

Winter / November 2012

**Master of Business Administration - MBA Semester 4**

**MB0052 – Strategic Management and Business Policy - 4 Credits**

**Assignment (60 marks)**

Note: Assignments must be written within 6-8 pages. Answer all questions.

**Q1. Define the term “Strategic Management”. Explain the importance of strategic management.** 10 marks (350-400 words)

Strategic management is a systematic approach of analysing, planning and implementing the strategy in an organisation to ensure a continued success. Strategic management is a long term procedure which helps the organisation in achieving a long term goal and its overall responsibility lies with the general management team. It focuses on building a solid foundation that will be subsequently achieved by the combined efforts of each and every employee of the organisation.

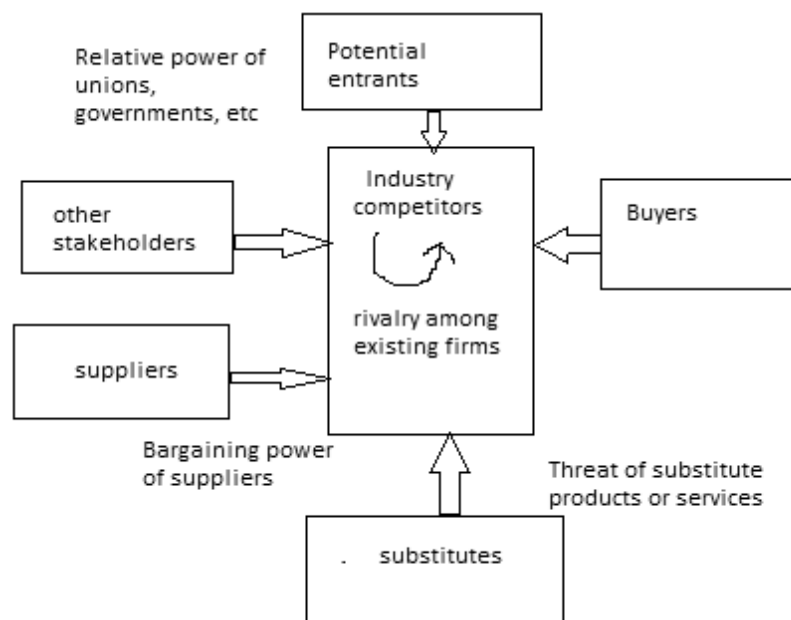
**Importance of strategic management**

- A rapidly changing environment in organisations requires a greater awareness of changes and their impact on the organisation.
- Strategic management helps in building a stable organisation.
- Strategic management controls the crises that are aroused due to rapid change in an organisation.
- Strategic management considers the opportunities and threats as the strengths and weaknesses of the organisation in the crucial environment for survival in a competitive market.
- Strategic management helps the top level management to examine the relevant factors before deciding their course of action that needs to be implemented in changing environment and thus aids them to better cope with uncertain situations.
- Changes rapidly happen in large organisations. Hence strategic management becomes necessary to develop appropriate responses to anticipate changes.

- The implementation of clear strategy enhances corporate harmony in the organisation. The employees will be able to analyse the organisation's ethics and rules and can tailor their contribution accordingly.
- Systematically formulated business activities helps in providing consistent financial performance in the organisation.
- A well designed global strategy helps the organisation to gain competitive advantages. It increases the economies of scale in the global market, exploits other countries resources, broadens learning opportunities, and provides reputation and brand identification.

**Q2. Describe Porter's five forces Model.** 10 marks (350-400 words)

**Porter's Five Force model:** Michael E. Porter developed the Five Force Model in his book, 'Competitive Strategy'. Porter has identified five competitive forces that influence every industry and market. The level of these forces determines the intensity of competition in an industry. The objective of corporate strategy should be to revise these competitive forces in a way that improves the position of the organisation. Below Figure describes forces driving industry competitions.



**Forces driving industry competitions are:**

*Threat of new entrants* – New entrants to an industry generally bring new capacity; desire to gain market share and substantial resources. Therefore, they are threats to an established organisation. The threat of an entry depends on the presence of entry barriers and the reactions can be expected from existing competitors. An entry barrier is a hindrance that makes it difficult for a company to enter an industry.

*Suppliers* – Suppliers affect the industry by raising prices or reducing the quality of purchased goods and services.

*Rivalry among existing firms* – In most industries, organisations are mutually dependent. A competitive move by one organisation may result in a noticeable effect on its competitors and thus cause retaliation or counter efforts.

*Buyers* – Buyers affect an industry through their ability to reduce prices, bargain for higher quality or more services.

*Threat of substitute products and services* – Substitute products appear different but satisfy the same needs as the original product. Substitute products curb the potential returns of an industry by placing a ceiling on the prices firms can profitably charge.

*Other stakeholders* - A sixth force should be included to Porter's list to include a variety of stakeholder groups. Some of these groups include governments, local communities, trade association unions, and shareholders. The importance of stakeholders varies according to the industry.

**Q3. Define the term “Business policy”. Explain its importance. 10 marks (350-400words)**

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