# Master of Business Administration

# MBA Semester 4

# MB0052- Strategic Management and Business Policy

# Assignments

**Q. 1 (a) Define "Strategic Management" and "Strategic Planning".**

**(b) Discuss the benefits of Strategic Management.**

**Ans.**

**(a) "Strategic Management" and "Strategic Planning":**

Strategic Management Like strategy, strategic management also has been defined differently by different authors and strategy analysts. Below three definitions of strategic management together give completeness to the concept of strategic management.

'Strategic management is that set of decisions and actions which leads to the development of an effective strategy or strategies to help achieve corporate objectives.

'Strategic management is defined as the set of decisions and actions in formulation and implementation of strategies designed to achieve the objectives of an organization:'

'Strategic management is primarily concerned with relating the organization to its environment, formulating strategies to adapt to that environment, and, assuming that implementation of strategies takes place.'

**Strategic planning:** (also called corporate planning) provides the framework (some call it a tool) for all major decisions of an enterprise—decisions on products, markets, investments and organizational structure. In a successful organization, strategic planning or strategic planning division acts as the nerve centre of business opportunities and growth. It also acts as a restraint or defense mechanism that helps an organization foresee and avoid major mistakes in product, market, or investment decisions.

**b) Benefits of Strategic Management:**

Different research studies indicate that organizations using strategic management are more profitable and successful than those which do not. Companies using strategic management techniques show significant improvement in productivity, sales and profitability compared to the ones without systematic planning.

Greenley (1986) has analyzed various non-financial benefits of strategic management. He has enunciated the benefits of strategic management as given below:

- It provides for an objective view of management problems.
- It allows for identification, prioritization and exploitation of opportunities.
- It allows for more effective allocation of time and resources to identified opportunities.
- It provides a framework for improved coordination and control of activities.
- It enables major decisions to support established objectives and priorities better..
- It helps to integrate the behavior of individuals into a total effect.
- It provides a cooperative and integrated approach to tackling problems and opportunities.
- It creates a framework for internal communication among managers.
- It encourages forward thinking.
- It imparts a degree of discipline, formality and positiveness to the management of a business.
- It encourages a favorable attitude towards change.

**Q.2 Discuss the difference between defensive strategies and pre-emptive strategies. Give examples to support your answer.**

**Ans. 2**

**<u>Difference between defensive strategies and pre-emptive strategies:</u>**

**Defensive Strategies:**

The classic form of retaining existing (civil) territory is to mount a position defense by constructing strong ramparts to keep out the enemy. In business, position defense is problem with many organizations is that the defender often becomes complacent and, does not realize that the enemy is making slow, but steady, inroads into the customer base.

One of the unfortunate examples of this situation is IBM. The company built a big global business in the computer industry based on unmatched customer loyalty. But, IBM ignored the threats, may be unknowingly, and posed by the advent of the networked PC and more powerful operating systems. The company realized, rather late in the 1990s, that customer loyalty had been completely eroded by competitors who were more strongly committed to fulfilling the changing needs of customers.

Counter-offensive strategy has a different advantage. It has the advantage of not having to respond before one measure up the real nature of the competitive threat. Nevertheless, it is a belated response, and there is always the risk that by waiting until 'you see the whites of the enemy's eyes', a company may be forced to spend massive resources to recover lost grounds.

**Example:** Xerox Corporation is an example. Xerox had been forced to make large investments in R&D, technology, manufacturing process and organizational structure during the last few years to regain some of the lost ground in the photocopier market to competitors such as Canon.

Retreat is sometimes a good defense. After a careful review of circumstances, if it is evident that the competitor has the potential to overwhelm the company, then there may be very little logic in defending a position which will be eventually lost to the enemy.

**Pre-emptive Strategies**:

'Attack is the best form of defense' is the basis of pre-emptive defense strategies. As the name indicates, in pre-emptive defense strategies, companies, after having identified a possible threat, take action ahead of competitors.

Pre-emption is considered by many as one of the smartest strategies. Pre-emption, as a strategy, requires a close understanding of the planned and potential moves of competitors for slowing down or blocking those moves. To develop pre-emptive strategies, companies need to consider five steps.

- Ascertain where the market or competitors are moving or might move;
- Identify potential strategies for getting there first or for blocking the competitor's moves;
- Ascertain whether these strategies are consistent with the company's current strategic goals;
- Determine whether these strategies are feasible in terms of resources and competences;
- Determine whether and how far they are likely to affect the competitors' objectives, actions and reactions.

The ability to pre-empt requires companies to be creative or innovative. In fact, creativity or innovation is often a key resource in pre-emption. It allows companies to see the unexpected opportunity, threat or competition and design the strategy in advance.

**Q.3 (a) Why 'Turnaround strategy' is sometimes called as an extension of restructuring strategy?**

**(b) Differentiate between surgical and non-surgical turnaround. Give examples.**

**Ans.3**

**<u>(a) Reason for calling turnaround strategy as extension of restructuring strategy</u>**

Corporate turnaround may be defined as organizational recovery from business decline or crisis. Business decline for a company means continuous fall in turnover or revenue, eroding profit, or accrual or accumulation of losses. So, business or organizational decline, like business performance, is understood in relative terms, that are, compared with the past. But, some strategy analysts describe business decline in terms of current comparisons also; for example, relative to industry rates or averages or even relative to economic growth of the country. Corporate crisis means deepening or perpetuation of a decline. Turnaround strategies are usually required for crisis situations

**b) Surgical Turnaround and Non-surgical Turnaround:**

Generally, there are two methods of corporate turnaround:

- Surgical and
- Nonsurgical.

The surgical method, more commonly practiced in the West, involves sweeping changes like firing of staff, managers, wholesale reshuffling of portfolios, closing down operations, etc. Some call it bloodbath or bloodshed. Non-surgical turnaround adopts the opposite approach, that is, peaceful means—revamping or recovery through meetings, discussions, persuasions, consensus, etc.

The operations in surgical turnaround are like this: the first step is to replace the chief executive of the ailing company by a new 'iron' chief. The new chief promptly gets into action; he asserts his authority. He issues pre-emptory orders, centralizes functions and spears some convenient scapegoats. Then he goes about firing employees en masse and auctioning/selling whole plants and divisions 'until the fat is satisfactorily cut to the bone'. The bloodbath over, the product mix is revamped, obsolete machinery is replaced, marketing is strengthened, controls are toughened, accountability for performance is focused and so on.

**Example of Surgical Turnaround Strategy**:

At GE, 1,00, 000 of a workforce of 4,00, 000 lost their jobs; at Imperial Chemical Industries (ICI), the labor force was reduced from 90,000 to 59, 000; half the staff at Chrysler Corporation disappeared; at British Steel, half the company's production capacity and 80 per cent of workforce were gone.

**Non- Surgical Turnaround Strategy:**

Turnaround management of the humane type may involve negotiated and humane layoffs and divestiture, but, not a bloodbath. This type of turnaround also is generally brought about by the new helmsman. But, he spends a great deal of time in trying to understand organizational problems and deliberating on them. He takes all the stakeholders including unions into confidence; forms groups within the organization to brainstorm together on what needs to be done to get over the crisis; tries to create a new work culture; and, generally infuses a strong sense of participation among the employees and many critical decisions become participative decisions.

**Example:** There are many examples of successful turnarounds of the humane type including Enfield, Volkswagen, Lucas, Air India, SPIC, BHEL and SAIL.

**Q.4 Write short notes on the following expansion strategies:**

**(a) Penetration strategy for growth in existing markets**

**(b) Expansion through Diversification**

**Q.5 Discuss the competitive strategy in:**

**(a) Emerging industry**

**(b) Declining industry**

**Q.6 "Benchmarking is the process by which companies look at the 'best' in the industry and try to imitate their styles and processes"**

**Evaluate the rationale for benchmarking exercises and discuss the features and types of benchmarking. Please ensure to include an example to support your answer.**

- **Reasons of benchmarking**
- **Features of benchmarking**
- **Types of benchmarking**
- **One or two examples of benchmarking**

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