**Business Policy and Strategy (MB311) : July 2007**

**Section A : Basic Concepts (30 Marks)**
**This section consists of questions with serial number 1 - 30.**
**Answer all questions.**
**Each question carries one mark.**
**Maximum time for answering Section A is 30 Minutes.**

1. There are three levels in the hierarchy of strategy planning. Which of the following is/are true regarding
corporate level?
I. Corporate level managers address problems related to the efficiency and effectiveness of production, success of particular products and services in increasing their market share.
II. It deals basically with the selection of the areas of business in which the company is going to operate.
III. At the corporate level, strategies are devised in an attempt to exploit the firm‘s distinctive competencies by developing long term plans for business operations.
(a) Only (I) above
(b) Only (II) above
(c) Only (III) above
(d) Both (I) and (II) above
(e) Both (II) and (III) above.
< Answer >
2. Henry Mintzberg has classified strategic decision making into three different modes. Which of the following are true regarding en trepreneurial mode?
I. In this mode, strategies are framed by o ne po werful individual.
II. It is characterized by reactive solutions to existing problems.
III. It focuses solely on the organization‘s opportunities.
IV. It helps the company to be better prepared for environmental uncertainties.
V. It results in a fragmented strategy with incremental improvement.
(a) Both (I) and (III) above
(b) Both (II) and (V) above
(c) (I), (III) and (IV) above
(d) (I), (II) and (IV) above
(e) (II), (IV) and (V) abo ve.
< Answer >
3. Managers of business o rganizations have various social responsibilities. Which of the following responsibilities refers to the purely voluntary ob ligations that a corporation assumes, such as philanthropic contributions and training the unemp loyed?
(a) Economic
(b) Legal
(c) Discretionary
(d) Ethical
(e) Political.
< Answer >
4. The stakeholders of a firm can be divided into two categories outsiders and insiders. Which of the following is not an outside claimant?
(a) Customers
(b) Executive Officers

(c) Government
(d) Local committees
(e) Unions.
< Answer >
5. According to Michael Porter, which of the following is/are the circumstances under which the bargaining power of suppliers is higher?
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I. When the suppliers are many and the buyers are a few and large.
II. When no single industry is a major customer for the suppliers.
III. When the suppliers industry depends on the buyers for a large percentage of its total o rders.
IV. The buying companies cannot use the threat of vertically integrating backward and supplying their own needs as a means to reduce input prices.
(a) Only (II) above
(b) Both (I) and (II) above
(c) Both (II) and (IV) above
(d) (I), (II) and (IV) above
(e) (II), (III) and (IV) above.
< Answer >
6. Exit barriers p revent the companies to close the business though the returns are low. Which of the following are the common exit barriers in an industry?
I. Investments in plant and equipment that have alternative uses and can be sold off.
II. High fixed cost of exit, such as severance pay to workers who are being made redundant.
III. Emotional attachment to an industry.
IV. Economic dependence on the industry.
(a) Both (II) and (III) above
(b) Both (II) and (IV) above
(c) (I), (II) and (III) above
(d) (I), (III) and (IV) above
(e) (II), (III) and (IV) above.
< Answer >
7. International industries can be characterized along a continuum from multi-domestic to global. Which
of th e following are the factors that determine the degree to which market is multi domestic?
I. A very fragmented industry with many competitors in each national market.
II. The presence of economies of scale in functional activities of th e business.
III. Homogenous product needs, which reduce the requirement of customizing the product for each market.
IV. Distribution channels unique in each co untry.
V. A low level of trade and foreign direct investment regulation.
(a) Both (I) and (IV) above
(b) Both (II) and (V) above
(c) (I), (II) and (V) above

(d) (II), (III) and (IV) above
(e) (I), (III), (IV) and (V) above.
< Answer >
8. Value chain analysis divides a firm‘s activities into two major categories i.e., primary and support activities. Which of the following is/are not true regarding factors for assessment o f primary activities?
I. Relationships with public policy makers and interest groups.
II. Quality of customer education and training.
III. Development of alternate sources to minimize dependence on single supplier.
IV. Productivity of equipment compared to that of key competitors.
(a) Only (II) above
(b) Both (I) and (III) above
(c) Both (II) and (IV) above
(d) (I), (III) and (IV) above
(e) (II), (III) and (IV) above.
< Answer >
9. Which of the following financial ratios identify the source of a firm‘s capital, i.e., owners or ou tside creditors?
(a) Liquidity ratios
(b) Activity ratios
(c) Profitability ratios
(d) Marginal ratios
(e) Leverage ratios.
< Answer >
10. The success of the strategy cho sen is contingent on the varying degrees of future co nditions. Which of
the follo win g support(s) the contingency approach to strategic choice?
I. Shortage of critical material.


II. Downturn in the economy.
III. Chang e in firm‘s management.
IV. Labour strike.
(a) Only (II) above
(b) Both (I) and (III) above
(c) Both (III) and (IV) above
(d) (I), (II) and (IV) above
(e) (II), (III) and (IV) above.
< Answer >
11. For evaluating strategic alternative, a number of criteria are available. Which of the following are true
regarding criteria o f feasibility?
I. Do the company‘s objectives an d values fit in with strategy?
II. Does the company have sufficient financial resources to implement the strategy?

III. Can the strategy overcome the d ifficulties identified in the strategic analysis?
IV. The effect of capital structure.
V. Will the technology be available to compete effectively?
(a) Both (I) and (III) above
(b) Both (II) and (V) above
(c) (I), (II) and (IV) above
(d) (II), (III) and (V) above
(e) (III), (IV) and (V) above.
< Answer >
12. Johanson and Mattson proposed three models of internationalization: Theory of Internationalization,
Internationalization Model and Network approach to In ternationalization. Sale of systems and/or indirect investment production operations comes under which stage of the "Three Phase International Model'?
(a) Starting stage
(b) Growth stage
(c) Development stage
(d) Maturity stage
(e) Decline stage.
< Answer >
13. Competitive scope influences the competitive advantage by shaping the structure and economics of the
value chain. It has different dimensions such as segment scope, industry scope, etc. Which of the following is/are true regarding industry scope?
I. It refers to the extent of activities that are performed in-house.
II. Firm has to be involved in primary and secondary activities in order to gain potential advantages.
III. It allows firm to share value activities across different regions.
IV. Advantages of economies of scale can be realized from a shared logistical system.
(a) Only (I) above
(b) Both (I) and (III) above
(c) Both (II) and (IV) above
(d) (I), (II) and (III) above
(e) (II), (III) and (IV) above.
< Answer >
14. The sources of power are of two types i.e., internal sources and sources for external stakeholders. Which
of th e following is no t an internal source?
(a) Hierarchy
(b) Charisma
(c) Control of the environment
(d) Control of strategic resources
(e) Resource dependence.
< Answer >
15. Goals indicate a desired future state that a company attempts to realize. Which of the following is/are
features of the strategic goals of an organization?
I. They facilitate reasonable trade-offs.
II. They address only financial issues.
III. Th ey can be reached through —stretch".

IV. They cut across financial areas.


(a) Only (I) above
(b) Both (I) and (IV) above
(c) Both (II) and (III) above
(d) (I), (III) and (IV) above
(e) (II), (III) and (IV) above.
< Answer >
16. Which of the following results in the creation of a separate legal entity, the shares are distributed among
existing shareholders of the parent company on a prorata basis?
(a) Eq uity Carve Out
(b) Spin-off
(c) Split Up
(d) Divestiture
(e) Tender Offer.
< Answer >
17. The firm's attitude towards risk influences the range of strategic choices available. Some organizations
have a strong aversion to risk, while others are eager risk-takers. Wh ich of the following is not risk averse factor?
(a) Decrease choices
(b) Stability
(c) Innovation
(d) Stable industry
(e) Defensive strategies.
< Answer >
18. Which of the following is/are true regarding the strategic business units termed as "dogs' on the BCG
growth-share matrix?
I. They are business units that have a low market share in an immen sely competitive, mature industry characterized by low profits.
II. These units can generate surplus returns if managed well and can be transformed into cash cow.
III. Th ese units do not need much of investment, but it ties up capital that could be invested by the company in industries with better returns.
(a) Only (I) above
(b) Only (II) above
(c) Both (I) and (III) above
(d) Both (II) and (III) above
(e) All (I), (II) and (III) above.
< Answer >
19. Which of the following is designed to monito r a broad range of even ts inside and outside the

company
that are likely to threaten the co urse of a firm's strategy?
(a) Special Alert controls
(b) Strategic surveillance
(c) Implementation control
(d) Premise control
(e) Strategy implementation.
< Answer >
20. Structure is not the only way for getting —organized" to implement the strategy. There are five basic
types of structural choices that are mostly used by business firms. Which of the following is/are not true regarding matrix organization structure?
I. It provides for dual channels of authority, performance responsibility, evaluation and control.
II. It generally exists in the firms which concentrate on one or few related products or markets.
III. It helps the corporate management to delegate authority for the strategic management of a distinct business entity.
IV. It is easy to design but it is difficult to implement.
(a) Only (I) above
(b) Both (II) and (III) above
(c) Both (III) and (IV) above
(d) (I), (II) and (III) above
(e) (II), (III) and (IV) above.
< Answer >
21. According to which of the following theories, a firm which invests in host country gains a bargaining
power in relation to the host government because o f its superior technology and access to capital
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markets?
(a) Internationalization theory
(b) Oligopoly theory
(c) Obsolescing bargain theory
(d) Monopoly theory
(e) Tariff jumping hypothesis.
< Answer >
22. Which of the following statements is/are true about value chain analysis?
I. Value chain analysis is based on the assumption that a business's basic purpose is to create value for its suppliers.
II. In this method of analysis, managers divide the activities of their firms into sets of separate activities that add value.
III. When managers divide the activities of their firms into sets of separate activities, the activities of the organization have to be identified and examined by managers.
IV. Managers acquire an in depth understanding of their firm's capabilities, its cost structure and how

these create competitive advantage or disadvantage.
(a) Only (I) above
(b) Both (II) and (III) above
(c) Both (II) and (IV) above
(d) Both (III) and (IV) above
(e) (II), (III) and (IV) above.
< Answer >
23. Which of the following is not a financial defensive measure against acquisition?
(a) Adjustments in asset and ownership structure
(b) Leveraged recapitalization
(c) Golden parachutes
(d) Good cash flow relative to current stock prices
(e) Poison puts.
< Answer >
24. In examining her firm's recently completed market attractiveness- business position model, Norah Samuel, CEO of Mona Ltd. finds that the firm's spo rt sunglasses u nit is high on relative market share and relative market growth rate. Which one of the following strategies would this placement dictate?
(a) Invest
(b) Harvest
(c) Divest
(d) Maintain
(e) Grow.
< Answer >
25. Which of the following is/are not reason(s) for organizations to adopt a liquidation strategy?
I. Sole proprietor wants to retire or take up another job.
II. The value of the assets of the firm are less worthwhile than the rate of return earned by the firm.
III. One of the partners withdraws and all other partner‘s express their inability to buy the withdrawing partner‘s share.
IV. When the strengths are insufficient to face the threats posed by the environment.
(a) Only (II) above
(b) Both (I) and (III) above
(c) Both (II) and (IV) above
(d) (I), (II) and (IV) above
(e) (I), (III) and (IV) above.
< Answer >
26. Innovation involves the u se of a new idea or method. Which of the following is/are true regarding convergent thinking?
I. It focuses on the importance of change, and movement in a non-linear direction.
II. It focuses on well-defined problems and suggests time-tested and well-known solutions immediately.
III. It moves step by step; by taking the right step each time, a solution is reached.
IV. It takes into consideratio n a lot of information that appears irrelevant to the problem at hand.
(a) Only (I) above
(b) Both (I) and (IV) above

(c) Both (II) and (III) above
(d) (I), (II) and (IV) above
(e) (II), (III) and (IV) above.
< Answer >
27. Which of the following statements is not true with regard to the internal analysis of the company?
(a) The small business units normally produce according to the custo mer‘s preferences
(b) The large business units have to bear the risk of technological innovations
(c) The marketing department provides the vital information to other departments, which works as a basis in framing their own strategy
(d) The non-profit organizations need not focus into their finance function
(e) The business units that adopt low-cost strategies normally emphasize on process R&D.
< Answer >
28. Budgets are the financial statements of the resources required to achieve a set of finite, short term objectives, or p ut into action a formulated strategy. Which of the following is/are not true regarding finance budgets?
I. Cash flow budget reflects anticipated revenues from sales and other income the organization expects to receive during a given time period.
II. Balance sheet budget provides management, lenders and other interested parties with a forecast of the expected future financial po sition of a firm.
III. Budgeted income statement is a vital tool for controlling cash and meeting current obligations.
IV. Capital expenditure budget includes expenditure on new plant and equipment, replacement equipment and other expenditure involving long term commitments, usually in the form of fixed assets.
(a) Only (II) above
(b) Both (I) and (II) above
(c) Both (III) and (IV) above
(d) (I), (III) and (IV) above
(e) (II), (III) and (IV) above.
< Answer >
29. The success of an organization is strongly influ enced by the leadership style adopted. Which of the following is/are not true ab ou t strategic leadership style?
I. Small organizations are run democratically.
II. Leadership style relates to the role of planning and the imp ortance of incremental change in strategic management.
III. In relatively stable environments both entrepreneurial leadership style and conservative leadership style can be appropriate and successful.
IV. Strategic leaders will be entrepreneurial.
(a) Only (I) above
(b) Both (I) and (II) above
(c) Both (II) and (IV) above
(d) (I), (II) and (III) above
(e) (II), (III) an d (IV) above.
< Answer >
30. Merger means any transaction that forms one economic unit from two or more previous ones. Which of
the follo win g takes place between firms engaged in different stages of production operation?

(a) Horizontal merger
(b) Conglomerate merger
(c) Vertical merger
(d) Synergy
(e) Acquisition.
END OF SECTION A
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Section B : Caselets (50 Marks)
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This section consists of questions with serial number 1 œ 7.
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Answer all questions.
ñ
Marks are indicated against each question.
ñ
Detailed explanations should form part of your answer.
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Do not spend more than 110 - 120 minutes on Section B.
Caselet 1
Read the caselet carefully and answer the fo llowing questions:
1. —I still think we should stick with cloth fibre and cloth, that‘s it, but integrate the business either
< Answer >
backward or forward. Backward routes are blocked by heavy competition in polyester-it‘s a scale-of-operations game. That leaves cotton farming, which could be complicated. But forward?“ said Pradhan. Discuss the various advantages and disadvantages of forward-integration for RCL.
(7 marks)
2. If cotton farming (forward integration) is complicated, what other strategies can RCL pursue?
< Answer >
(7 marks)
3. —By 1998, RCL conglomerate had got to what then seemed like a point o f no return. Debt had
< Answer >
mounted to a stagg ering Rs.1,300 crore, almost equivalent to the group turnover. Financial institutions threatened to pull the plug on the company, and the pink papers went to town with obituaries on RCL“. What do you think will be the best suited strategy for RCL?
(7 marks)
Shantanu Roy, 29, already CEO of his 50-year-old family textiles firm, Roy Cotton Looms (RCL), is experiencing the
thrill of a turnaround. —Still relishing the numbers?“ asked the CFO, Rajesh Naik, referring to RCL‘s Q3 results for
2002, which showed a Rs.1.5 crore profit against a Rs.21 crore loss for the same quarter of 2001. —We're back in
business,“ said Naik, sinking into the upholstery.

Nearly twice Roy's age, Naik was a 20-year RCL veteran. He had signed up with Shantanu's father Sub roto Roy, who
had started the firm in 1952, in Ahmedabad, to make cotton textiles. Cotton sheets, shirtings, cambric, and mazril were
the first products, and it seemed like only yesterday that the firm went public-before getting into synthetic fibre and
even steel.
By the early 1990s, the RCL tapestry, once richly interwoven with natural, synthetic and steel threads, had started
fraying. First, the polyester division became a drag, and then, steel-as competitive dynamics started changing. Polyster
division was turning red and the falling prices of steel added more misery to RCL (RCL also had presence in steel).
By 1998, RCL conglomerate had got to what then seemed like a point of no return. Debt had mounted to a staggering
Rs.1,300 crore, almost equivalent to the group turnover. Financial institutions threatened to pull the plug on the
company, and the pink papers went to town with obituaries on RCL.
The diversification was unnatural to start with, said critics. In his time, Roy Sr., a cotton loyalist himself, used to
respond philosophically, arguing that so long as people were discerning of what was natural and what was man-made,
and the business was not deceiving anyone, there was no cause for worry.
Roy Jr., who had just returned from Wharton, had only hard options left. Painful as it was, he had to restructure the
group. The uncompetitive polyester division was sold off to the Keshwan i group for Rs 620 crore. Financial institutions
got a chunk of preference shares. At the end of it all, RCL came out lean, mean and still weak-with residual debt of
Rs.680 crore.
In spite of all that, young Roy had defied the doomsayers, and managed to haul RCL out of the red. "Ask Dinesh to see
me," Roy told his secretary. Naik knew what was coming. A three-way brainstorming session with Dinesh Pradhan, the
Gro up Marketing Head. Roy p referred such informal sessions to pretentious boardroom antics.
—Terrific results," began Pradhan, on entering the corner office —To be frank, I did not expect our cost-saving efforts to
show results so soo n."
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Roy could see that his top honcho s had b een motivated by RCL's showing. But he was keen on knowing what his best
minds thought of RCL's future. "We all know that this recovery was due to three factors: the staff

optimisation drive,
coupled with aggressive technology implementation in the plants; the performance of our textiles div ision, which was
mainly due to the 25 per cent slump in cotton prices; and the successful diversification of the filament division into
lucrative thermoplastic and engineering grade nylon. My question is: where do we go from here?"
Cost-cutting couldn‘t be a perpetual strategy, no r could RCL expect cotton prices to remain low forever. Pradhan
spoke: —I think it's time we decided what RCL is. I don't think we can continue being a textiles-nylon-steel player, and
still work wonders.“
—Be direct,“ said Naik.
—I‘m talking about steel,“ said Pradhan, —We‘ll never be a steel major, so why are we making steel?“
—You must be joking,“ interjected Naik. —Our debt is off the danger mark, and if only you‘d read the balance sheet
carefully , you'd have noticed that the steel division was our productivity topper. Besides, we‘ll n ever fetch a half-decent
price for it.“
Pradhan cleared his throat for a response: —I still think we should stick with cloth fibre and cloth, that's it, but integrate
the business either backward or forward. Backward routes are blocked by heavy competition in polyester-it‘s a scale-of-
operations game. That leaves cotton farming, which could be complicated. But forward? Shouldn‘t we redo uble our
efforts in getting clo ser to th e consumer? It‘s almost an axiom now. The link closest to the consumer sits on the fattest
margins."
—What‘s wrong with RCL as a consumer brand?“ asked Roy.
—Nothing, it‘s just that textiles aren't what people talk about anymore, even if we have product distinction. They talk
about Fashion Weeks and all that, and those are the actual brands young people have in mind. Value-addition has
moved forward, from cloth to the design-that's where we should be headed as well.“
—We‘re a high-volume industrial group,“ said Naik, —not a boutique for the urban brat-pack.“
—Well,“ retorted Pradhan, —I meant a mass-market initiative. The market‘s cotton versus synthetic balance affects our
bottomline directly, and we have a big stake in tomorrow's clothing trends-we should be out there, shaping them.
Cotton‘s a winner, so long as consumers turn discerning and see clothing as a means of communication rather than a
shield against the elements.“
—We have no power over that,“ said Naik.
Roy looked unmoved by either of them. —Now, let me suggest something,“ said the CEO, —I understand you guys are
keen on some radical strategies. But let‘s realise that we're barely out of the woods yet.“
The group fell silent. Naik and Pradhan recognised the tone of voice the young chief had spoken with . Some soul-speak
was on its way. —I think we should begin with the basics,“ Roy began, leaving his seat and walking up to the win dow

overlooking the crowded central Delhi market. —First of all, we should infuse some much-wanted capital into the textile
and filament divisions. Let‘s replace old looms. On the front-end, let‘s go after exports, big time. We mustn't miss the
2005 world trade opportunity, and the natural versus synthetic trends are clearer in the high-margin western markets.
Cotton wins."
—Great," muttered Pradhan, turning to Naik. —Now if only we had that much-wanted capital to infuse."
—I think we have," smiled back Naik. —We have been current for th e last one-and-a-half years with all our financiers. I
have it covered."
—Getting the priorities set is the first task. I have just spelt out a survival strategy. Something we must do. But what we
need next is a clincher. Something that will tell our shareholders that RCL is game for the long haul. I suggest we break
up and reassemble on Monday with an imaginative plan on everybody's mind."
Roy turned around and gazed at the horizon. He‘d giv en himself another green ribbon. But were Pradhan‘s ideas the
ones that would propel him to it?

Caselet 2

Read the caselet carefully and answer the fo llowing questions:

4. Explain whether the remote environmental factors in Ind ia proved lucrative for Canon, for
< Answer >
investment.
(7 marks)

5. Explain the Strengths, Weaknesses, Opportunities and Threats (SWOT) of Canon.
< Answer >
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(8 marks)

From being known as a camera and copier company, Canon has moved on to being a reckoning force in the peripherals
market. But this didn‘t come easy to this 100% subsidiary of the Japanese imaging giant. Since it came in early 1997,
Canon India has had a checkered past. The major players in the market were Modi-Xerox - the market leader with 58%
of market share, RPG-Ricoh and HCL Toshiba. Within two years, Canon proved the analysts wrong by capturing 18%
of the photocopier market, knocking Ricoh out from the number two slot.
In India, though the government was a coalition, yet it was pro-liberalisation. This spelt stability on the economic
policies front and thus the political environment was conducive to investment. The new economic

policies were pro-
investment. Deregulation, and liberalization of Industrial Licensing had already taken place. FERA was liberalised
which meant that foreign investment and technology import were made easier. Fiscal and monetary reforms were in the
pipeline and pointed towards a bright future. Public sector particip atio n was being abetted by the government.
Though the middle class was burgeoning, yet the population below the poverty line was a concern . A major part of the
Indian population lived in small villages, which did not even have access to electricity. However, this was not of much
of a concern to the firm.
India was fast being recognized worldwide as the leader in Information Technology. Allied industries were booming
and India seemed to be on its way up. The development of Information Technology pointed to emerging 'paperless
offices'. The Indian market was experiencing the Internet and IT business boom, which led to an increase in PC
penetration
Canon‘s cameras were already selling through the Mahatta Camera Corporation. It decided to sell the copiers and fax
machines through national distributors. The first three years of operation of the subsidiary didn‘t turn out to be
successful. The competition was too to ugh, and there was also the gray market to contend with.
In 2000, when the Indian market was experiencing the Internet and IT business boom the increase in PC penetration led
to a spurt in inkjet printer sales. At that point, there were mainly HP and Epson in the inkjet market. While Canon‘s
photocopiers and fax machines were doing average business, and cameras had their own presence, there was a need to
come fo rward in th e PC peripherals area too. Canon had printers in its Indian portfolio, and initially things looked okay,
with market share reaching almost 12% at one point. But that was the short-lived effect of a push factor that dwindled
later.
Coinciding with a market slowdown, 2001 saw aggressive price wars in the inkjet arena. Both HP and Epson dropped
prices of their entry-level models. Cano n‘s inkjet share dipped to almost 3%. While HP and Epson had sound channel
strategies, Canon seemed to have missed out on that.
The results of the market analysis led Canon to rethink its marketing and distribution strategies. Clearly the peripheral
market was where the action was. Cameras were still Mahatta‘s domain. Photocopiers were still there, and were picking
up, but they weren‘t enough.
In 2001, Canon seemed to have finally hit paydirt in the peripherals market. Apart from its own strategies, problems
faced by the competition have also helped. HP was preoccupied with its parallel shipment problems. Epson‘s Stylus

480 didn‘t live up to its expectations and Epson didn‘t manage to recover from that, and Lexmark, which had so far
been selling through TVSE, decided it was time to go solo an d proceeded to revamp its distribution plan. As the
company went into the IT Peripherals space, it became necessary to reach B&C class cities. Now, with a consumer
products thrust, the company plans to tap even smaller locations in India.
Though the market leader, Modi-Xerox, had the lion‘s share of the market. Modi-Xerox was concentrating on the
offices and corporate clients. This was one of their strength areas. Since Modi-Xerox was not focusing on another
major segment œ the ”jobber‘ segment (the corner-shop which does a photocopy)- Canon, India decided to vigorously
attack it! However, the jobbers segment is spread over a large geographical area - in all major and small towns of India.
At this time, RPG-Ricoh (the second largest player) was involved with restructuring its business and could not employ
any tactics to thwart Canon, India‘s entry. The timing of the entry seems to be strategically very appropriate as RPG-
Ricoh was unable to react due to its restructuring. Eyeing the huge market segment of jobbers (which accounted for
60% of India‘s photocopying work), Canon, India formulated several market penetration strategies. Modi-Xerox was
catering to the corporate clients and was thus high priced. Canon, India introduced slow machines at cheap prices to
satiate the demand of th e jobbers segment.
In late October 2002, Canon India planned to launch more than 20 new products ranging from inkjets, direct
photoprinters, scanners to digital cameras, camcorders, and more. With things more stable, Canon is confident that it‘s
the right time to take over the digital camera business. The future, according to Canon, lies in d igital imaging. In the
same year, they unveiled some of these products in an expo at Beijing in China, and the thrust clearly was on printing
pictures at home directly from your digital camera. With the world reaching the level of digitization it has, Canon feels
direct photo printing will make the printer and the digital camera together reach a level where they‘re regarded as
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consumer appliances rather than just as IT peripherals. India, though not as far ahead as some other coun tries in the
region, seems ripe to receive this technology.

The president and CEO of Canon‘s South East Asia regional headquarter Singapore, Fukui Eiji, is confiden t that Ind ia
is going to be an important market for Canon. With the upcoming launch of products, its distribution strategy in place,
cross-selling opportunities in digital cameras, and competitive pricing, Canon India‘s spirits are buoyant. Going
forward, two product categories œ digicams and projectors œ will be the prime focus areas for Canon‘s consumer
strategy. These product categories are vital for it to scale its operations from business communications or automation to
IT peripherals to consumer products. —It‘s a big change for Canon,“ says Alok Bharadwaj, Director and GM, Consumer
Imaging & Information Division.

Caselet 3

Read the caselet carefully and answer the fo llowing questions:

6. Discuss th e various problem areas in the Sharq Technologies.
< Answer >
(6 marks)

7. Change involves actions based on a carefully thought-out process that anticipates future difficulties,
< Answer >
threats and opportunities. With respect to the caselet, explain the various steps in the change process.
(8 marks)

The new CEO of Sharq Technologies, Anish Vaidya, found himself co nfronted with the most challenging phase of his
26-year-old career in the industry. The liberalization of the Indian economy and the resultant increase in competition
from foreign companies had hit the company's sales and revenue badly. The early 1990s saw Sharq‘s profits
plummeting to an all-time low since its establishment about three decades earlier.

Established in 1956, Sharq began as a manufacturer of a variety of electrical appliances, and gradually spread its
operations into various other industries such as consumer products, power generation, automobiles and insurance.
Within four decades, it grew to become a global company serving customers across the world.

In his first meeting as CEO of the company, Vaidya invited employees from the middle and top management level to
pool their ideas to address a comprehensive list of problems faced by the organization. The meeting brought to the
forefront the following areas of concern:

ñ
The bureaucratic and hierarchical structure of the organization was stifling the creativity of its employees as a
result of which they were no longer motivated to come up with ideas pertaining to new products or
improvements in the existing organizational practices.

ñ
Competition from multinational comp anies was eating into Sharq's market share as the technology of these
companies was far better than that of Sharq.

ñ

Sharq's very survival was at stake as most of its subsidiaries were facing serious financial crises and increasing
losses.
ñ
The productivity of these subsidiaries was disproportionate to the numb er of employees they had.
ñ
The inability of Sharq 's generic products to effectively penetrate the highly competitive market eventually
resulted in blocking capital.
ñ
Most important of all, Sharq failed to adapt to the changes in the external environment. Because of this, it not
only lost market leadership in various sectors, but also failed to maintain a decent market share in the industry.
Realizing that change management was lacking in the organization, Vaidya, in consultation with his team members
introduced the following measures to pull Sharq out of a probable debacle:
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Areas with new and substantial market potential were ex plored and strategies to implement them were developed.
ñ
Vaidya endeavored to change the bureaucratic style of management in the organization to enable easier and
faster decision-making. This resulted in the formation of a lean and effective organizational structure and helped
enhance employee participation, and thereby improve employee productivity.
ñ
All the subsidiaries and business units that were making losses were shut down so that the company could
compete only in those areas in which it had proved and tested competence. This helped it tap the capital that was
being invested in units that were not productive.
ñ
Vaidya also took the difficult decision of cutting down on excess staff, with a view to cutting down on operational costs. Excess, but efficient staff were retrained and deployed suitably.
Employees at Sharq were asked to underg o numerous training programs at regular intervals to remain u pdated with the


latest developments in the external environment, so that they could adapt to technological changes and remain
competitive.
Initially, there was stiff resistance in the company to the tough measures taken by the new CEO.

However, Vaidya was
able to gradually persuade the employees to accept the changes and within a short period of time, a sea change was
noticed in the organizational processes. These revolutionary changes brought about a dramatic rise in Sharq's profits,
and soon, Vaidya's bold decision s made Sharq a market leader in various fields of business.
END OF SECTION B
Section C : Applied Theory (20 Marks)
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This section consists of questions with serial number 8 - 9.
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Answer all questions.
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Marks are indicated against each question.
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Do not spend more than 25 -30 minutes on section C.
8. The designing of b usiness strategies involves a systematic approach which is multifaceted, complex and
< Answer >
requires assessment in depth. When developing the firm‘s plans strategic managers shou ld emphasize four major design recommendations based on the multifaceted, complex and subjectiv e nature of corporate strategy formulation. Explain these four recommendations.
(10 marks)
9. A firm‘s ability to achieve cost leadership is determined by a number of factors such as training and
< Answer >
motivation of employees, the culture of firm, etc. Explain the pitfalls in cost leadership strategies.
(10 marks)
END OF SECTION C
END OF QUESTION PAPER
Suggested Answers
Business Policy a nd Strategy (MB311) : July 2007
Section A : Basic Concepts
1. Answer : (e)
Reason : Statements (II) and (III) are true regard ing corporate level. Statement (I) is not true since functional
level managers related to the efficiency and effectiveness of production, success of particular products and services in increasing their market share.
2. Answer : (a)
Reason : Statements (I) and (III) are true regarding entrepreneurial mode. Statements (II) and (V)are true in case
of adpative mode. Adaptive mode is characterised by reactive solutions to existing problems. Adaptive mode results in a fragmented strategy with incremental improvement. Statement (IV) is not true since planning mode helps the company to be better prepared for environmental uncertainities.
3. Answer : (c)
Reason : Discretionary respon sibilities refers to the purely voluntary obligations that a corporation assumes, such
as philanthropic contributions and training the unemployed.
4. Answer : (b)
Reason : Customers, Government, Local committees and Unions are outside claimants. Executive

Officers are
inside claimant.
5. Answer : (c)
Reason : The bargaining power of suppliers is higher when no single industry is a major customer for the
suppliers and also when the buying companies cannot use the threat of vertically integrating backward -


and supplying their own needs as a means to reduce input prices. Therefore statemen ts (II) and (IV) are correct.
6. Answer : (e)
Reason : High fix ed cost of exit, such as severance pay to workers who are being made redun dant, emotio nal
attachment to an industry and economic dependence on the industry are common exit barriers in an industry.
7. Answer : (a)
Reason : A very fragmented industry with many competitors in each national market and distribu tion unique in
each country are the factors influencin g multi domestic industries. The presence of economies of scale in
functional activities of the business, Homogenous product needs, which reduce the requirement of customizing the product for each market and a low level of trade and foreign direct investment regulation are factors influencing global industries.
8. Answer : (b)
Reason : Quality of customer education and training and productivity of equipment compared to that of key
competitors are factors for assessment of primary activities and remaining options are tru e about support
activities.
9. Answer : (e)
Reason : Leverage ratio identify the source of a firm‘s capital, i.e., owners or outside creditors.
10. Answer : (d)
Reason : Shortage of critical material, downturn in the econ omy and labour strike support the contingency
approach to strategic choice.
11. Answer : (b)
Reason : Does the company have sufficient financial resources to implemen t the strategy? And Will the
technology be available to compete effectively? are true regarding criteria of feasibility.
12. Answer : (b)
Reason : Sale of systems and/or indirect inv estment production operations comes under growth stage of the
”Three Phase International Model‘.

13. Answer : (c)
Reason : Statements (II) and (IV) are true regarding industry scope. Statement (I) is not true because vertical
scope refers to th e extent of activities that are performed in-house. Statement (III) is not true because geographic scope allows firm to share value activities across different regions.
14. Answer : (e)
Reason : Resource depend ence is not an internal source of power. Resource dependence is source for external
stakeholders.
15. Answer : (d)
Reason : Statement (I), (III) and (IV) are the features of the strategic goals of an organization.
16. Answer : (b)
Reason : Spin-off results in the creation of a separate legal entity, the shares are distributed among existing
shareholders of the p arent company on a prorata basis.
17. Answer : (c)
Reason : Innovation is risk prone factor influencing managerial risk propensity and strategic choices. Decrease
choices, stability, stable industry and defensive strategies are risk averse facto rs.
18. Answer : (c)
Reason : Dogs are business units that have a low market share in an immensely competitive, mature industry
characterized by low profits. These units do not need much of investment, but it ties u p capital that could
be invested in industries with better returns. Statement (II) is not true since these units can generate surplus returns if managed well but cannot be transformed into a cash cow.
19. Answer : (b)
Reason : Strategic surveillance is designed specifically to monitor a broad range of events inside and outside the
company that are likely to threaten the course of a firm‘s strategy.
20. Answer : (b)
Reason : Statements (II) and (III) are not true regarding matrix orgtanization structure. Statements (I) and (IV)
are true i.e., it provides for dual channels of authority, performance responsibility, evaluation and
-




control, and it is easy to design but it is difficult to implement.
21. Answer : (c)
Reason : The obsolescing bargain theory holds that a firm, which invests in host country gains a bargaining
power in relation to the host government because of its superior technology and access to capital markets.
22. Answer : (e)

Reason : The statemen ts, in this method of analysis, managers divide the activities of their firms into sets of
separate activities that ad value, to do so, the activities of the organization have to be identified and examined by managers and managers thus acquire an in depth understanding of their firm‘s capab ilities,
its cost structure and how these create co mpetitive advantage or disadvantage.
23. Answer : (d)
Reason : Organizations g enerally put some financial defenses to thwart acquisitions. They are, adjustmen ts in
asset and ownership structure; leveraged recapitalizations; golden parachutes; and poison puts. But, good cash flow relative to current stock prices make the firm attractive for acquisition.
24. Answer : (a)
Reason : Th e BCG growth-share matrix displays the position of business units comparing their market growth rate
against their market share relative to competitors. It contains four cells œ question marks, stars, cash cows and dogs. Stars are the business units, which have a large market sh are in fast growing markets. The sunglasses unit is therefore a star. As p er the BCG matrix, firms need to invest in stars as the industry is still emerging and market share is also growing.
25. Answer : (c)
Reason : Statement (II) i.e. when the value of assets of the firms are more worth while than the rate of return
earned by the firm is the reason for the adaptation of liquidation strategy. Statement (IV) i.e. when the strengths are insufficient to face the threats posed by the environment is the reason fo r the ad aptation of
retrenchment strategy.
Statement (I) and (III) are reasons for the adaptation of liquidation strategy. Therefore, statements (II) and (IV) are not the reasons for the adaptation of liquidation strategy.
26. Answer : (c)
Reason : Convergent thinking focuses on well-defined problems and su ggests time-tested and well-known
solutions immediately. Convergent th inking moves step by step; by taking the right step each time, a solution is reached. Therefore statements (II) and (III) are true.
27. Answer : (d)
Reason : Regardless of the type of institution, the finance function must be examined in order to get an insight
into its health. Even non-profit institutions must pay their bills in time to continue operations. Even though profit is profit is not the objective of non-profit organizations, an excess of income over expenses
allows them to grow larger and stronger to accomplish their service objectives. So the alternative (d) is the answer.
28. Answer : (d)
Reason : Statements (I), (III) and (IV) are not true regarding finance budgets.
29. Answer : (a)
Reason : Statement (I) is not true since small organizations are ru n autocratically. The statements are true.
Leadership style also relates to th e role o f planning and the importance of incremental change in strategic man agement and in relatively stable environments both entrepreneurial leadership style and conservative leadership style can be appropriate and successful.
30. Answer : (c)

Reason : Vertical merger takes place between firms engaged in different stages of production operations.(a)A
horizontal merger is a merger between two firms involved in the same kind of business activity.(b) Conglomerate mergers involve firms engaged in unrelated ty pes of business activity.(d)Synergy is situation in which the whole is greater than its parts. In organizational terms, the fact that departments that interact cooperatively can be more productive than if they operate in isolation. (e) An acquisition is defined as the purchase of a controlling interest in a firm, via a tender offer for the target shares
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Section B : Problems
1. Advantages of Forward Integration
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The company can get into the garment manufacturing business, as more and more buyers are wanting to buy everything under one roof.
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There is immense potential waiting to be tapped in exp orts. With winds of glob alisation sweeping all the industries, outsourcing has become the norm. In such a scenario, RCL can tap exports better, if it gets into garment manufacturing: it can be more cost-competitive in the exports market.
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This also requires RCL to link up closely with international trends, which are as much driven by fabric as by styling. RCL can therefore assume the role being the market leader in manufacturing cutting-ed ge fabrics.
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There are opportunities for innovations on fabrics. Value addition is derived through both fabric an d with styling. In an era of un differentiated products, new inno vations in fabric will go a long way in driving salience and sale.
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By focusing on value added fabrics, performance fabrics, superior q uality and specialised textiles and hybrid yarns (cotton/non-cotton), RCL can drive its sale through sheer product brilliance. Through value engineering, it can drive not just sales but also higher margins and profits.
Disadvantag es of Forward Integration
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Increase in debt burden which could impact profitability
ñ
Creating a consumer brand is time-consuming and expensive.
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Building a strong brand in the consumer's mind is a complex task, especially given the existing high clutter levels in the market.
ñ
High level of competition in the retail segment could make it difficult to penetrate the market and build volumes in a short time

ñ
Will increase exposure to the textile industry, and hence less scope for diversifying risk.
2. Acquisitions: RCL should focus on its existing role as the supplier of fabric in the current scenario. RCL can build on its fine capabilities in the textile industry, by looking out for undervalued firms for acquisition targets.
Strategic alliances with overseas textile firms: There are several countries-like South Africa and Bangladesh-which enjoy the status of the most-preferred trading partner with countries like the US. It makes sense for RCL to lease manufacturing facilities in such countries and export to the US and Europe from there, by using its own fabric, to be competitive.
RCL can also become competitive by moving into value-added niche markets through the route of joint ventures and strategic tie-ups with world-class, cost-effective Asian producers: access to global technology is imperative in enhancing product quality.
Since tariff barriers in India will be progressively reduced, the two-pronged strategy outlined above will build upon the company's strengths, leverage its JV partners' technology and brand image, and help it to develop its domestic and external markets. It would also help RCL to focus on improving its core business processes and gain competitive advantage by producing quality products, which at the same time would meet WTO stipulations.
Backward integration into the cultivation of cotton: Land laws in India are still not amenable to such an approach. But it may be beneficial to forge relationships with major cotton growers. A contro l over the supply-chain gives the company a tremendous stayin g power.
Go for domestic alliances: RCL should identify niche segments within each product category towards enhancing revenues from domestic sales. These would be areas where the customer is assured of a value added offering.
3. RCL seems to be on the right track, with the first step to exit the polyester business and re-structure the residual companies, bringing the overall d ebt down to a manageable level.
RCL has been current with the financial institutions and banks for a year and a half, which has strengthened the company's credibility amongst vital stakeholders. In general, the company must strive to





improve its performance so as to let the world know that it is once again a force to be reckoned with.
Restructuring: The Company needs to analyse what businesses are their core competence. In steel, RCL should evaluate whether it can focus adequate resources to survive and grow in the complex and highly competitive environment. If possible, it should explore any opportunity that might exist in making specialised products in steel so as to lift itself out of the mass-market dynamics, thereby driving margin s and profits.

Given the initial success in thermoplastic and engineering grade nylon, RCL should look at strengthening this division so as to exploit any further opportunities, which ex ist. This would help them consolidate and grow in this emerging new area of operation.

The impending rationalisation of the Customs duty structure as recommended by the WTO would open the Indian marketplace to global players. RCL has to think global markets, to develop into a global provider of mass-use fashion fabrics based on commercialising emerging technologies in a cost competitive manner. Given the opportunities on the horizon, RCL must make a strong thrust to wards exports. Here value addition could prove to be a key success factor. To beg in with, the domestic readymade garments market, which has attained critical mass, could be a focus area.

RCL needs therefore focus on investing on product innovation, value engineering and quality so as to grow aggressively in the textile business.

In order to remain competitive in the textile business, RCL needs to move out of areas where the company competes with the unorganised sector, and move into areas of higher value addition

In the meantime, the cost-cutting measures that the company has been focusing which have yielded positive results must be continued.

4. Canon evaluated the remote environmental factors appropriately before investing in India. The remote environment can be evaluated as follows:

The political environment at the time o f Can on‘s entry in 1997 was stable. Though the government was a coalition, yet it was pro-liberalisation. This spelt stability on the economic policies front and thus the political environment was conducive to investment.

Economic environment, in India, too was very healthy. The new economic policies were pro-investment. Deregulation, and liberalization of Industrial Licensing h ad already taken place. FERA was liberalised which meant that foreign investment and technology import were made easier. Fiscal and monetary reforms were in the pipeline and pointed towards a bright future. Public sector participation was being abetted by the governmen t. All in all, the economic environment too was ripe.

The social environment in India was a mixed bag. Though the middle class was burgeoning, yet the population below the poverty lin e was a concern. A major part of the Indian population lived in small villages, which did not even have access to electricity. However, this was not of much of a concern to the firm.

The technological environment prevalent in India was very dy namic. India was fast being recognized worldwide as the leader in Information Technology. Allied industries were b ooming and India seemed to be on its way up. The development of Information Technology threatened to produce a ”paperless office‘. But despite this the growth au gu red well for Canon.

5. Strengths

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Focus on revamping distribution and marketing strategies

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Presence in man y product segments helping realize synergies

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Large distribution network, cross-selling and competitive pricing

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Strategic focus on the product categories of digicams and projectors, which are pro ducts based on

new technology
Weaknesses
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Canon, India realized that its weakness lies in the fact that it is serving the jobbers segment. This is a weakness that the jobbers segment is spread over a large geographical area- in all major and small towns o f India. Thus, the geographical spread wh ich Canon, India had to cover to service the machines would make after sales service a very arduous task.
Opportunities
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Canon identified weaknesses of competitor's and converted them into opportunities Modi-Xerox, had the lion's share of the market, Canon, India was spot on in analyzing its strengths and weaknesses. Modi-Xerox was concentrating on the offices and corporate clients. This was one of their strength areas. Since Modi-Xerox was not focusing on another major segment œ the ”jobber'
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segment (the corner-shop which does a photocopy)- Canon , India decided to vigorously attack it! RPG-Ricoh (the second largest player) was involved with restructuring its business and could not employ any tactics to thwart Canon, India's entry. The timing of the entry seems to be strategically very appropriate as RPG-Ricoh was unable to react due to its restructuring. Thus, Canon, India capitalized on another weakness (though a temporary one).
In 2001, HP was preoccupied with its parallel shipment problems. Epson's Stylus 480 didn't live up to its expectations and Epson didn't manage to recover from that, and Lexmark, which had so far been selling through TVSE, decided it was time to go solo and proceeded to revamp its distribution plan.
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Canon realizes that its core competencies lie in the area of digital imaging.
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India is a strategic market for Canon in Asia
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Many product segments can be tapped for growth œ peripherals, SOHO and consumer segments
Threats
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The development of Information Technology pointed to emerging ”paperless offices'.
ñ
Competition from HP, Epson, Modi Xerox and RPG Ricoh.
ñ
Sound ch annel strategies of HP and Epson
6. Sharq Technologies had various areas of concern which are as follows:
ñ
The bureaucratic and hierarchical structure of the organization was stifling the creativity of its employees as a result of which they were no longer motivated to come up with ideas pertaining to new products or improv ements in the existing organization al practices.
ñ

Competition from multinational companies was eating into Sharq's market share as the technology of these companies was far better than that of Sharq.
ñ
Sharq's very survival was at stake as most of its subsidiaries were facing serious financial crises and increasing losses.
ñ
The productivity of these subsidiaries was disproportionate to the number of employees they had.
ñ
The inability of Sharq's generic products to effectively penetrate the highly competitive market eventually resulted in blocking capital.
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Most important of all, Sharq failed to adapt to the changes in the external environment. Because of this, it no t only lost market leadership in various sectors, but also failed to maintain a decent market share in the industry.

7. The various steps in the change process are as follows:

Recognition of Need for Change

In the first step, the senior management must d evelop an early awareness of the need for change. Information leading to such awareness can come from the various stakeholders of the firm. Another source of information is scientific associations, which may know more about developments in product and manufacturing technologies. Moreover, examining the actions of competitors gives an additional lens to managers throug h which they can monitor the environment. Realizing there was a need for change in the Sharq Technologies; Anish Vaidya took some necessary steps to implement change. Areas with new and substantial market potential were explored and strategies to implement them were developed. Vaidya endeavored to change the bureaucratic style of management in the organization to enable easier and faster decision-making. This resulted in the formation of a lean and effective organizational structure and helped enhance employee participation, and thereby improve employee productivity.

Building Awareness of Need to Change

Once senior managers have gained a general idea o f the kind of change required they must build awareness of this need among employees in the firm. Awareness can be built among employees during routine contacts with them. These conversations will stimulate peop le's tho ug hts about possible change
without raising anxieties too quickly. Thus, sharing information and establishing trust are critical in buildin g support for change. Vaidya invited employees from the middle and top management level to pool their ideas to address a comprehensive list of problems faced b y the organ ization.

Foster Debate

Stimulating debate about alternative solutions and a diversity of perspectives is essential. Diversity of
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ideas raises the chances that both the best and worst aspects of each alternative are brought to light. The debates and various perspectives contribute towards building a commitment to new goals. Anish Vaidya consulted with his team members before implementing change.

Create Consensus
An evidence will accumulate in favor of particular approach by analyzing the results of debates. This evidence will help in creating a consensus about the direction change should take. In t]us process. opposition is likely and retaining entrenched opponents to a change initiative can result in trouble. In this
stage, continuous training and management development can reap big dividends in implementing change.
By teaching new skills to employees the management can eliminate fear, the major source of resistance to transformation. Employees at Sharq were asked to undergo numerous training programs at regular intervals to remain updated with th e latest developments in the external enviro nment, so that they could
adapt to technological changes and remain competitive.
Assign Responsibility
Once the appropriate response to change has been determined, responsibility for carrying it out must be assigned. In this contex t, a new effort towards change can be placed within an existing department. Also,
the firm can set a new autonomous unit. To ensure that an initiative receives proper attention, it may need to be established as a separate unit headed by someone who has only its welfare in mind.
Allocate Resources
A variety of resources may be needed to carry out a new initiative. Management must ensure that sufficient resources are available for the initiative. Otherwise the initiative will atrophy for the lack of sustenance. Allocating these resources is the final step of the change process.
In the case of Sharq Technologies, the change process was a planned and initiated by the top management under the leadership of its CEO, Anish Vaidya. The process also had the support of the employees, despite their initial resistance.
Section C: Applied Theory
8. When developing the firm's plans, strategic managers should emphasize four major design recommendations based on the multifaceted, complex and subjective nature of corporate strategy formulation. These include issue selection, data collection, conducting environmental imp act studies and
planning for flexibility.
Issue Selection
The issues that are most lik ely to be critical to the success of the strategy have to be determined initially.
This issue identification will help to focus and prioritize data collection efforts. In a recent study that involved more than 200 company executives, these respondents were asked to identify key planning issues in terms of their increasing importance to strategic success. The issues that were selected were competitive domestic trends, customer or end user preferences and technological trends. These three factors were considered to be most important for effective strategy formulation. By knowing the competitors trends the firm can modify its strategy. Since the customer p references change repeatedly, they should be monitored by the management constantly to enable it to meet. Technology also plays a major role in providing a product of superior quality to the customers in time. So, all these factors playa vital role in the formulation of an effective strategy.
Data Selection
It is imperative for managers to gather more information through forecasting to design appropriate strategies. The information can be gathered from government publications, discussing competitive conditions with sales managers and clients, reading business magazines, and serving on community councils and committees.
The data collected in this manner may not be valid and is often difficult to document and verify.

Therefore, public sources would be beneficial for collecting systematic data which is pertinent in nature.
Such data are readily available, inexpensive and comparatively reliable. The sources of public data include annual reports, business literature indexes, business periodicals and reference services, government publications, trade publications, stock broker reports and many o thers. All these sources will
be useful for examining the general environmental trends. Managers must carefully select data from this
information source' when constructing a strategic data base. When selecting or generating data for managerial base, factors such as manageability, accessibility, variability, relevance, importance and cost must be considered.
Impact Studies
After the data is collected, managers should undertake impact studies to determine the overall
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consequences of implementing available alternative strategies. In the process, the environmental data gets transformed by the firm into situ ation specific environmental information. The impact study must involve the assessment of probable effects on the firm's strengths and weaknesses, operating environment
competitive position and likelihood of achieving corporate objectives, grand strategies and mission.
Businesses attempt to develop objective estimates, whenever they find it possible, along with the impact
studies (which are generally considered to be subjective and intuitive). In order to increase the objectivity
of the data analysis, firms increasingly employ techniques like exponential smoothing , time trends and adaptive forecasting.
Flexibility
Incorporation of flexibility is the next important consideration when designing strategies. Since it is difficult to forecast environmental conditions (because they are uncertain), decision make
r