profits and per-segment sales. Finally, market segmentation decisions directly affect marketing mix variables: product, place, promotion, and price

2. Difference between mass and target market?
Answer page129
Mass marketing refers to treatment of the market as a homogenous group and offering the same marketing mix to all customers. Mass marketing allows economies of scale to be realized through mass production, mass distribution, and mass communication. The drawback of mass marketing is that customer needs and preferences differ and the same offering is unlikely to be viewed as optimal by all customers. If firms ignored the differing customer needs, another firm likely would enter the market with a product that serves a specific group, and the incumbent firms would lose those customers.
Target marketing on the other hand recognizes the diversity of customers and does not try to please all of them with the same offering. The first step in target marketing is to identify different market segments and their needs.

MCQ'S
1. All of the following are the requirements for successful segmentation EXCEPT:
►Segment is large enough to be profitable
►Homogeneity between the segments
►Segments are accessible and actionable
►Heterogeneity between segments
Page#129The requirements for successful segmentation are:
• Homogeneity within the segment
• Heterogeneity between segments
• Segments are measurable and identifiable
• Segments are accessible and actionable
• Segment is large enough to be profitable......

2. Market segmentation is especially used in implementing strategies by which of the following firms?
►Small firms
►Large firms
►Medium-size firms
►All of the given options
Market segmentation is widely used in implementing strategies, especially for small and specialized firms. Page#130

3. XYZ Company has segmented its market by keeping in view occupation and education level of customers. Which of the following bases of segmentation the

company has used?

►**Demographic**

►Psychographic
►Behavioral
►Geographic

Page#130Demographic Segmentation
Some demographic segmentation variables include:
• Age
• Gender
• Family size
• Family lifecycle
• Generation: baby-boomers, Generation X, etc.
• Income
• Occupation
• Education
• Ethnicity
• Nationality
• Religion
• Social class

4. Identify a reason due to which market segmentation is considered to be an important variable in strategy implementation.
►All company strategies require increased sales through new markets and products
►It allows a firm to operate with limited resources
► Market segmentation decisions directly affect marketing mix variables
► All of the given options

Page#131 Market segmentation is an important variable in strategy implementation for at least three major reasons:
1. First, strategies such as market development, product development, market penetration, and diversification require increased sales through new markets and products.
2. Second, market segmentation allows a firm to operate with limited resources because mass production, mass distribution, and mass advertising are not required.
3. Finally, market segmentation decisions directly affect marketing mix variables: product, place, promotion, and price

Lecture #37 and 38

1. What is marketing mix? Name the factor components of marketing mix.
Answer page 132
The term "marketing mix" became popularized after Neil H. Borden published his 1964 article, The Concept of the Marketing Mix. Borden began using the term in his teaching in the late 1940's after James Culliton had described the marketing manager as a "mixer of ingredients". The ingredients in Borden's marketing mix included product planning, pricing, branding, distribution channels, personal selling, advertising, Promotions, packaging, display, servicing, physical handling, and fact finding and analysis. E. Jerome McCarthy later grouped these ingredients

into the four categories that today are known as the 4 P's of marketing
Marketing Mix

Marketing decisions generally fall into the following four controllable categories:
• Product
• Price
• Place (distribution)
• Promotion

2. What do you understand by the term Product and what can be the possible considerations that you will take into account while making decisions regarding a product or service?

Answer page132

Product Decisions

The term "product" refers to tangible, physical products as well as services. Here are some examples of the product decisions to be made:

- Quality
- Safety
- Packaging
- Brand name
- Functionality
- Styling
- Repair and support
- Warranty
- Accessories and services

3. What can be the consideration of a firm while taking decision regarding the place as a component of marketing mix?

Answer page 133

Distribution (Place) Decisions

Distribution is about getting the products to the customer. Some examples of distribution decisions include:
• Distribution channels
• Market coverage (inclusive, selective, or exclusive distribution)
• Specific channel members
• Inventory management
• Warehousing
• Distribution centers
• Order processing
• Transportation
• Reverse logistics

4. Positioning is actually the way that a product is introduced to its market audience. What are the five steps required for effective product positioning?

Answer page 134

The following steps are required in product positioning:
1. Select key criteria that effectively differentiate products or services in the industry.

2. Diagram a two-dimensional product-positioning map with specified criteria on each axis.

3. Plot major competitors' products or services in the resultant four-quadrant matrix.
4. Identify areas in the positioning map where the company's products or services could be most competitive in the given target market. Look for vacant areas (niches).
5. Develop a marketing plan to position the company's products or services appropriately.

5. Finance or accounting plays an important role in successful strategy implementation process. You are required to give some of the examples of finance/accounting decisions that may require policies.(page no 135)

Answer page 135

Some examples of decisions that may require finance/accounting policies are:
1. To raise the amount of capital by issuing shares or obtaining a debt from external parties.
2. To enhance the inventory turn over level
3. To make or buy fixed assets.
4. To extend the time of accounts receivable.
5. To establish a certain percentage discount on accounts within a specified period of time.
6. To determine the amount of cash that should be kept on hand
7. To determine an appropriate dividend payout ratio.
8. to use LIFO, FIFO

6. Why the worth of the business is important in successful strategy implantation?
Answer page 139

Evaluating the Worth of a Business

Evaluating the worth of a business is central to strategy implementation because integrative, intensive, and diversification strategies are often implemented by acquiring other firms. Other strategies, such as retrenchment and divestiture, may result in the sale of a division of an organization or of the firm itself.

All the various methods for determining a business's worth can be grouped into three main approaches

1. What a firm owns
2. What a firm earns
3. What a firm will bring in the market.

7. Describe importance and limitations of financial budget?
Answer page 139

Fundamentally, financial budgeting is a method for specifying what must be done to complete strategy implementation successfully. Financial budgeting should not be thought of as a tool for limiting expenditures but rather as a method for obtaining the most productive and profitable use of an organization's resources. Financial budgets can be viewed as the planned allocation of a firm's resources based on

forecasts of the future.

Financial budgets have some limitations. First, budgetary programs can become so detailed that they are cumbersome and overly expensive. Over budgeting or under budgeting can cause problems. Second, financial budgets can become a substitute for objectives. A budget is a tool and not an end in itself.
Third, budgets can hide inefficiencies if based solely on precedent rather than periodic evaluation of circumstances and standards. Finally, budgets are sometimes used as instruments of tyranny that result in frustration, resentment, absenteeism, and high turnover. To minimize the effect of this last concern, managers should increase the participation of subordinates in preparing budgets.

MCQ'S
1. Which one of the following is an example of product decisions?
► Brand name
► Volume discounts
► Distribution channels
► Order processing
Handout Page#132

2. Which variable would be considered as a part of pricing decisions?
►Warranty
►Bundling
►Safety
►Functionality
Page#133 Price Decisions
Some examples of pricing decisions to be made include:
• Pricing strategy (skim, penetration, etc.)
• Suggested retail price
• Volume discounts and wholesale pricing
• Cash and early payment discounts
• Seasonal pricing
• Bundling
• Price flexibility
• Price discrimination

3. Which one of the following is an example of place decisions?
► Safety and packaging
► Personal selling
► Public relations & publicity
► Order processing
Page#133 some examples of distribution decisions include:
• Distribution channels
• Market coverage (inclusive, selective, or exclusive distribution)
• Specific channel members
• Inventory management

- **Warehousing**
- **Distribution centers**

• Order processing
• Transportation
• Reverse logistics

4. All of the following are the examples of promotion decision EXCEPT:
► Personal selling
► Volume discounts
► Public relations
► Advertising
(Page#133) Promotional strategy (push, pull, etc.)
• Advertising
• Personal selling & sales force
• Sales promotions
• Public relations & publicity
• Marketing communications budget

5. All of the following steps are required in product positioning EXCEPT:
► Select key criteria that effectively differentiate products or services in the industry
► Position your firm in the middle of the map
► Plot major competitors' products or services in the resultant matrix
► Identify areas in the positioning map where the company' products or services could be most competitive in the given target market
The following steps are required in product positioning: Page#134
1. Select key criteria that effectively differentiate products or services in the industry.
2. Diagram a two-dimensional product-positioning map with specified criteria on each axis.
3. Plot major competitors' products or services in the resultant four-quadrant matrix.
4. Identify areas in the positioning map where the company's products or services could be most competitive in the given target market. Look for vacant areas (niches).
5. Develop a marketing plan to position the company's products or services appropriately.

6. Which of the following is NOT a decision that may require finance/accounting policies?
►To extend the time of accounts receivable
►To determine an appropriate dividend payout ratio
►To use LIFO, FIFO or a market-value accounting approach
►To determine the amount of product diversification
Page#135 Decisions that may require finance/accounting policies are:
1. To raise the amount of capital by issuing shares or obtaining a debt from external

parties.
2. To enhance the inventory turn over level

3. To make or buy fixed assets.
4. To extend the time of accounts receivable.
5. To establish a certain percentage discount on accounts within a specified period of time.
6. To determine the amount of cash that should be kept on hand
7. To determine an appropriate dividend payout ratio.
8. To use LIFO, FIFO

7. What is a central strategy -implementation technique that allows an organization to examine the expected results of various actions and approaches?
► Financial budgeting
► TOWS analysis
► Projected financial statement
► External analysis
Pro forma (projected) financial statement analysis is a central strategy implementation technique because it allows an organization to examine the expected results of various actions and approaches. Page#136

8. In the low earnings period, which one of the following can endanger stockholders' return and can put in danger the company survival?
► Too much debt in the capital structure
► Too much liquid assets in the capital structure
► Too much equity in the capital structure
► Too much tax in the capital structure
In low earning periods, too much debt in the capital structure of an organization can endanger stockholders' return and jeopardize company survival. Page#136

9. Which of the following is the first step in preparing a pro forma financial analysis?
► Prepare the projected balance sheet
► Perform EPS/EBIT analysis
► Calculate the projected net income
► Prepare the projected income statement
Page#138 there are six steps in performing pro forma financial analysis:
1. Prepare income statement before balance sheet (forecast sales)
2. Use percentage-of-sales method to project CGS and expenses
3. Calculate projected net income
4. Subtract dividends to be paid from Net Income and add remaining to Retained Earnings
5. Project balance sheet times beginning with retained earnings
6. List comments (remarks) on projected statements.

10. Integrative, intensive, and diversification strategies are often implemented by which one of the followings?

► **Liquidating firms**
► **Acquiring firms**

► **Venturing firms**
► **Small firms**
Evaluating the worth of a business is central to strategy implementation because integrative, intensive, and diversification strategies are often implemented by acquiring other firms. Page#139

Lecture #39&40

1. Discuss the guide lines that can be use to determine whether the firm should conduct R&D internally or externally?
Answer page 141
Many firms wrestle with the decision to acquire R&D expertise from external firms or to develop R&D expertise internally. The following guidelines can be used to help make this decision:
1. If the rate of technical progress is slow, the rate of market growth is moderate, and there are significant barriers to possible new entrants, then in-house R&D is the preferred solution. The reason is that R&D, if successful, will result in a temporary product or process monopoly that the company can exploit.
2. If technology is changing rapidly and the market is growing slowly, then a major effort in R&D may be very risky, because it may lead to development of an ultimately obsolete technology or one for which there is no market.
3. If technology is changing slowly but the market is growing fast, there generally is not enough time for in-house development. The prescribed approach is to obtain R&D expertise on an exclusive or non exclusive basis from an outside firm.
4. If both technical progress and market growth are fast, R&D expertise should be obtained through acquisition of a well-established firm in the industry.

2. What is the purpose of strategy evaluation?
Answer page 145
Purpose of strategy evaluation
• Strategy evaluation is vital to the organization's well-being
• Alert management to potential or actual problems in a timely fashion
• Erroneous strategic decisions can have severe negative impact on organizations

3. Describe the process of strategies evaluation?
Answer page 146
The process of evaluating Strategies
1. Strategy evaluation is necessary for all sizes and kinds of organization. Strategy evaluation should initiate managerial questioning of expectations and assumptions should trigger a review of objectives and values and should stimulate creativity in generating alternative and formulating criteria of evaluation
2. Evaluating strategies on continuous rather than a periodic basis allows benchmark of progress to established and o\more effectively monitored

MCQ'S

1. R&D policies can enhance strategy implementation efforts to emphasize product or process improvements.

► True
► False

Page#140R&Dpoliciescanenhancestrategy-implementationeffortsto:
1. Develop robotics or manual-type processes.
2. Spend a high, average, or low amount of money on R&D.
3. Perform R&D within the firm or to contract R&D to outside firms.
4. Use university researchers or private sector researchers.
5. Emphasizeproductorprocessimprovements.
6. Stress basic or applied research.
7. Be leaders or followers in R&D.

2. The in-house R&D is a preferred solution in which of the following situations?

► Technological progress is slow and market growth is moderate
► Technology is changing rapidly and market is growing slowly
► Technology is changing slowly and market is growing quickly
►Both technological progress and market growth rate are fast

If the rate of technical progress is slow, the rate of market growth is moderate, and there are significant barriers to possible new entrants, then in-house R&D is the preferred solution. Page#141

3. At least how many R & D approaches are used for the implementation of strategy?

► Two
► Three
► Four
► Five

Page#141There is at least three major R&D approaches for implementing strategies.
1. First firm to market new technological products
2. Be an innovative imitator of successful products
3. Low-cost producer of similar but less expensive products

4. If technology is changing rapidly and the market is growing slowly then what decision the firm should take regarding R & D?

► In-house R&D should be established
► Acquisition of a well-established firm in the industry
► R&D investment is risky, so don't take any action
► Obtain R&D expertise on an nonexclusive basis

If technology is changing rapidly and the market is growing slowly, then a major effort in R&D may be very risky, because it may lead to development of an ultimately obsolete technology or one for which there is no market. Page#141

5. Which of the following is NOT one of the major approaches to R&D?

►To be an innovative imitator of successful products
►To be a low-cost producer by mass-producing products
►To be a differentiated products manufacturer in industry
►To be the first firm to market new technological products
There are at least three major R&D approaches for implementing strategies.
1. First firm to market new technological products
2. Be an innovative imitator of successful products
3. Low-cost producer of similar but less expensive products Page#141

6. R&D expertise should be obtained through acquisition of a well-established firm in the industry in which of the following situation?
►If both technical progress and market growth are fast
►If technology is changing slowly but the market is growing fast
►If the technical progress is slow, market growth the rate is moderate
►If technology is changing rapidly and the market is growing slowly
PAGE#141If both technical progress and market growth are fast, R&D expertise should be obtained through acquisition of a well-established firm in the industry.

7. All of the following are included in Rumelt's criteria for evaluating strategies EXCEPT:
► Consonance
► Advantage
► Consistency
► Clarity
Page#145 Four Criteria (Richard Rummelt):
• Consistency
• Consonance
• Feasibility
• Advantage

8. What is the purpose of strategy evaluation?
►Increase the budget annually
►Alert management of problems
►Make budget changes
►Evaluate employees' performance
Page#145 Purpose of strategy evaluation
• Strategy evaluation is vital to the organization's well-being
•Alert management to potential or actual problems in a timely fashion
• Erroneous strategic decisions can have severe negative impact on organizations

9. while evaluating a strategy, corrective actions are almost always needed EXCEPT:
►When external and internal factors have not significantly changed
►When the firm is not progressing satisfactorily toward objectives

►When the firm has not achieved the stated organizational goals
►When there are differences between desired results and achieved results

Page#146 Corrective actions are almost always needed except when
(1) External and internal factors have not significantly changed and
(2) The firm is progressing satisfactorily toward achieving stated objectives.

3. Managers and employees of the firm should be continually aware of progress being made towards achieving the firm's objectives. As a critical success factors change, organization members should be involved in determining appropriate corrective action.

Lecture # 41

How firms can take "cost advantage" discuss by keeping in mind value chain activities?

Answer page 147

Creating a cost advantage based on the value chain

A firm may create a cost advantage:

- **By reducing the cost of individual value chain activities, or**
- **By reconfiguring the value chain.**

Porter identified 10 cost drivers related to value chain activities:

1. **Economies of scale.**
2. **Learning.**
3. **Capacity utilization.**
4. **Linkages among activities.**
5. **Interrelationships among business units.**
6. **Degree of vertical integration.**
7. **Timing of market entry.**
8. **Firm's policy of cost or differentiation.**
9. **Geographic location.**
10. **Institutional factors (regulation, union activity, taxes, etc.).**

2. Discuss porter's model primary activities of value chain?

Answer page 147

Porter supply chain model

The Value Chain framework of Michael Porter is a model that helps to analyze specific activities through which firms can create value and competitive advantage.

The activities of the Value Chain

- **Primary activities (line functions)**

Inbound Logistics: **Includes receiving, storing, inventory control, transportation planning.**

Operations: **Includes machining, packaging, assembly, equipment maintenance, testing and all other value-creating activities that transform the inputs into the final product.**

Outbound Logistics: **The activities required to get the finished product at the customers: warehousing, order fulfillment, transportation, distribution management.**

Marketing and Sales: **The activities associated with getting buyers to purchase the product, including: channel selection, advertising, promotion, selling, pricing, retail management, etc.**
Service: **The activities that maintain and enhance the product's value, including: customer support, repair services, installation, training, spare parts management, upgrading, etc.**

Write support activities of value chain?
Answer page 147
• Support activities (Staff functions, overhead)
Procurement: **Procurement of raw materials, servicing, spare parts, buildings, machines, etc.**
Technology Development: **Includes technology development to support the value chain**
Activities: **Such as: Research and Development, Process automation, design, redesign.**
Human Resource Management: **The activities associated with recruiting, development (education), retention and compensation of employees and managers.**
Firm Infrastructure: Includes general management, planning management, legal, finance, accounting, public affairs, quality management, etc.

MCQ'S
1. Which of the following statement is correct about human resource management?
►It includes procurement of raw materials, servicing, spare parts, buildings, machines
►It Includes technology development to support the value chain activities like Process automation
►It includes the activities associated with recruiting and development of employees and managers
►It includes general management, planning management, legal, finance, accounting, public affairs
Page#147 Human Resource Management: The activities associated with recruiting, development (education), retention and compensation of employees and managers.

2. All of the following are the cost drivers of Porter's supply chain activities EXCEPT:
►Capacity utilization
►Timing of market entry
►Economies of scale
►Firm's infrastructure
Page#147 Porter identified 10 cost drivers related to value chain activities:
1. Economies of scale.
2. Learning.
3. Capacity utilization.

4. Linkages among activities.
5. Interrelationships among business units.

6. Degree of vertical integration.
7. Timing of market entry.
8. Firm's policy of cost or differentiation.
9. Geographic location.
10. Institutional factors

3. Which of the following statement is TRUE about 'firm infrastructure' as a support activity of Michael Porter's value chain model?

►It includes procurement of raw materials, servicing, spare parts, buildings, machines

►It Includes technology development to support the value chain activities like Process automation

►It includes the activities associated with recruiting and development of employees and managers

►It includes general management, planning management, legal, finance, accounting, public affairs

Page#147 Firm Infrastructure: Includes general management, planning management, legal, finance, accounting, public affairs, quality management, etc

4. Outbound logistics includes which one of the following?

► Receiving, storing, inventory control, transportation planning

► Machining, packaging, assembly, equipment maintenance, testing

► Activities required to get the finished product at the customers

► Activities that maintain and enhance the product's value

Outbound Logistics: The activities required to get the finished product at the customers: warehousing, order fulfillment, transportation, distribution management Page#147

5. Which of the following statement is correct about operations?

► It includes receiving, storing, inventory control & transportation planning

► It includes machining, packaging, assembling, maintaining equipment &testing

►It includes the activities required to get the finished product at the customers

►It includes the activities that maintain and enhance the product's value

(Page 147) Operations: Includes machining, packaging, assembly, equipment maintenance, testing and all other value-creating activities that transform the inputs into the final product.

6. All of the following are support activities of Porter's supply chain model EXCEPT:

► Firm Infrastructure

► Marketing and Sales

► Technology Development

► Procurement

Page#147 Support activities (Staff functions, overhead)

Procurement:

Technology Development:

Human Resource Management:
Firm Infrastructure

7. Which one of the following statements best describes the activity 'marketing and sales' of Porter's supply chain model?
► Machining, packaging, assembly, equipment maintenance & testing
► Activities linked with getting buyers to purchase the product
► Activities that maintain and enhance the product's value
► Receiving, storing, inventory control & transportation planning
Marketing and Sales: The activities associated with getting buyers to purchase the product, including: channel selection, advertising, promotion, selling, pricing, retail management, etc. Page#147
8. Which of the following statement is TRUE about Inbound Logistics?
► It includes receiving, storing, inventory control & transportation planning
► It includes machining, packaging, assembly, equipment maintenance & testing
►It includes activities required to deliver the finished product to the customers' end
►It includes the activities that maintain and enhance the product's value
Inbound Logistics. Includes receiving, storing, inventory control, transportation planning.Page#147

9. All of the following are the examples of technology development EXCEPT:
►Research and Development
►Quality management
►Process automation
►Design and redesign
Technology Development: Includes technology development to support the value chain activities. Such as: Research and Development, Process automation, design, redesign. Page#147

Lecture #42

1. Managerial disorder and strategic deviation will appear if there is power struggle and conflicts among the departments of organization. The situation negates which one of the Rumelt's criteria?
► Consistency
► Consonance
► Feasibility
►Advantage
Consistency: Strategy should not present inconsistent goals and policies. Conflict and interdepartmental bickering symptomatic of managerial disorder and strategic inconsistency Page#149

2. Which one of the following is NOT considered as a difficulty in evaluation of strategies?

►**Increase in environment's complexity**
►**Difficulty predicting future with accuracy**

►Decreasing number of variables
►Rate of obsolescence of plans
Page#149Difficulty in strategy evaluation –
1. Increase in environment's complexity
2. Difficulty predicting future with accuracy
3. Increasing number of variables
4. Rate of obsolescence of plans
5. Domestic and global events
6. Decreasing time span for planning certainty

Lecture #43 & 44 lecture44 is the topic lec43 measuring organizational performance

1. Identify any five questions arises while developing a revised EFE matrix for, reviewing the underlying bases of an organization's strategy.
Answer page 150
A revised EFE Matrix should indicate how effective a firm's strategies have been in response to key opportunities and threats. This analysis could also address such questions as the following:
1. How have competitors reacted to our strategies?
2. How have competitors' strategies changed?
3. Have major competitors' strengths and weaknesses changed?
4. Why are competitors making certain strategic changes?
5. Why are some competitors' strategies more successful than others?
6. How satisfied are our competitors with their present market positions and profitability?
7. How far can our major competitors be pushed before retaliating?
8. How could we more effectively cooperate with our competitors?

2. Write some potential problems associated with using quantitative criteria for evaluating strategies.
Answer page 151
But there are some potential problems associated with using quantitative criteria for evaluating strategies.
First, most quantitative criteria are geared to annual objectives rather than long-term objectives.
Also, different accounting methods can provide different results on many quantitative criteria.
Third, intuitive judgments are almost always involved in deriving quantitative criteria. For these and other reasons, qualitative criteria are also important in evaluating strategies.
Human factors such as high absenteeism and turnover rates, poor production quality and quantity rates, or low employee satisfaction can be underlying causes of declining performance. Marketing, finance/accounting, R&D, or computer information systems factors can also cause financial problems.

3. Suggest that what would be the best way to overcome the individuals' resistance to change while taking corrective actions?
Answer page 152
Taking corrective actions raises employees' and managers' anxiety. Research suggests that participation in strategy-evaluation activities is one of the best ways to overcome individuals' resistance to change. According to Erez and Kanfer, individuals accept change best when they have a cognitive understanding of the changes, a sense of control over the situation, and an awareness that necessary actions are going to betaken to implement the changes.

4. Seymour Tilles acknowledged six qualitative questions that are practical in evaluating strategies. You are required to identify any five of them. Marks: 5
Answer page 153
Seymour Tilles identified six qualitative questions that are useful in evaluating strategies:
1. is the strategy internally consistent?
2. Is the strategy consistent with the environment?
3. Is the strategy appropriate in view of available resources?
4. Does the strategy involve an acceptable degree of risk?
5. Does the strategy have an appropriate time framework?
6. is the strategy workable?

MCQ's
1. A revised EFE Matrix should focus on which of the following?
► Changes in the organization's management, marketing R & D, computer information system and environment
► Marketing, finance/accounting, production/operations, R&D and computer information systems strengths and weaknesses
► Effectiveness of a firm's strategies in response to key opportunities and threats
► Effectiveness of an organization' strategy in pursuing the competitive goals ands managerial actions
A revised EFE Matrix should indicate how effective a firm's strategies have been in response to key opportunities and threats.Page#150

2. To make changes in the organization's management, marketing, finance/accounting and R&D, which one of the following should be focused?
► Revised mission
► Revised IFE matrix
► Revised EFE matrix
► Revised EPM matrix
A revised IFE Matrix should focus on changes in the organization's management, marketing, finance/accounting, production/operations, R&D, and computer information systems strengths and weaknesses. Page#150

3. A revised IFE Matrix should focus on which one of the following?

► Changes in the organization's management, marketing R & D, computer information system and external environment
► Marketing, finance/accounting, production/operations, R&D and computer information systems strengths and weaknesses
► Effectiveness of a firm's strategies in response to key opportunities and threats
► Effectiveness of an organization' strategy in pursuing the competitive goals ands managerial actions
A revised IFE Matrix should focus on changes in the organization's management, marketing, finance/accounting, production/operations, R&D, and computer information systems strengths and weaknesses. Page#150

4. There are numerous external and internal factors that can prohibit firms from achieving long-term and annual objectives. Which of the following is NOT an external factor?
► Actions by competitors
► Changes in technology
► Changes in demand
► Ineffective strategies
Externally, actions by competitors, changes in demand, changes in technology, economic changes, demographic shifts, and governmental actions may prohibit objectives from being accomplished. Page#150

5. Which of the following statement is TRUE about most of the quantitative criteria evaluating strategies?
►These are geared to annual objective
►These are geared to short-term objective
►These are geared to long-term objective
►These are geared to social objectives
First, most quantitative criteria are geared to annual objectives rather than long term objectives. Page#151

6. What is the basis for quantitative financial evaluation?
►The EPS/EBIT Analysis
►Capital Asset Pricing Model
►Financial ratios
►Present value analysis
Quantitative criteria commonly used to evaluate strategies are financial ratios Page#151

7. All of the following are key financial ratios EXCEPT:
► Market share
► Production quality
► Earnings per share
► Return on equity

Page#151 Some key financial ratios that are particularly useful as criteria for strategy evaluation are as follows:

1. Return on investment
2. Return on equity
3. Profit margin
4. Market share
5. Debt to equity
6. Earnings per share
7. Sales growth
8. Asset growth

8. Some potential problems associated with using quantitative criteria for evaluating strategies include all of the following EXCEPT:
►Most quantitative criteria are geared to annual objectives rather than long-term objectives
►These ratios use qualitative data for evaluating strategies which often is not available
► Different accounting methods can provide different results on many quantitative criteria
► Intuitive judgments are almost always involved in deriving quantitative criteria
There are some potential problems associated with using quantitative criteria for evaluating strategies. First, most quantitative criteria are geared to annual objectives rather than long-term objectives. Also, different accounting methods can provide different results on many quantitative criteria. Third, intuitive judgments are almost always involved in deriving quantitative criteria.Page#151

9. Which of the following is MOST appropriate about financial ratios?
► Compare a firm' performance with competitors
► Compare a firm' performance with suppliers
► Compare a firm's performance with non-financial ratios
► Compare a firm's performance with business standards
(Page 151) Quantitative criteria commonly used to evaluate strategies are financial ratios, which strategists use to make three critical comparisons: (1) comparing the firm's performance over different time periods, (2) comparing the firm's performance to competitors', and (3) comparing the firm's performance to industry averages.

10. Which of the following is NOT a key financial ratio?
► Earnings per share
► Production growth
► Asset growth
► Profit margin
Handout Page#151
Some key financial ratios that are particularly useful as criteria for strategy evaluation are as follows:
1. Return on investment

2. Return on equity
3. Profit margin

4. Market share
5. Debt to equity
6. Earnings per share
7. Sales growth
8. Asset growth

11. Which one of the following is NOT correct about financial ratios?
►These are used to compare the firm's performance over different time periods
►These are used to compare the firm's performance relevant to its competitors'
►These are used to compare the firm's performance in relation to industry averages
►These are used to compare the firm's performance in relation to future trends
(1) Comparing the firm's performance over different time periods,
(2) Comparing the firm's performance to competitors',
(3) Comparing the firm's performance to industry averages. Page#151

12. Strategy evaluation is based on which of the following?
►Quantitative and empirical criteria
►Empirical and qualitative criteria
►Qualitative and objective criteria
►Qualitative and quantitative criteria
Strategy evaluation is based on both quantitative and qualitative criteria. Page#153

Lecture #45
1. Describe qualities of good evaluation system?
Answer page 154
A Good evaluation system must posses various qualities. It must meet several basic requirements to be effective.

- **First, strategy-evaluation activities must be economical; too much information can be just as bad as too little information; and too many controls can do more harm than good.**
- **Strategy-evaluation activities also should be meaningful; they should specifically relate to a firm's objectives.**
- **They should provide managers with useful information about tasks over which they have control and influence.**
- **Strategy-evaluation activities should provide timely information; on occasion and in some areas, managers may need information daily..**
- **Strategy evaluation should be designed to provide a true picture of what is happening.**
- **Information derived from the strategy-evaluation process should facilitate action and should be directed to those individuals in the organization who need to take action based on it.**
- **Controls need to be action-oriented rather than information-oriented.**
- **The strategy-evaluation process should not dominate decisions; it should**

foster mutual understanding, trust, and common sense! No department should fail to cooperate with another in evaluating strategies.

- **Strategy evaluations should be simple, not too cumbersome, and not too restrictive. Complex strategy evaluation systems often confuse people and accomplish little. The test of an effective evaluation system is its usefulness, not its complexity.**

2. Define and discuss contingency plans?
Answer page 155
Contingency plans can be defined as alternative plans that can be put into effect if certain key events do not occur as expected. Only high-priority areas require the insurance of contingency plans. Strategists cannot and should not try to cover all bases by planning for all possible contingencies. But in any case, contingency plans should be as simple as possible.
Some contingency plans commonly established by firms include the following:
1. If a major competitor withdraws from particular markets as intelligence reports indicate, what actions should our firm take?
2. If our sales objectives are not reached, what actions should our firm take to avoid profit losses?
3. If demand for our new product exceeds plans, what actions should our firm take to meet the higher demand?
4. If certain disasters occur—such as loss of computer capabilities; a hostile takeover attempt; loss of patent protection; or destruction of manufacturing facilities because of earthquakes, tornados, or hurricanes—what actions should our firm take?
5. If a new technological advancement makes our new product obsolete sooner than expected, what actions should our firm take?

3. Auditors who perform audit can be divided into three groups? Identify and define each of them.
Answer page 155 to156
Auditing is defined by the American Accounting Association (AAA) as "a systematic process of objectively obtaining and evaluating evidence regarding assertions about economic actions and events to ascertain the degree of correspondence between those assertions and established criteria, and communicating the results to interested users."
People who perform audits can be divided into three groups: independent auditors, government auditors, and internal auditors. Independent auditors basically are certified public accountants (CPAs) who provide their services to organizations for a fee; they examine the financial statements of an organization to determine whether they have been prepared according to generally accepted accounting principles (GAAP) and whether they fairly represent the activities of the firm. Independent auditors use a set of standards called generally accepted auditing standards (GAAS). Public accounting firms often have a consulting arm that provides strategy-evaluation services.
Two government agencies—the General Accounting Office (GAO) and the Internal

Revenue Service (IRS)—employ government auditors responsible for making sure that organization comply with federal laws, statutes, and policies. GAO and IRS

auditors can audit any public or private organization. The third group of auditor is employees within an organization who are responsible for safeguarding company assets, for assessing the efficiency of company operations, and for ensuring that generally accepted business procedures are practiced.

MCQs'

1. A good evaluation system must posses various qualities. Which of the following is not a characteristic of a good strategy evaluation system?

► Strategy-evaluation activities must be economical
► Strategy-evaluation activities should be meaningful
► Strategy-evaluation activities should dominate the decisions
► Strategy-evaluation activities should provide timely information

Page#154• First, strategy -evaluation activities must be economical; too much information can be just as bad as too little information; and too many controls can do more harm than good.
• Strategy -evaluation activities also should be meaningful; they should specifically relate to a firm's objectives.
• Strategy -evaluation activities should provide timely information; on occasion and in some areas, managers may need information daily.

2. Which of the following statement is TRUE about 'Controls' which are used in strategy evaluation stage?

►They are strategy-oriented
►They are action-oriented
►They are control-oriented
►They are information-oriented

Controls need to be action-oriented rather than information-oriented. Page#154

3. Identify a factor which determines the final design of a firm's strategy-evaluation and control system.

► Opportunities
► External characteristics
► Organization's characteristics
► Competition 'characteristics

The unique characteristics of an organization, including its size, management style, purpose, problems, and strengths, can determine a strategy-evaluation and control system's final design. Page#154

4. According to "Linneman and Chandran", which of the following permits quick response to change, prevents panic in crisis situations and makes managers more adaptable?

► Forecasting
► Contingency planning
► Taking corrective actions

► **Environmental scanning**

Linneman and Chandran reported that contingency planning gave users such as

DuPont, Dow Chemical, Consolidated Foods, and Emerson Electric three major benefits: It permitted quick response to change, it prevented panic in crisis situations, and it made managers more adaptable by encouraging them to appreciate just how variable the future can be.Page#155

5. The people who perform audit can be categorized as all of the following EXCEPT:

►Independent auditors
►Financial auditors
►Government auditors
►Internal auditors

People who perform audits can be divided into three groups: independent auditors, government auditors, and internal auditors.Page#155

6. Which of the following is defined as having alternative plans that can be put into effect if certain key events do not occur as expected?

►corporate agility
► Scenario planning
► Forecasting
► Contingency planning

Contingency plans can be defined as alternative plans that can be put into effect if certain key events do not occur as expected. Page#155

7. The product design, packaging, product disposal and corporate rewards should reflect which of the following?

► Product quality consideration
► Union consideration
► Environmental consideration
► Customer consideration

Page#156Product design, manufacturing, transportation, customer use, packaging, product disposal, and corporate rewards and sanctions should reflect environmental considerations.

8. Too much emphasis on evaluating strategies may be expensive and counterproductive.

► True
► False

Page#157Too much emphasis on evaluating strategies may be expensive and counterproductive.

MGT603 - Strategic Management Glossary For Final Term Exam Preparation

Glossary

Business Model : A company's business model deals with whether the revenue-cost-profit economics of its strategy demonstrate the viability of the enterprise as a whole.

Global competition : Global competition exists when competitive conditions across national markets are linked strongly enough to form a true international market and when leading competitors compete head to head in many different countries.

International (multinational) company : A company is an international (or multinational) competitor when it competes in a select few foreign markets. It is a global competitor when it has or is pursuing a market presence on most continents and in virtually all of the world's major countries.

Strategic Plan : A strategic plan consists of an organization's mission and future direction, near-term and long-term performance targets, and strategy.

Strategy : A company's strategy consists of the combination of competitive moves and business approaches that managers employ to please customers, compete successfully, and achieve organizational objectives.

Strategy Implementation : Strategy implementation concerns the managerial exercise of putting a freshly chosen strategy into place.

Benchmarking : Benchmarking has proven to be a potent tool for learning which companies are best at performing particular activities and then utilizing their techniques (or "best practices") to improve the cost and effectiveness of a company's own internal activities.

Business Strategy : Business strategy concerns the actions and the approaches crafted by management to produce successful performance in one specific line of business; the central business strategy issue is how to build a stronger long-term competitive position.

Cash Cow : A cash cow business is a valuable part of a diversified company's business portfolio because it generates cash for financing new acquisitions, funding the capital requirements of cash hogs, and paying dividends.

Company Competence : A company competence is the product of learning and experience and represents real proficiency in performing an internal activity.

Core Competence and Distinctive Competence : A core competence is something that a company does well relative to other internal activities; a distinctive competence is something a company does well relative to competitors.

Strategic Group Mapping : Strategic group mapping is a technique for displaying the different competitive positions that rival firms occupy in the industry.

corporate-level strategy : a strategy that answers the question, What business should we be in to maximize the long-run profitability of the organization?

cognitive biases-errors : In the way human decision makers process information and reach decisions.

Cash Hog : A cash hog business is one whose internal cash flows are inadequate to fully fund its needs for working capital and new capital investment.

Driving Forces : Industry conditions change because important forces are driving industry participants (competitors, customers, or suppliers) to alter their actions; the driving forces in an industry are the major underlying causes of changing industry and competitive conditions.

Environmental Scanning : Managers can use environmental scanning to spot budding trends and clues of change that could develop into new driving forces.
Key Success Factors : Key success factors concern the product attributes, competencies, competitive capabilities, and market achievements with the greatest direct bearing on company profitability.
Strategic Objectives : Strategic objectives relate to outcomes that strengthen an organization's overall business position and competitive vitality; Financial objectives relate to the financial performance targets management has established for the organization to achieve.
Strategic Vision : A strategic vision is a roadmap of a company's future-providing specifics about technology and customer focus, the geographic and product markets to be pursued, the capabilities it plans to develop, and the kind of company that management is trying to create.
Strategy Execution : Strategy execution deals with the managerial exercise of supervising the ongoing pursuit of strategy, making it work, improving the competence with which it is executed, and showing measurable progress in achieving the targeted results.
Unrelated Diversification : A strategy of unrelated diversification involves diversifying into whatever industries and businesses hold promise for attractive financial gain; exploiting strategic-fit relationships is secondary.
Leadership Strategy : In a declining industry, a strategy by which a company seeks to become the dominant player by picking up market share of companies that are leaving the industry.
Liquidation : The means by which a company exits an industry by selling off its assets.
Liquidity : A measure of a company's ability to meet short-term obligations.
Leveraged Buyout (LBO) : A corporate restructuring in which a company's own managers are among the buyers of the firm and in which the cash used to buy back the company's stock is raised by issuing bonds, transforming the corporation from a public to a private entity.
Management by objectives (MBO) : A participatory process of evaluating managers by their ability to achieve specific organizational goals or performance standards and to meet their operating budgets.
Market Development : The strategy by which companies find new markets for their products.
Market Penetration : A strategy by which a company concentrates on expanding market share in its existing product markets.
Market Segmentation : The way a company decides to group customers, based on important differences in their needs or preferences, in order to gain a competitive advantage.
Matrix Structure : An organizational structure that is based on two forms of horizontal differentiation so that activities on the vertical axis are grouped by function and on the horizontal axis by product or project.
Mission : A statement of why the organization exists and what it should be doing.
Motivation : The psychological attribute contributing to emotional intelligence that refers to a passion for work that goes beyond money or status and a propensity to pursue goals with energy and persistence
Niche Strategy : In a declining industry, a strategy by which a company focuses on pockets of demand that are stable or declining more slowly than the industry as a whole.
Net Profit Margin : The percentage of profit earned on sales
New-Venture Division : An organizational unit created with the autonomy to experiment and take risks away from the day-to-day scrutiny of top management.

Organizational Conflict : The struggle that arises when the goal-directed behavior of one organizational group blocks the goal-directed behavior of another.
Organizational Culture : The specific collection of values and norms that are shared by people and groups in an organization and that control the way they interact with each other and with outside stakeholders
Outsourcing : The practice of contracting with independent suppliers to perform a company's non-core activities.
Organizational Design : Selecting the combination of organizational structure and control systems that lets a company pursue its strategy most effectively.
Power : The ability of one individual, function, or division to cause another individual, function, or division to do something it would not otherwise have done.
Product Development : The creation of new or improved products to replace existing ones.
Product Differentiation : The process of creating a competitive advantage by designing goods or services to satisfy customers' needs.
Profit Ratios : A means of measuring the efficiency with which a company uses its resources.
Profit : Sharing system-reward system that pays employees on the basis of the profit the company earns in any one time period
Quality Products : Goods and services that are reliable in the sense that they do the job they were designed for and do it well.
Question Marks : In the BCG matrix, the strategic business units that are relatively weak in competitive terms but are based in high-growth industries and may offer opportunities for long-term profit and growth.
Quick Ratio : A company's ability to pay off the claims of short-term creditors without relying on the sale of its inventories.
Relative Market Share : The ratio of a strategic business unit's market share to the market share held by the largest rival company in its industry.
Research and SDevelopment (R&D) : The business activity concerned with the design of products and production processes.
Restructuring : A means of implementing strategic change aimed at improving performance by reducing the level of differentiation and integration and downsizing the number of employees to decrease operating costs.
Resources : The financial, physical, human, technological, and organizational inputs available to the company.
Threats : Conditions in the external environment that endanger the integrity and profitability of the company's business.
Takeover Constraint : The risk of being acquired by another company that limits the extent to which managers can pursue strategies and take actions that put their own interests above those of the stockholders.
Values : Statements that indicate how managers intend to conduct themselves, how they intend to do business, and what kind of organization they want to build.
Acquisition and Restructuring strategy : A strategy based on the presumption that a company with superior internal governance systems can create value by acquiring inefficient and poorly managed enterprises and improving their efficiency.

Acquisitions : A vehicle companies use to enter and develop new business areas involving buying an existing business.
Activity Ratios : A means of measuring how effectively a company is managing its assets.
Adaptive Cultures : Those that are innovative and encourage and reward initiative by middle and lower-level managers.
Balanced Scorecard Model : A means by which managers assess organizational performance by considering both financial measures and performance measures that assess efficiency, quality, innovation, and responsiveness to customers.
Barriers to entry : Factors that make it costly for companies to enter an industry.
External Stakeholders- : All individuals and groups other than internal stakeholders who have some claim on the company. These include customers, suppliers, governments, unions, local communities, and the general public.
Efficiency : Outputs divided by inputs.
Economies of Scale : The cost advantages associated with large company output; unit-cost reductions associate with a large scale of output.
Exit Barriers : Economic, strategic, and emotional factors that keep companies in an industry even when returns are low.
Five Forces Model : A framework developed by Michael E. Porter that focuses on the five forces that shape competition within an industry: risk of new entry by potential competitors, degree of rivalry among established companies in an industry, bargaining power of buyers, bargaining power of suppliers, and threat of substitute products
Focus Strategy : A strategy a company pursues whereby it concentrates on serving the needs of a limited customer group or segment, defined by geography, type of customer, or segment of the product line.
Franchising : Selling the rights of a service to an organization that in turn sells it in a foreign market.
Full integration : The production of all of a particular input needed for a company's processes, or the disposal of all a company's outputs through its own operations
Functional Structure : An organizational structure that groups people on the basis of their common expertise and experience or the fact that they use the same resources.
Functional-level Strategy : A strategy directed at improving the effectiveness of operations within a company, such as manufacturing, marketing, materials management, product development, and customer service.
General Manager : An individual who bears responsibility for the overall performance of the organization or one of its major self-contained divisions.
Geographic Structure : An organizational structure in which geographic regions become the basis for the grouping of organizational activities.
Goal : A desired future state that a company attempts to realize.
Globalization of Markets : A fundamental change in which national markets are merging into one huge global marketplace.
Human Resource : The business function that ensures the company has the right mix of skilled people to perform its value creation activities effectively
Harvest Strategy/Asset Reduction, : A strategy whereby a company limits or decreases its investment in a business and extracts or milks the investment as much as it can; in a declining industry, a strategy by which a company optimizes cash flow.

Hold-and-Maintain strategy- : A strategy whereby low-cost companies and differentiators expand resources to develop their distinctive competency so as to remain market leaders.
Horizontal Merger : A business-level strategy of consolidating an industry to obtain economies of scale or secure a national market for products.
Horizontal Differentiation : The means by which the organization focuses on the division and grouping of people and tasks into functions and divisions to meet the objectives of the business.
Industry : A group of companies offering products or services that are close substitutes for each other.
Industry life cycle model- : A tool for analyzing the effects of industry evolution on competitive forces that identifies five distinct stages: embryonic, growth, shakeout, mature, and declining.
Innovation : Anything new or novel about the way a company operates or the products it produces; the process by which organizations use their skills and resources to create new technologies or goods and services in order to change and respond better to customer needs.
Integration : The means by which a company seeks to coordinate people and functions to accomplish organizational tasks.
Joint Ventures : A vehicle companies use to enter and develop new business areas involving the establishment of a new business with the assistance of a partner.
Legitimate Power : The authority a manager possesses by virtue of holding a formal position in the hierarchy.
Network Structure : The set of strategic alliances an organization creates with suppliers, manufacturers, and distributors to produce and market a product.
Quantum Innovation- : The introduction of something new to the world, representing a radical departure from existing technology.
Reengineering : The fundamental rethinking and radical redesign of business processes to achieve dramatic improvements in critical, contemporary measures of performance such as cost, quality, service, and speed.
Related Diversification : Diversification into a new business activity linked to a company's existing business activity or activities by commonality between one or more components of each activity's value chain.
Tall Structure : An organizational structure with many hierarchical levels and thus a relatively narrow span of control.
Turnaround Strategies : Strategies by which a company in a weak competitive position can redeploy resources and change its strategy.
Top-Down Change- : Change that occurs when a strong CEO or top-management team analyzes how to alter strategy and structure, recommends a course of action, and moves quickly to restructure and implement change in the organization.
Vision : A challenging and imaginative picture of the future role and objectives of an organisation, significantly going beyond its current environment and competitive position. It is often associated with an outstanding leader of the organisation.
Value system : The wider routes in an industry that add value to incoming supplies and outgoing distributors and customers. It links the industry value chain to that of other industries. It is used for developing competitive advantage.
White Spaces : The new products or services a company could create by creatively redeploying or recombining its current core competencies.

Whollyowned Subsidiary- : A subsidiary of which the parent company owns 100 percent of the stock.
Differentiation Strategy : The essence of a differentiation strategy is to be unique in ways that are valuable to customers and that can be sustained.
Divestiture : Divestiture usually takes one of two forms-spinning a business off as an independent company or selling it to another company.
Mission Statement : A company's mission statement is typically focused on its present business scope-"who we are and what we do"; mission statements broadly describe an organization's present capabilities, customer focus, activities, and business makeup.

Multicountry (or multidomestic) competition : Multicountry (or multidomestic) competition exists when competition in one national market is independent of competition in another national market-there is no "international market," just a collection of self-contained country markets.
Strategic Cost Analysis : Strategic cost analysis involves comparing how a company's unit costs stack up against the unit costs of key competitors activity by activity, thereby pinpointing which internal activities are a source of cost advantage or disadvantage.
Strategic Management : The term strategic management refers to the managerial process of forming a strategic vision, setting objectives, crafting a strategy, implementing and executing the strategy, and then over time initiating whatever corrective adjustments in the vision, objectives, strategy, and execution are deemed appropriate.
Value Chain : A company's value chain identifies the primary activities that create value for customers and the related support activities.
Vertical Integration : Integrating operations backward into the production of inputs for the company's main operation, or forward into the disposal of outputs from the operation.
clarity of expectations : In strategic decision making, the idea that before, during, and after strategic decisions are made, managers should have a solid understanding of what is expected of them and what the new "rules of the game" are.
Corporate Culture : Corporate culture refers to a company's values, beliefs, business principles, traditions, ways of operating, and internal work environment.
Corporate Intrapreneuring : Corporate intrapreneuring relies upon middle and lower-level managers and teams to spot new business opportunities, develop strategic plans to pursue them, and create new businesses.
Corporate Restructuring : Corporate restructuring involves making radical changes in the composition of the businesses in the company's portfolio.
Corporate Strategy : Corporate strategy concerns how a diversified company intends to establish business positions in different industries and the actions and approaches employed to improve the performance of the group of businesses the company has diversified into.
Functional Strategy : Functional strategy concerns the managerial game plan for running a major functional activity or process within a business-R&D, production, marketing, customer service, distribution, finance, human resources, and so on; a business needs as many functional strategies as it has major activities.
Objectives : Objectives are an organization's performance targets-the results and outcomes it wants to achieve. They function as yardsticks for tracking an organization's performance and progress.

Operating Strategy : Operating strategy concerns how to manage front-line organizational units within a business (plants, sales districts, distribution centers) and how to perform strategically significant operating tasks (materials purchasing, inventory control, maintenance, shipping, advertising campaigns).
Organizational Strategy : An organization's strategy deals with how to make management's strategic vision for the company a reality-it represents the game plan for moving the company into an attractive business position and building a sustainable competitive advantage.
Resource Strengths and Weaknesses : A company's resource strengths represent competitive assets; its resource weaknesses represent competitive liabilities.
Strategic Intent : A company exhibits strategic intent when it relentlessly pursues an ambitious strategic objective and concentrates its competitive actions and energies on achieving that objective.
Sustainable Competitive Advantage : A company that can expand its stock of strategic assets faster and at lower cost than rivals obtains sustainable competitive advantage.
congruence : The fit among a company's strategy, structure, and controls.
devil's advocacy : A means of improving decision making by generating both a plan and a critical analysis of the plan.
Attractiveness-Strength Matrix : In the attractiveness-strength matrix, each business's location is plotted using quantitative measures of long-term industry attractiveness and business strength/competitive position.
Board of Directors : The central role of the board of directors in the strategic management process is (1) to critically appraise and ultimately approve strategic action plans and (2) to evaluate the strategic leadership skills of the CEO and others in line to succeed the incumbent CEO.
TQM : TQM entails creating a total quality culture bent on continuously improving the performance of every task and value chain activity.
Business ethics : Business ethics is a form of applied ethics that examines ethical principles and moral or ethical problems that arise in a business environment, like occupational safety and health, anti-competitive practices, etc.
Change : To make something different from its current state.
Code of ethics : Those regulatory written rules of expected and required behavior established by the governing members of professional\business organizations which regulate the manner its members must conduct themselves.
Contingency plans : Backup plans or alternative plans that are to be used in case of unexpected events.
Control : The process whereby a company measures performance to standards and takes corrective actions as necessary to meet such standards
Corporation : A business comprised of one or more owners who assume limited liability and are subject to double taxation.
Downsizing : Reducing the size (in both scale and scope) of the organization in order to make gains in efficiency
Downward communication : Communication network that flows downward (from upper to lower level) through the organization
Entrepreneur : A risk-taker willing to try new things typically by creating new businesses

General environment : The general environment includes those sectors that might not have a direct impact on the daily operations of a firm but will indirectly influence it. General environment sectors include the financial resources, technology, economic conditions, government, and socio-cultural sectors.
Global environment : All firms, individuals, groups, and governments that conduct business or make rules in the global marketplace
Group dynamics : The overall processes, personality, and character of the group.
Hierarchy : The organization of people at different ranks in an administrative body
Horizontal communication : Communication network that flows within the same hierarchy of the organization
Just-in-time (JIT) inventory : An efficient inventory strategy by which a company purchases inventory only when it needs it; this reduces inventory build up and can save on cost.
Licensing : Selling the rights of a good to an organization that in turn sells it in a foreign market.
Management : The act of planning, organizing, leading, and controlling resources to accomplish an organization's goals efficiently and effectively
Management information system (MIS) : A system used to organize data and help managers operate their areas efficiently.
Operations management : The process of obtaining inputs and converting them into outputs for the company
Opportunities : External movements and patterns that are seen as positives to the firm
Organizational structure : A formal system of relationships depicting communication, authority, and tasks for the purpose of accomplishing an organization's goals
Orientation : Familiarizing new employees to an organization's policies, procedures, and job tasks
Planning : One of the four functions of management that entails generating specific goals and actions to achieve such goals.
Product life cycle : The stages of a product's life in terms of sales (demand) over time.
Productivity : The ability to gain outputs from inputs in an efficient manner
Recruitment : Recruitment refers to the process of sourcing, screening, and selecting people for a job at an organization or firm.
Rightsizing : Finding the correct size of scale in order to gain efficiencies throughout the organization
SWOT analysis : A tool of planning that allows managers to identify strengths (S), weaknesses (W), opportunities (O), and threats (T) relevant to the firm.
Social responsibility : Contributions and positive societal actions or behaviors that business organizations perform and society's expectations of such contributions or actions.
Span of control : The number of individuals reporting to one person.
Synergy : When the sum of the group is greater than the total of the individual parts.
Task environment : The task environment includes sectors with which the organization interacts directly and that have a direct impact on the organization's ability to achieve its goals. Task environment sectors include the international, industry, raw materials, human resources, and market sectors.
Uncertainty : The state of having insufficient information to make a perfect decision

Upward communication : Communication network that flows upward (from downward to upward) through the organization
Weaknesses : Internal activities and behaviors that are seen as negatives to the firm.
Corporate governance : (1) The way in which organizations are directed and controlled, or (2) the process by which corporations are made responsive to the rights and wishes of stakeholders.
Cost leadership strategy : It is the strategy where an organization seeks to achieve the lowest cost position in the industry without sacrificing its product quality.
Diversification : It occurs where an organization seeks to broaden its scope of activities by moving into new products and new markets.
Dog : A business unit which has a low market share within a low-growth industry.
First-mover advantages : It refers to organizations which benefit from the learning and experience they acquire as a result of being first in the marketplace or the advantages accruing to the first to enter a market.
Hybrid strategy : This is the strategy where an organization is able to combine being a low cost producer with some form of differentiation.
Marketing mix : It is a set of marketing tools commonly referred to as the 4Ps: product, price, place, and promotion.
Positioning : Customers’ perception of the product offer relative to competitors
Primary activities : The activities which are directly involved in the creation of a product or service
Shareholders : Individuals or groups who have invested their capital within an organization, and are therefore deemed to be the owners
Star : A business unit that is characterized by high growth and high market share
Strategic business unit : It is a distinct part of an organization which focuses upon a particular market or markets for its products and services.
Support activities : The activities which ensure that the primary activities are carried out efficiently and effectively

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Question No: 49 (Marks: 3)

What is the significance of Production department in an organization?

Production department mainly concern with the achievement of organization goals and targets. Production processes typically constitute more than 70 percent of a firm's total assets. Production department plays a crucial role for implementing organization strategy. Production-concerned decisions on plant location, plant size, , product design, choice of equipment, size of inventory, inventory control, quality control, cost control, use of standards, shipping and packaging, and technological innovation, job specialization, employee training, equipment and resource utilization. All these factors place an important impact on success and failure of the strategy.

Question No: 50 (Marks: 3)

Auditors who perform audit can be divided into three groups? Identify and define each of them.

People who perform audits can be divided into three groups: independent auditors, government auditors, and internal auditors.

https://sites.google.com/site/auditingregulation/auditopedia-1/different-types-of-auditors & handouts page 155 and 156

Question No: 51 (Marks: 5)

Discuss the activities that can help an organization to reduce cost.

Cost leadership emphasizes producing standardized products at very low per-unit cost for consumers who are price-sensitive

A successful cost leadership strategy usually permeates the entire firm, as evidenced by high efficiency, low overhead, limited perks, intolerance of waste, intensive screening of budget requests, wide spans of control, rewards linked to cost containment, and broad employee participation in cost control efforts.

More detail page 86 and 87

Question No: 52 (Marks: 5)

QSPM requires intuitive judgments and educated assumptions. Discuss.

Requires intuitive judgments and educated assumptions is one of the limitations of QSPM.

The ratings and attractiveness scores require judgmental decisions, even though they should be based on objective information. Discussion among strategists, managers, and employees throughout the strategy formulation process, including development of a

QSPM, is constructive and improves strategic decisions. Constructive discussion during strategy analysis and choice may arise because of genuine differences of interpretation of information and varying opinions

Question No: 53 (Marks: 5)

Finance or accounting plays an important role in successful strategy implementation process. You are required to give some of the examples of finance/accounting decisions that may require policies.

Some examples of decisions that may require finance/accounting policies are:
1. To raise the amount of capital by issuing shares or obtaining a debt from external parties.
2. To enhance the inventory turn over level
3. To make or buy fixed assets.
4. To extend the time of accounts receivable.
5. To establish a certain percentage discount on accounts within a specified period of time.
6. To determine the amount of cash that should be kept on hand
7. To determine an appropriate dividend payout ratio.
8. To use LIFO, FIFO

FINALTERM EXAMINATION
FALL 2007
MGT603 - STRATEGIC MANAGEMENT (Session - 6)

Question No: 26 (Marks: 5)

"QSPM (Quantitative Strategic Planning Matrix) is not without limitations" Discuss.

The QSPM is not without some limitations. First, it always requires intuitive judgments and educated assumptions. The ratings and attractiveness scores require judgmental decisions, even though they should be based on objective information. Discussion among strategists, managers, and employees throughout the strategy formulation process, including development of a QSPM, is constructive and improves strategic decisions. Constructive discussion during strategy analysis and choice may arise because of genuine differences of interpretation of information and varying opinions. Another limitation of the QSPM is that it can be only as good as the prerequisite information and matching analyses upon which it is based.

Question No: 27 (Marks: 5)

A company has changed its strategy to compete on low cost to high quality provider of goods and services. What positive and negative points it may have?

Compete as low-cost provider of goods or services

Discourages competition

Broadens market

Requires longer production runs and fewer product changes

Requires special-purpose equipment and facilities
Compete as high-quality provider
Often possible to obtain more profit per unit, and perhaps more total profit from a smaller volume of sales
Requires more quality-assurance effort and higher operating cost
Requires more precise equipment, which is more expensive
Requires highly skilled workers, necessitating higher wages and greater training efforts

Question No: 28 (Marks: 5)
Why vision and mission are different. Are both necessary for organizations?
Vision Statements and Mission Statements are the inspiring words chosen by successful leaders to clearly and concisely convey the direction of the organization. By crafting a clear mission statement and vision statement, you can powerfully communicate your intentions and motivate your team or organization to realize an attractive and inspiring common vision of the future.
"Mission Statements" and "Vision Statements" do two distinctly different jobs.
A Mission Statement defines the organization's purpose and primary objectives. Its prime function is internal – to define the key measure or measures of the organization's success – and its prime audience is the leadership team and stockholders.
Vision Statements also define the organizations purpose, but this time they do so in terms of the organization's values rather than bottom line measures (values are guiding beliefs about how things should be done.) The vision statement communicates both the purpose and values of the organization. For employees, it gives direction about how they are expected to behave and inspires them to give their best. Shared with customers, it shapes customers' understanding of why they should work with the organization.

Question No: 29 (Marks: 10)
Using a Grand Strategy Matrix approach, what strategies are recommended for a firm that is a strong competitor in a rapid-growing market? Elaborate on what these strategies could mean for an electronics company.
Following Strategies are recommended for a firm that is a strong competitor in a rapid-growing market:

- Market development
- Market penetration
- Product development
- Forward integration
- Backward integration
- Horizontal integration
- Concentric diversification

Question No: 30 (Marks: 10)
Discuss similarities and dissimilarities of restructuring and reengineering.

Restructuring—also called downsizing, rightsizing, or delayering—involves reducing the size of the firm in terms of number of employees, number of divisions or units, and number of hierarchical levels in the firm's organizational structure. This reduction in size is intended to improve both efficiency and effectiveness. Restructuring is concerned primarily with shareholder well-being rather than employee well-being.
In contrast, reengineering is concerned more with employee and customer well-being than shareholder well-being. Reengineering—also called process management, process innovation, or process redesign— involves reconfiguring or redesigning work, jobs, and processes for the purpose of improving cost, quality, service, and speed. Reengineering does not usually affect the organizational structure or chart, nor does it imply job loss or employee layoffs. Whereas restructuring is concerned with eliminating or establishing, shrinking or enlarging, and moving organizational departments and divisions, the focus of reengineering is changing the way work is actually carried out.
Reengineering is characterized by many tactical (short-term, business function-specific) decisions, whereas restructuring is characterized by strategic (long-term, affecting all business functions) decisions.

FINALTERM EXAMINATION
Fall 2009

Question No: 61 (Marks: 5)
Identify any five variables relating to Competitive Advantage (CA) that are useful in determining Internal Strategic Position of a company.
Competitive Advantage (CA)

- Access to the market share
- Quality of product and services
- Product life cycle
- Customer loyalty
- Capacity, location and layout
- Technological know-how
- Backward and forward integration

OR
http://it.toolbox.com/blogs/enterprise-solutions/analyzing-your-organizations-competitive-advantage-22937

Question No: 62 (Marks: 5)
How can a firm create a "cost advantage"? Discuss it by keeping in mind value chain activities.
Creating a cost advantage based on the value chain
A firm may create a cost advantage:
• By reducing the cost of individual value chain activities, or
• By reconfiguring the value chain.
Porter identified **10 cost drivers** related to value chain activities:
1. Economies of scale.

2. Learning.
3. Capacity utilization.
4. Linkages among activities.
5. Interrelationships among business units.
6. Degree of vertical integration.
7. Timing of market entry.
8. Firm's policy of cost or differentiation
9. Geographic location.
10. Institutional factors (regulation, union activity, taxes, etc.).

A firm develops a cost advantage by controlling these drivers better than its competitors do.

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Question No: 63 (Marks: 10)

Describe the types of organizational structures managers can design. Also explain why they choose one structure over another.

Type of organizational structures

- **Functional Structure**
- **Divisional Structure**
  - **Divisional structure by geographic area**
  - **Divisional structure by product**
  - **Divisional structure by customer**
  - **Divisional structure by process**
- **The Strategic Business Unit (SBU) Structure**
- **The Matrix Structure**

The most widely used structure is the functional or centralized type because this structure is the simplest and least expensive of the seven alternatives

Page 118,119,120 Lecture#33

Question No: 64 (Marks: 10)

Strategy can neither be formulated nor be adjusted to changing circumstances without a process of strategy evaluation. But in order to be effective, this process must meet several basic requirements. You are required to discuss those requirements.

A Good evaluation system must posses various qualities. It must meet several basic requirements to be effective.

- First, strategy-evaluation activities must be economical; too much information can be just as bad as too little information; and too many controls can do more harm than good.
- Strategy-evaluation activities also should be meaningful; they should specifically relate to a firm's objectives. They should provide managers with useful information about tasks over which they have control and influence.

- Strategy-evaluation activities should provide timely information; on occasion and in some areas, managers may need information daily.
- Strategy evaluation should be designed to provide a true picture of what is happening.
- Information derived from the strategy-evaluation process should facilitate action and should be directed to those individuals in the organization who need to take action based on it.
- Controls need to be action-oriented rather than information-oriented.
- The strategy-evaluation process should not dominate decisions; it should foster mutual understanding, trust, and common sense! No department should fail to cooperate with another in evaluating strategies.
- Strategy evaluations should be simple, not too cumbersome, and not too restrictive. Complex strategy evaluation systems often confuse people and accomplish little. The test of an effective evaluation system is its usefulness, not its complexity

FINALTERM EXAMINATION
Fall 2008
MGT603- Strategic Management (Session - 2)

Question No: 43 (Marks: 3)
Formulation framework is considered to be the input stage of a Comprehensive Strategy-Formulation Framework. You are required to identify the strategy formulation tools included in this stage.

Stage-1 (Formulation Framework)
1. External factor evaluation
2. Competitive matrix profile
3. Internal factor evaluation

Stage 1 of the formulation framework consists of the EFE Matrix, the IFE Matrix, and the Competitive Profile Matrix. Called the *Input Stage,* Stage 1 summarizes the basic input information needed to formulate strategies.

Question No: 44 (Marks: 3)
One of the approaches to implement change says: "People are basically compliant and will generally do what they are told or can be made to do and change is based on the exercise of authority and the imposition of sanctions." Identify that approach and explain.
The power-coercive approach relies on influencing individuals and systems to change through legislation and external leverage where power of various types is the dominant factor. Power-coercive strategies emphasize political, economic, and moral sanctions, with the focus on using power of some type to "force" individuals to adopt the change.

Question No: 45 (Marks: 3)
Net worth can be used to determine credit worthiness because it gives a snapshot of the company's investment history. Identify three approaches for determining the worth of a

business.
All the various methods for determining a business's worth can be grouped into three main approaches
1. What a firm owns
2. What a firm earns
3. What a firm will bring in the market.
The first approach in evaluating the worth of a business is determining its net worth or stockholders' equity. Net worth represents the sum of common stock, additional paid-in capital, and retained earnings.
The second approach to measuring the value of a firm grows out of the belief that the worth of any business should be based largely on the future benefits its owners may derive through net profits.
The third approach, letting the market determine a business's worth, involves three methods.
1. First, base the firm's worth on the selling price of a similar company..
2. The second approach is called the price-earnings ratio method. To use this method, divide the market price of the firm's common stock by the annual earnings per share and multiply this number by the firm's average net income for the past five years.
3. The third approach can be called the outstanding shares method. To use this method, simply multiply the number of shares outstanding by the market price per share and add a premium. The premium is simply a per share dollar amount that a person or firm is willing to pay to control (acquire) the other company.

Question No: 46 (Marks: 5)
Explain the benefits and limitations of developing a Boston Consulting Group Matrix.
The BCG Matrix has one major benefit: draws attention to the cash flow, investment characteristics and needs of an organization's various divisions.

The BCG Matrix has some limitations: 1) Viewing every business as either a star, cash cow, dog, or question mark is an oversimplification; many businesses fall right in the middle of the BCG Matrix and thus are not easily classified, 2) the BCG Matrix does not reflect whether or not various divisions or their industries are growing over time; that is, the matrix has no temporal qualities, but rather it is a snapshot of an organization as any given point in time and 3) other variables besides relative market share position and industry growth rate in sales are important in making strategic decisions about various divisions.

Question No: 47 (Marks: 5)
Describe the kind of strategy-evaluation system, a large and a small organization require?
Large organizations require a more elaborate and detailed strategy-evaluation system because it is more difficult to coordinate efforts among different divisions and functional areas. Managers in small companies often communicate with each other and their

employees daily and do not need extensive evaluative reporting systems. Familiarity with local environments usually makes gathering and evaluating information much easier for small organizations than for large businesses. But the key to an effective strategy evaluation
System may be the ability to convince participants that failure to accomplish certain objectives within a prescribed time is not necessarily a reflection of their performance.

Question No: 48 (Marks: 10)
Suppose you are a strategist in a company and you want to evaluate the effectiveness of your contingency planning? How will you do it?
Contingency plans can be defined as alternative plans that can be put into effect if certain key events do not occur as expected.
Effective contingency planning involves a seven-step process as follows:
1. Identify both beneficial and unfavorable events that could possibly derail the strategy or strategies.
2. Specify trigger points. Calculate about when contingent events are likely to occur.
3. Assess the impact of each contingent event. Estimate the potential benefit or harm of each contingent event.
4. Develop contingency plans. Be sure that contingency plans are compatible with current strategy and are economically feasible.
5. Assess the counter impact of each contingency plan. That is, estimate how much each contingency plan will capitalize on or cancel out its associated contingent event. Doing this will quantify the potential value of each contingency plan.
6. Determine early warning signals for key contingent events. Monitor the early warning signals.
7. For contingent events with reliable early warning signals, develop advance action plans to take advantage of the available lead time.

Question No: 49 (Marks: 10)
The Management of Voyager Pvt.Ltd. has been facing a decline in sales and profits since 9 months due to strong competitors. Now the management has decided to restructure the company. You being a management consultant are required to guide them in the following areas:
Process of restructuring (2)
Restructuring is the corporate management term for the act of partially dismantling and reorganizing a company for the purpose of making it more efficient and therefore more profitable. It generally involves selling off portions of the company and making severe staff reductions.
In which cases they should use this option? (2)
When company division is no longer profitable or which has distracted management from its core business
What would be the benefits of restructuring to the organization? (3)
The primary benefit sought from restructuring is cost reduction. For some highly

bureaucratic firms, restructuring can actually rescue the firm from global competition and demise.

What possible actions the management should take while restructuring the company? (3)

The selling of portions of the company, such as a division that is no longer profitable or which has distracted management from its core business, can greatly improve the company's balance sheet. Staff reductions are often accomplished partly through the selling or closing of unprofitable portions of the company and partly by consolidating or outsourcing parts of the company that perform redundant functions (such as payroll, human resources, and training) left over from old acquisitions that were never fully integrated into the parent organization.

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Fall 2008
MGT603- Strategic Management (Session - 1)

Question No: 43 (Marks: 3)

If you construct a SPACE Matrix and the directional vector points to the lower left quadrant, what type of strategies would you recommend?

Lower left quadrant mean defensive

The firms fall in this quadrant compete in slow-growth industries and have weak competitive positions. These firms must make some drastic changes quickly to avoid further demise and possible liquidation. Extensive cost and asset reduction (retrenchment) should be pursued first. An alternative strategy is to shift resources away from the current business into different areas. If all else fails, the final options for Quadrant III businesses are divestiture or liquidation.

Retrenchment
Concentric diversification
Horizontal diversification
Conglomerate diversification
Liquidation

Question No: 44 (Marks: 3)

Define Functional level objectives. Provide at least two statements exemplifying such objectives.

Functional level objectives specific objectives for marketing activities
Examples of functional marketing objectives" might include:

• We aim to build customer database of at least 250,000 households within the next 12 months
• We aim to achieve a market share of 10%
• We aim to achieve 75% customer awareness of our brand in our target markets

Question No: 45 (Marks: 3)

Auditors who perform audit can be divided into three groups? Identify and define each of them.

People who perform audits can be divided into three groups: independent auditors, government auditors, and internal auditors.

https://sites.google.com/site/auditingregulation/auditopedia-1/different-types-of-auditors & handouts page 155 and 156

Question No: 46 (Marks: 5)

Identify the five steps that must be followed while developing an IE Matrix.

Steps for the development of IE matrix

1. Based on two key dimensions IFE and EFE.
2. Plot IFE total weighted scores on the *x*-axis and the EFE total weighted scores on the *y* axis
3. On the *x*-axis of the IE Matrix, an IFE total weighted score of 1.0 to 1.99 represents a weak internal position; a score of 2.0 to 2.99 is considered average; and a score of 3.0 to 4.0 is strong.
4. On the *y*-axis, an EFE total weighted score of 1.0 to 1.99 is considered low; a score of 2.0 to 2.99 is medium; and a score of 3.0 to 4.0 is high.
5. IE Matrix divided into three major regions.

Grow and build – Cells I, II, or IV
Hold and maintain – Cells III, V, or VII
Harvest or divest – Cells VI, VIII, or IX

Question No: 47 (Marks: 5)

Positioning is actually the way that a product is introduced to its market audience. What are the five steps required for effective product positioning?

The following steps are required in product positioning:

1. Select key criteria that effectively differentiate products or services in the industry.
2. Diagram a two-dimensional product-positioning map with specified criteria on each axis.
3. Plot major competitors' products or services in the resultant four-quadrant matrix.
4. Identify areas in the positioning map where the company's products or services could be most competitive in the given target market. Look for vacant areas (niches).
5. Develop a marketing plan to position the company's products or services appropriately.

Question No: 48 (Marks: 10)

You are the business executive of Omar textiles Mills. You are asked to evaluate the strengths, weaknesses, opportunities and threats of the firm and develop altogether different strategies by using different combinations of any two of these.

Question No: 49 (Marks: 10)

Quantitative Strategic Planning Matrix (QSPM) is a high-level strategic management approach for evaluating possible strategies. You are required to prepare a (QSPM) of

XYZ Manufacturing Company for evaluating any two strategies?
Steps in preparation of QSPM
1. List of the firm's key external opportunities/threats and internal strengths/weaknesses in the left column of the QSPM.
2. Assign weights to each key external and internal factor
3. Examine the Stage 2 (matching) matrices and identify alternative strategies that the organization should consider implementing
4. Determine the Attractiveness Scores (AS)
5. Compute the Total Attractiveness Scores
6. Compute the Sum Total Attractiveness Score

FINALTERM EXAMINATION
Spring 2010

Question No: 49 (Marks: 3)
One of the approaches to implement change says: "People are basically compliant and will generally do what they are told or can be made to do and change is based on the exercise of authority and the imposition of sanctions." Identify that approach and explain.
Power-coercive strategy
This policy is based on the request of power, with the belief that most people are compliant to those who have superior authority. A possible issue with this process is that once the power is removed, individuals may revert to previous behaviors. People are basically compliant and will generally do what they are told or can be made to do. Change is based on the exercise of authority and the obligation of pass.

Question No: 50 (Marks: 3)
Auditors who perform audit can be divided into three groups? Identify and define each of them.
There are three groups' independent auditors, government auditors, and internal auditors. Independent auditors essentially are certified public accountants who supply their services to organizations for a fee. They inspect the financial statements of an organization to determine whether they have been prepared according to generally accepted accounting principles and whether they quite represent the activities of the firm. Government auditors responsible for making sure that organization comply with federal laws, ruling, and strategy.
Third group of auditors are employees inside an organization who are answerable for safeguarding company assets, for evaluate the efficiency of company operations, and for ensuring that generally accepted business events are skillful.

Question No: 51 (Marks: 5)
An organization can be structured in many ways. What is the most complex form of organizational structure? Discuss its characteristics?
The Matrix Structure

A matrix structure is the most complex of all designs because it depends upon both vertical and horizontal flows of authority and communication (hence, the term matrix). In contrast, functional and divisional structures depend primarily on vertical flows of authority and communication. A matrix structure can result in higher overhead because it creates more management positions. Other characteristics of a matrix structure that contribute to overall complexity include dual lines of budget authority (a violation of the unity-of-command principle), dual sources of reward and punishment, shared authority, dual reporting channels, and a need for an extensive and effective communication system. Despite its complexity, the matrix structure is widely used in many industries, including construction, healthcare, research, and defense. Some advantages of a matrix structure are that project objectives are clear, there are many channels of communication, workers can see visible results of their work, and shutting down a project can be accomplished relatively easily.

Question No: 52 (Marks: 5)
Positioning is actually the way that a product is introduced to its market audience. What are the five steps required for effective product positioning?
The following steps are required in product positioning:
1. Select key criteria that effectively differentiate products or services in the industry.
2. Diagram a two-dimensional product-positioning map with specified criteria on each axis.
3. Plot major competitors' products or services in the resultant four-quadrant matrix.
4. Identify areas in the positioning map where the company's products or services could be most competitive in the given target market. Look for vacant areas (niches).
5. Develop a marketing plan to position the company's products or services appropriately.

Question No: 53 (Marks: 5)
The goal of value chain activities is to offer the customer a level of value that exceeds the cost of the activities which results in a profit margin. You are required to discuss some of the primary value chain activities.
There are the following primary value chain activities.
1. **Inbound Logistics:**
Inbound Logistics is the receiving and warehousing of unprocessed materials and their distribution to industrialize when they are required.
2. **Operations:**
This is the processes of transforming inputs into finished products and services.
3. **Outbound Logistics:**
Outbound Logistics are the warehousing and distribution of completed goods.
4. **Marketing & Sales:**
This is the activity of identification of customer needs and the production of sales.
5**. Service:**
Services are supports of consumers after the products and services are sold to them.

FINALTERM EXAMINATION
Spring 2010

Question No: 49 (Marks: 3)

Suggest that what can be the best way to overcome individuals' resistance to change while taking corrective actions.

Resistance may be based on such feelings as loss of status, implied criticism of present competence, fear of failure in the new situation, annoyance at not being consulted, lack of understanding of the need for change, or insecurity in changing from well-known and fixed methods. It is necessary, therefore, to overcome such resistance by creating situations of participation and full explanation when changes are envisaged.
Corrective actions should place an organization in a better position to capitalize upon internal strengths; to take advantage of key external opportunities; to avoid, reduce, or mitigate external threats; and to improve internal weaknesses. Corrective actions should have a proper time horizon and an appropriate amount of risk. They should be internally consistent and socially responsible. Perhaps most importantly, corrective actions strengthen an organization's competitive position in its basic industry.

Question No: 50 (Marks: 3)

What do you understand by the term Product and what can be the possible considerations that you will take into account while making decisions regarding a product or service?

A product is anything that can be offered to a market for attention, acquisition, use, or consumption and that might satisfy a want or need.
Product and service planning includes activities such as test marketing; product and brand positioning; devising warranties; packaging; determining product options, product features, product style, and product quality; deleting old products; and providing for customer service. Product and service planning is particularly important when a company is pursuing product development or diversification.

Question No: 51 (Marks: 5)

Parties to conflict can conceptualize responses according to a two-dimensional scheme; what are the hypotheses of this scheme?

Theorists have claimed that parties can conceptualize responses to conflict according to a two-dimensional scheme; concern for one's own outcomes and concern for the outcomes of the other party. This scheme leads to the following hypotheses:

- High concern for both one's own and the other party's outcomes leads to attempts to find mutually beneficial solutions.
- High concern for one's own outcomes only leads to attempts to "win" the conflict.
- High concern for the other party's outcomes only leads to allowing the other to "win" the conflict.
- No concern for either side's outcomes leads to attempts to avoid the conflict.

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Question No: 52 (Marks: 5)

Product positioning allows the firms to fulfill the gaps between what customers and producers see as good service. What can be the potential benefits that product positioning can offer to a firm?

Many firms have become successful by filling the gap between what customers and producers see as good service. What the customer believes is good service is paramount, not what the producer believes service should be.

Market positioning is arranging for a product to occupy a clear distinctive and desirable place relative to competing products in the minds of target consumers. In positioning a product, a company first needs to identify possible competitive advantages upon which to build the position. To gain competitive advantage, the company must offer greater competitive advantage to the target segment. The company's entire marketing program should support the chosen positioning strategy. Effective positioning begins with actually differentiating the company's marketing offer so that it gives consumers more value than they are offered by the competition.

Question No: 53 (Marks: 5)

Seymour Tilles acknowledged six qualitative questions that are practical in evaluating strategies. You are required to identify any five of them.

Seymour Tilles identified six qualitative questions that are useful in evaluating strategies:
1. Is the strategy internally consistent?
2. Is the strategy consistent with the environment?
3. Is the strategy appropriate in view of available resources?
4. Does the strategy involve an acceptable degree of risk?
5. Does the strategy have an appropriate time framework?
6. Is the strategy workable?

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Total questions 53
Mcqs 48

1. Contingency strategy 3

To minimize the impact of potential threats, organizations should develop contingency plans as part of the strategy-evaluation process. *Contingency plans* can be defined as alternative plans that can be put into effect if certain key events do not occur as expected. Contingency strategies are a result of the contingency plan. These strategies are devised for a specific situation where things could go wrong. These strategies prepare the organization or the person for anything that could happen in future. They are the back up plans that support the organization when the actual plan fails.

These strategies deal with specific variances to assumptions that result in a specific problem, emergency or state of affairs.

2. Difference between target marketing and mass marketing 3
Market targeting is the process of evaluating each market segment's attractiveness and selecting one or more segments to enter. A company should target segments in which it can generate the greatest customer value and sustain it over time.
Mass marketing refers to treatment of the market as a homogenous group and offering the same marketing mix to all customers. Mass marketing allows economies of scale to be realized through mass production, mass distribution, and mass communication.

Policies for marketing decision (5)
Pages 144 & 145

4. QSPM requires intuitive judgments and educated assumptions. Discuss 5
Requires intuitive judgments and educated assumptions is one of the limitations of QSPM.
The ratings and attractiveness scores require judgmental decisions, even though they should be based on objective information. Discussion among strategists, managers, and employees throughout the strategy formulation process, including development of a QSPM, is constructive and improves strategic decisions. Constructive discussion during strategy analysis and choice may arise because of genuine differences of interpretation of information and varying opinions

5. A frequently used tool in strategy evaluation is the audit. Discuss auditing according American Accounting Association (AAA) 5
A frequently used tool in strategy evaluation is the audit. Auditing is defined by the American Accounting Association (AAA) as "a systematic process of objectively obtaining and evaluating evidence regarding assertions about economic actions and events to ascertain the degree of correspondence between those assertions and established criteria, and communicating the results to interested users." People who perform audits can be divided into three groups: independent auditors, government auditors, and internal auditors.

Q) Auditors who perform audit can be divided into three groups? Identify and define each of them.
Repeat
Q) Define 10 natural environment factors
The natural environment, encompasses all living and non-living things occurring naturally on Earth or some region thereof. It is an environment that encompasses the interaction of all living species. The concept of the natural environment can be distinguished by components:

- Complete ecological units that function as natural systems without massive human intervention, including all vegetation, microorganisms, soil, rocks, atmosphere and natural phenomena that occur within their boundaries.

- Universal natural resources and physical phenomena that lack clear-cut boundaries, such as air, water, and climate, as well as energy, radiation, electric charge, and magnetism, not originating from human activity.

Q) EPS / EBIT definition.
Earning Per share: A company's profit divided by its number of outstanding shares
EPS/EBIT analysis is a valuable tool for making capital financing decisions needed to implement strategies, but several considerations should be made whenever using this technique. First, profit levels may be higher for stock or debt alternatives when EPS levels are lower. Another consideration when using EPS/EBIT analysis is flexibility. As an organization's capital structure changes, so does its flexibility for considering future capital needs. Using all debt or all stock to raise capital in the present may impose fixed obligations, restrictive covenants, or other constraints that could severely reduce a firm's ability to raise additional capital in the future.

Q) IE matrix
The Internal-External (IE) matrix is another strategic management tool used to analyze working conditions and strategic position of a business. The Internal External Matrix or short IE matrix is based on an analysis of internal and external business factors which are combined into one suggestive model.

Today's Strategic management's paper comprised of total 53 questions.
48 MCQ'S

Long questions were:
1: Why the worth of the business is important in successful strategy implementation? 5
Evaluating the Worth of a Business
Evaluating the worth of a business is central to strategy implementation because integrative, intensive, and diversification strategies are often implemented by acquiring other firms. Other strategies, such as retrenchment and divestiture, may result in the sale of a division of an organization or of the firm itself.
All the various methods for determining a business's worth can be grouped into three main approaches
1. What a firm owns
2. What a firm earns
3. What a firm will bring in the market.

2: Diff. b/w strategy formulation and strategy implementation? 5
o Strategy formulation is positioning forces before the action.
o Strategy implementation is managing forces during the action.

o Strategy formulation focuses on effectiveness.

o Strategy implementation focuses on efficiency.

o Strategy formulation is primarily an intellectual process.
o Strategy implementation is primarily an operational process.

o Strategy formulation requires good intuitive and analytical skills.
o Strategy implementation requires special motivation and leadership skills.

o Strategy formulation requires coordination among a few individuals.
o Strategy implementation requires coordination among many persons.

3: Why the strategy evaluation is important on continuous rather than periodic basis? 5
Evaluating strategies on continuous rather than a periodic basis allows benchmark of progress to establish and o\more effectively monitored Managers and employees of the firm should be continually aware of progress being made towards achieving the firm's objectives.
Continuous strategy evaluation keeps strategists close to the pulse of an organization and provides information needed for an effective strategic-management system.
The real key to effective strategic management is to accept the premise that the planning process is more important than the written plan, that the manager is continuously planning and does not stop planning when the written plan is finished. The written plan is only a snapshot as of the moment it is approved. If the manager is not planning on a continuous basis—planning, measuring, and revising—the written plan can become obsolete the day it is finished. This obsolescence becomes more of a certainty as the increasingly rapid rate of change makes the business environment more uncertain.

4: define contingency planning. 3
Repeat
5: explain product. 3
Repeat

Today Paper:-
48 mcq and 53 qustion

Difference b/w BCG and the ie evolution matrix
First, the IE matrix measures different values on its axes. The BCG matrix measures market growth and market share. The IE matrix measures a calculated value that captures a group of external and internal factors. This means that the IE matrix requires more information about the business than the BCG matrix. While values for each axis in the BCG matrix are single-factor, values for each axis in the IE matrix are multi-factor figures. Because the IE matrix is broader in its definition, strategists often develop both the BCG Matrix and the IE Matrix when assessing their conditions and formulating

strategies.

OR

There are few difference in BCG and IE matrix, firstly the IE axis are different x- axis represent IFE weighted score and Y-axis represent total EFE weighted score. IE matrix requires more information about the division than BCG matrix in which only relative market share and industry growth figures are required.

Benefits of the EFE matrix

External Factor Evaluation (EFE) matrix method is a strategic-management tool often used for assessment of current business conditions. The EFE matrix is a good tool to visualize and prioritize the opportunities and threats that a business is facing.
External factors can be grouped into the following groups:

- Social, cultural, demographic, and environmental variables:
- Economic variables
- Political, government, business trends, and legal variables

Advantage of the contingency planning

A well developed contingency plan has enormous value for the organization beyond the obvious – the ability to speedily, smoothly and cost effectively respond to significant changes in the environment. The development of a comprehensive contingency plan will:
Focus the company on identifying what risks exist and the levels of that risk;
Enable the company to review the overall objectives of the existing plan in the light of the risks identified, (especially their impact on company KPI's);
Assist in creating strategies to manage and mitigate risk (prevention being far cheaper than cure);

Review the existing information system to clarify whether it can both identify failure early (early correction is far cheaper and easier than late), correctly (taking the right action for the right reasons rather than the wrong actions for the wrong reasons), and has the ability to forecast significant changes in the risk environment (controlling change rather than reacting to it is always more cost effective);
Establish a set of actions/ policies which are in line with the problem (this is the concept of graduated response – as problems grow worse, more severe actions need to be considered, but it is often early and small changes that prevent larger difficulties occurring in the future);

Formalise contingency plan actions into standard operating procedures (SOP);
Provide for the integration of contingency plan actions into company wide induction and maintenance training to ensure rapid and effective response, and link with outside agencies where necessary;
Create a framework which can be continuously reviewed and updated, with post event analysis incorporated into best practice.

1- Strategy evaluation should be done on a continuous basis rather then on a periodic basis. Why? 5 Marks

Repeat

2- Why is it important to evaluate the worth of a business in successful strategy implementation process? 5Marks
Repeat

3- Suppose as a manager of a company you find after analysis that your company is located in Quadrant 2 in Grand strategy matrix. What types of strategies should it adopt and why? 5Marks

Quadrant II
Market development
Market penetration
Product development
Horizontal integration
Divestiture
Liquidation

Qurdant-2 contains that company's having weak competitive situation and rapid market growth. Firms positioned in Quadrant II need to evaluate their present approach to the marketplace seriously.

Although their industry is growing, they are unable to compete effectively, and they need to determine why the firm's current approach is ineffectual and how the company can best change to improve its competitiveness. Because Quadrant II firms are in a rapid-market-growth industry, an intensive strategy (as opposed to integrative or diversification) is usually the first option that should be considered.

4- Explain the concept of "Feasibility" as Richard Rumelt's Criteria for evaluating strategies? 3Marks

Feasibility
Neither overtaxes resources nor creates unsolvable sub problems
• Organizations must demonstrate the abilities, competencies, skills and talents to carry out a given strategy

5- What is the significant of production department in an organization? 3 Marks
Production department mainly concern with the achievement of organization goals and targets. Production processes typically constitute more than 70 percent of a firm's total assets. Production department plays a crucial role for implementing organization strategy. Production-concerned decisions on plant location, plant size, , product design, choice of equipment, size of inventory, inventory control, quality control, cost control, use of standards, shipping and packaging, and technological innovation, job specialization, employee training, equipment and resource utilization. All these factors place an important impact on success and failure of the strategy.

1-Discuss any three guidelines that can be used to determine whether a firm should

conduct R&D internally or externally.(3)
Many firms wrestle with the decision to acquire R&D expertise from external firms or to develop R&D expertise internally. The following guidelines can be used to help make this decision:
1. If the rate of technical progress is slow, the rate of market growth is moderate, and there are significant barriers to possible new entrants, then in-house R&D is the preferred solution. The reason is that R&D, if successful, will result in a temporary product or process monopoly that the company can exploit.
2. If technology is changing rapidly and the market is growing slowly, then a major effort in R&D may be very risky, because it may lead to development of an ultimately obsolete technology or one for which there is no market.
3. If technology is changing slowly but the market is growing fast, there generally is not enough time for in-house development. The prescribed approach is to obtain R&D expertise on an exclusive or nonexclusive basis from an outside firm.
4. If both technical progress and market growth are fast, R&D expertise should be obtained through acquisition of a well-established firm in the industry.

2-Write down three activities in value chain by porter supply chain model.(3)
Support activities (Staff functions, overhead)
o **Procurement**: Procurement of raw materials, servicing, spare parts, buildings, machines, etc.
o **Technology Development**: Includes technology development to support the value chain activities. Such as: Research and Development, Process automation, design, redesign.
o **Human Resource Management**: The activities associated with recruiting, development (education), retention and compensation of employees and managers.
o **Firm Infrastructure**. Includes general management, planning management, legal, finance, accounting, public affairs, quality management, etc.

3-Explain the nature and role of employee stock ownership plans (ESOP s) in strategic management.(5)
An employee stock ownership plan (ESOP), are corporations owned in whole or in part by their employees. Employees are usually given a share of the corporation after a certain length of employment or they can buy shares at any time. A corporation owned entirely by its employees (a worker cooperative) will not, therefore, have its shares sold on public stock markets. Employee-owned corporations often adopt profit sharing where the profits of the corporation are shared with the employees. These types of corporations also often have boards of directors elected directly by the employees.

4-What strategies should be considered by the firms falling under the quadrant three? (5)
The firms fall in this quadrant compete in slow-growth industries and have weak competitive positions. These firms must make some drastic changes quickly to avoid

further demise and possible liquidation. Extensive cost and asset reduction (retrenchment) should be pursued first. An alternative strategy is to shift resources away from the current business into different areas. If all else fails, the final options for Quadrant III businesses are divestiture or liquidation.

Retrenchment
Concentric diversification
Horizontal diversification
Conglomerate diversification
Liquidation

1. Differentiate between the bargaining power of customer and suppliers? (5 marks)

Bargaining Power of Buyers: When competition is intense and number of manufacturer is greater the buyer have more options for product switching over this will increase the buying power of buyer.

Bargaining Power of Suppliers: Greater number of the supplier will provide the stronger buying power to the manufacturer/customer and vice versa

2. What is gain sharing and profit sharing state with examples? (5 marks)

"Gain sharing is a corporate incentive plan designed to involve employees with Management to increase productivity by directly linking compensation to specific Productivity increases or cost reductions."

As an example of how gain sharing works, consider a company producing rigid and steering differential axles for tractors. From its records, the company determined that every $1,000,000 of good product output required 10,000 worker hours. Under gain sharing, the next $1,000,000 of axle output and shipment was produced with only 9,000 hours. If the average wage rate is $10 an hour, the 1,000 hours saved are worth $10,000. That is a gain to be shared equally between the workforce and company.

Profit sharing is a form of compensation in which a company shares part of its pre-tax profits with employees. This type of compensation can work in a number of different ways, depending on the structure of the company and the decisions made by employees and employers. As a general rule, such plans are designed as an incentive. When employees share in the profits, they have a vested interest in increasing the profits so that they can access more money.

3. Write 3 approach worth of the business? (5 marks)

All the various methods for determining a business's worth can be grouped into three main approaches: what a firm owns, what a firm earns, or what a firm will bring in the market

A. The first approach in evaluating the worth of a business is determining its net worth or stockholders' equity.

B. The second approach to measuring the value of a firm grows out of the belief that the worth of any business should be based largely on the future benefits its owners may derive through net profits.

C. The third approach is to let the market determine a business's worth. First, base the firm's worth on the selling price of a similar company. Second, calculate a price-earnings ratio. To use this method, divide the market price of the firm's common stock by the annual earnings per share and multiply this number by the firm's average net income for the past five years. The third approach can be called the outstanding share method. To use this method, simply multiply the number of shares outstanding by the market price per share and add a premium

Q#1 benefits and limitations of BCG matrix marks 5

The BCG Matrix has one major benefit: draws attention to the cash flow, investment characteristics and needs of an organization's various divisions.

The BCG Matrix has some limitations: 1) Viewing every business as either a star, cash cow, dog, or question mark is an oversimplification; many businesses fall right in the middle of the BCG Matrix and thus are not easily classified, 2) the BCG Matrix does not reflect whether or not various divisions or their industries are growing over time; that is, the matrix has no temporal qualities, but rather it is a snapshot of an organization as any given point in time and 3) other variables besides relative market share position and industry growth rate in sales are important in making strategic decisions about various divisions.

Q#2 what 5 steps are required for effective product positioning marks 5

The following steps are required in product positioning:

1. Select key criteria that effectively differentiate products or services in the industry.
2. Diagram a two-dimensional product-positioning map with specified criteria on each axis.
3. Plot major competitors' products or services in the resultant four-quadrant matrix.
4. Identify areas in the positioning map where the company's products or services could be most competitive in the given target market. Look for vacant areas (niches).
5. Develop a marketing plan to position the company's products or services appropriately.

Q#3 Write down the Michael porter 5 forces model's implementation being a strategist marks 10

http://www.maxi-pedia.com/Five+Forces+model+by+Michael+Porter

Q:4 Importance of financial budgeting with the reference to strategic implementation process marks 10

Fundamentally, financial budgeting is a method for specifying what must be done to complete strategy implementation successfully. Financial budgeting should not be thought of as a tool for limiting expenditures but rather as a method for obtaining the most productive and profitable use of an organization's resources. Financial budgets can be viewed as the planned allocation of a firm's resources based on forecasts of the future. Financial budgets are financial plans that are structured to detail projections on incomes and expenses on both a long-term and a short-term basis. Budgets of this type normally incorporate aspects of other types of budgeting strategies, including the preparation of a detailed budgeted balance sheet, a section that functions as a cash flow budget and addresses the receipt of income and the flow of expenses on an annual, semi-annual, and a monthly basis. A financial budget typically covers a period of at least one year, although it is not unusual for some organizations to prepare this kind of budget to cover anywhere from two to five years at a time.

Question No: 41 (Marks: 5)

Discuss the internal and external dimensions represented by the axes of SPACE Matrix.

The SPACE Matrix analysis functions upon two internal and two external strategic dimensions in order to determine the organization's strategic posture in the industry. The SPACE matrix is based on four areas of analysis.

1. Internal strategic dimensions:
   - Financial strength (FS)
   - Competitive advantage (CA)
2. External strategic dimensions:
   - Environmental stability (ES)
   - Industry strength (IS)

There are many SPACE matrix factors under the internal strategic dimension. These factors analyze a business internal strategic position. The financial strength factors often come from company accounting. These SPACE matrix factors can include for example return on investment, leverage, turnover, liquidity, working capital, cash flow, and others. Competitive advantage factors include for example the speed of innovation by the company, market niche position, customer loyalty, product quality, market share, product life cycle, and others.

Every business is also affected by the environment in which it operates. SPACE matrix factors related to business external strategic dimension are for example overall economic condition, GDP growth, inflation, price elasticity, technology, barriers to entry, competitive pressures, industry growth potential, and others.

Question No: 42 (Marks: 5)

What is a dual bonus system? Elaborate with the help of example.

A dual bonus system based on both annual objectives and long-term objectives is becoming common. The percentage of a manager's annual bonus attributable to short-term versus long-term results should vary by hierarchical level in the organization. A chief executive officer's annual bonus could, **for example**, be determined on a 75 percent short-term and 25 percent long-term basis. It is important that bonuses not be based solely on short-term results because such a system ignores long-term company strategies and objectives.

Question No: 43 (Marks: 10)

Assume that you want to determine the Internal & External Strategic Position of your company through SPACE Matrix. What factors or variables (any five) will you consider under each of the following?

Internal Strategic Position

a. **Financial Strength (FS)**

- Risk involved in business
- Debt to equity ratio
- Working capital condition
- Leverage
- Liquidity
- Ease of exit from market
- Cash flow statement
- Return on investment

b. **Competitive Advantage (CA)**

- Access to the market share
- Quality of product and services
- Product life cycle
- Customer loyalty
- Capacity, location and layout
- Technological know-how
- Backward and forward integration

External Strategic Position

c. **Environmental Stability (ES)**

- Impact of technology
- Price elasticity of demand
- Political situation
- Demand variability
- Price range of competing products
- Rate of inflation
- Competitive pressure

d. **Industry Strength (IS)**

- Demand and supply factors
- Resource utilization
- Growth potential
- Profit potential
- Financial stability

- Technological know-how
- Productivity, capacity utilization
- Capital intensity
- Ease of entry into market

Question No: 44 (Marks: 10)

Suppose you are strategist in a company and you want to develop an IE Matrix for your company, what steps would you follow to execute the process of developing it? Explain.

1. Based on two key dimensions IFE and EFE.
2. Plot IFE total weighted scores on the *x*-axis and the EFE total weighted scores on the *y* axis
3. On the *x*-axis of the IE Matrix, an IFE total weighted score of 1.0 to 1.99 represents a weak internal position; a score of 2.0 to 2.99 is considered average; and a score of 3.0 to 4.0 is strong.
4. On the *y*-axis, an EFE total weighted score of 1.0 to 1.99 is considered low; a score of 2.0 to 2.99 is medium; and a score of 3.0 to 4.0 is high.
5. IE Matrix divided into three major regions.

Grow and build – Cells I, II, or IV
Hold and maintain – Cells III, V, or VII
Harvest or divest – Cells VI, VIII, or IX

Question No: 45 (Marks: 10)

Is there any optimal organizational structure for a given strategy or type of organization and what can be the possible indicators that reveal that organizational structure is ineffective?

There is no one optimal organizational design or structure for a given strategy or type of organization. What is appropriate for one organization may not be appropriate for a similar firm, although successful firms in a given industry do tend to organize themselves in a similar way.

Symptoms of an ineffective organizational structure include too many levels of management, too many meetings attended by too many people, too much attention being directed toward solving interdepartmental conflicts, too large a span of control, and too many unachieved objectives. Changes in structure can facilitate strategy implementation efforts, but changes in structure should not be expected to make a bad strategy good, to make bad managers good, or to make bad products sell.