

## 6. FUNCTIONAL LEVEL STRATEGIES

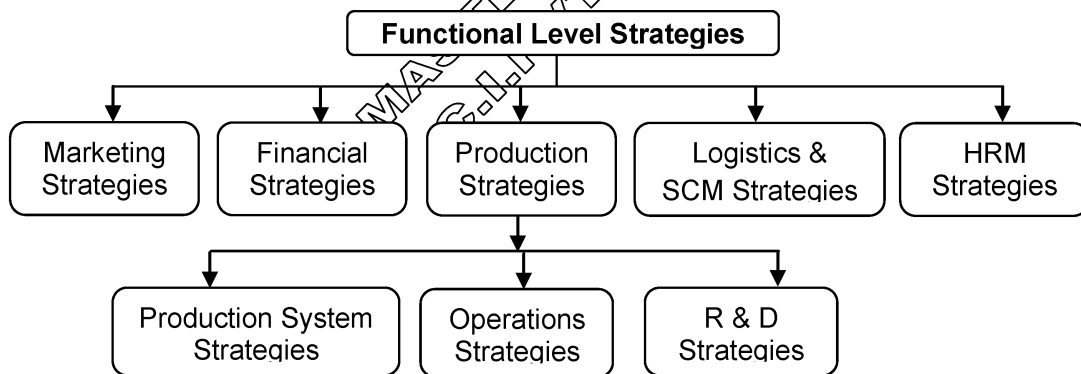
### QUESTION - WISE ANALYSIS OF PREVIOUS EXAMINATIONS

Q.No.	M-15	N-15	M-16	N-16	M-17	N-17	M-18	N-18	M-19	N-19
2.	-	-	-	3	-	-	-	3	-	-
4.	-	-	-	-	-	-	-	5	-	-
7.	-	-	-	-	-	-	5	2	-	-
10.	3	-	-	-	-	-	-	-	-	-
11.	-	-	-	-	-	3	-	-	-	-
20.	-	-	-	4	-	-	-	-	-	-

### CHAPTER OVERVIEW

SECTION	TOPIC	STARTING PAGE NO.
1.	THEORY FOR CLASSROOM DISCUSSION	6.1
2.	FOR ACADEMIC INTEREST ONLY	6.16
3.	TEST YOUR KNOWLEDGE	6.18

### SECTION 1: THEORY FOR CLASSROOM DISCUSSION



**Q.No.1. What are Functional Strategies? In terms of level where will you put them? (B) (OLD PM)**

**1) INTRODUCTION:**

- a) Once corporate level and business level strategies are developed, management has to formulate and implement strategies for each functional area.
- b) For effective implementation, strategists have to provide direction to functional managers regarding the plans and policies to be adopted.
- c) The effectiveness of strategic management depends on the manner in which strategies are implemented.

**2) MEANING OF FUNCTIONAL STRATEGIES:** Functional strategies refer to strategies which are formulated in the individual functional departments such as marketing, finance, production, R&D, Human Resource Management etc.

**3) LEVEL IN THE ORGANISATION STRUCTURE:**

- Functional strategies operate below the SBU or business-level strategies.
- Within functional strategies there might be several sub functional areas.
- Functional strategies are formulated within the higher level strategies and guidelines that are set at higher levels of an organisation.
- Functional managers need guidance from the business strategy in order to make decisions.*

**4) ROLE OF FUNCTIONAL STRATEGIES:** Functional strategies play two important roles:

- Firstly, they provide support to the overall business strategy.
- Secondly, they specify how functional managers have to work to ensure better performance in their respective functional areas.

**SIMILAR QUESTION:**

- Once corporate and business strategies have been developed, management need to formulate and implement strategy for each of the functional areas of business. In this context, what is the importance of functional level strategies?  
A. Refer the above answer.

**Q.No.2. Are functional strategies really important for business?****(A) (OLD PM, RTP N14, N16, N18, N13 - 3M)****REASONS WHY FUNCTIONAL STRATEGIES ARE NEEDED CAN BE ENUMERATED AS FOLLOWS:**

- Functional strategies clearly specify what is to be done at the functional level. They provide a sense of direction to the functional staff.
- They facilitate the implementation of corporate level and business level strategies.
- They act as basis for controlling activities in different functional areas of business.
- They help in bringing harmony and coordination as they remain part of major strategies.
- With the help of functional strategies, functional managers can handle similar situations occurring in different functional areas in a consistent manner.

Thus, strategies need to be segregated into viable functional plans and policies that are compatible with each other. In this way, strategies can be implemented by the functional managers.

**SIMILAR QUESTIONS:**

- What are functional strategies? How important are they for the business?** (RTP - N14)  
A. Refer meaning in the 1<sup>st</sup> question + write the above answer.
- Do you think that management of a business house needs to formulate strategies for different functional areas when it already has developed higher level corporate and business strategies? If yes, enumerate Marketing mix why functional strategies are needed.**  
A. Same as above.
- Rohit Bhargava is the Managing Director of Smooth and Simple Pvt Ltd. The company established in 2011, with 35 employees grew very fast to become an organisation with 335 employees in the year 2016. With the increase in size Rohit started facing difficulty in managing things. Many a times he finds that personnel at the functional level are not in sync with the strategies of the top. He felt that strategies need to be segregated into viable plans and policies that are compatible with each other and communicated down the line. Why does Rohit need to segregate the strategies into functional plans? Discuss.** [MTP2M19](RTP N18)  
A. Rohit Bhargava needs to break higher level strategies into functional strategies for implementation. These functional strategies, in form of Marketing, Finance, Human Resource, Production, Research and Development help in achieving the organisational objective. + write the above answer.
- ABC Ltd is a company that has grown eleven times its size in last five years. With the increase in size the company is facing difficulty in managing things. Many a times functional level is not in sync with the corporate level. What will you like to advise to the company and why?** [RTPM20,M19]  
A. The higher-level corporate strategies need to be segregated into viable plans and policies that are compatible with each other and communicated down the line. The higher-level strategies need to be broken into functional strategies for implementation. These functional strategies, in form of marketing, finance, human resource, production, research and development help in achieving the organisational objective. +Write the above answer.

**MARKETING MANAGEMENT STRATEGIES**

**Q.No.3. Define marketing? Explain the role of marketing in the achievement of objectives of the organization. (C)**

- 1) The **marketing process** is the process of analyzing market opportunities, selecting target markets, developing the marketing mix, and managing the marketing effort.
- 2) Target customers stand at the center of the marketing process.

Once the corporate strategy has defined the company’s overall mission and objectives, marketing plays a role in carrying out these objectives by undertaking the following:

**DELIVERING VALUE TO CUSTOMERS:** Marketing alone cannot produce superior value for the customers. It needs to work in coordination with other departments to accomplish this. Marketing acts as part of the organizational chain of activities.

**CONNECTING WITH CUSTOMERS:** To succeed in today’s competitive marketplace, companies must be customer centric. They must win customers from competitors and keep them by delivering greater value. Since companies cannot satisfy all customers in a given market, they must divide up the total market (**market segmentation**), choose the best segments (**marketing target**), and design strategies for profitably serving chosen segments better than the competitors (**market positioning**).

**Q.No.4. Discuss the concept of Marketing Mix? (A) (OLD PM, RTP M12, N16, J09 - 2M, N10-3M, M13 - 4M, N14 - 3M, N18- 5M)**

**MEANING OF MARKETING:** Marketing is a social and managerial process by which individuals and groups obtain what they need and want through creating, offering and exchanging products of value with others.

**MEANING OF MARKETING MIX:**

- 1) Marketing mix forms an important part of overall competitive marketing strategy.
- 2) It is a set of controllable marketing variables that the firm blends to influence the demand for its products and to produce the desired response it wants, in the target market.
- 3) It consists of everything that the firm can do to influence the demand for its product.
- 4) An effective marketing program blends all the elements of marketing mix into a coordinated program designed to achieve the company’s marketing objectives, by delivering value to consumers.
- 5) These variables are often referred to as “4Ps.” When translated to the perspective of buyers, they may be termed as “4Cs” as explained below:

<p><b>4P’s of Marketing Mix</b> (From company’s perspective)</p>
<ul style="list-style-type: none"> <li>• Product</li> <li>• Price</li> <li>• Place</li> <li>• Promotion</li> </ul>

<p><b>4C’s of Marketing Mix</b> (From Customer’s perspective)</p>
<ul style="list-style-type: none"> <li>• Customer Solution</li> <li>• Customer Cost</li> <li>• Convenience</li> <li>• Communication</li> </ul>

**COMPONENTS / ELEMENTS OF MARKETING MIX:**

**Product:** It stands for goods & services offered by the company, to the target market.

**Price:** It stands for amount of money that customers have to pay to obtain the product.

**Place:** It stands for all the activities of the company that make the product available to target customers. One of the most basic marketing decisions is choosing the most appropriate channel to reach target customer.

**Promotion:** It stands for activities that communicate the merits of the product and persuade target consumers to buy it. It includes - Personal Selling, Advertising, Publicity and Sales promotion

**SIMILAR QUESTIONS:**

1. Write short notes on the Components of marketing mix.
  - A. Refer Components of Marketing Mix side heading.
2. Explain the marketing mix in the context of modern marketing. (N18- 5M)
  - A. Same as above.
3. Write a short note on place in marketing. (RTP - M17)
  - A. Refer the above answer.
4. Write short note of elements on the Marketing Mix? (PM)
  - A. Same as above.
5. Not one factor, but a perfect blend of multiple factors makes the product/service successful in the target market. What factors constitute the blend to target the market and become successful?
  - A. Same as above.

**Q.No.5. Discuss the concept of Expanded/ Extended Marketing Mix. (B) (NEW SM, OLD PM)**

- 1) Typically, all organizations use a combination of 4Ps in some form or the other (4Ps are Product, Price, Place & Promotion).
- 2) However, these elements of marketing mix are not exhaustive.
- 3) It is essential to discuss few more elements that may form part of an organizational marketing mix strategy.
- 4) Growth of services has its own share for the inclusion of newer elements in marketing. A few new Ps are as follows:

**VARIABLE:**

- 1) **People:** All human actors who play a part in delivering the market offering and thus influence the buyer's perception i.e. firm's personnel.
- 2) **Physical Evidence:** The environment in which the market offering is delivered and where the firm and customers interact.
- 3) **Process:** The actual procedures, mechanisms and flow of activities by which the product/service is delivered.

**SIMILAR QUESTION:**

1. 4P's are not exhaustive. It is pertinent to discuss a few more elements that may form part of an organizational marketing mix strategy. What are they?
  - A. Refer the above answer.

**Q.No.6. Discuss different promotional methods (A) (OLD PM, RTP M18)**

Promotion stands for activities that communicate the merits of the product and persuade target consumers to buy it. Modern marketing is highly promotional oriented. Promotion also acts as an impetus (stimulus/push) to marketing.

**THERE ARE AT LEAST FOUR MAJOR DIRECT PROMOTIONAL METHODS OR TOOLS AS EXPLAINED BELOW:**

- 1) **PERSONAL SELLING:**
  - a) It is one of the oldest forms of promotion.
  - b) It involves face-to-face interaction of sales force with the prospective customers and provides high degree of personal attention.
  - c) Initially it may focus on developing a relationship with the potential buyer, but end up with efforts for making a sale.
  - d) It suffers from very high costs as sales personnel are expensive. They can physically attend only one customer at a time. Thus, it is not a cost-effective way of reaching a large number of people.

**2) ADVERTISING:**

- a) Advertising is a non-personal, highly flexible and dynamic promotional method.
- b) There are several media of advertisement such as pamphlets, brochures, newspapers, magazines, hoardings, display boards, radio, television and internet.
- c) Choice of appropriate media is important for effectiveness of the message. The media may be local, regional or national.
- d) Advertising is likely to succeed in promoting the sales of an organization but its effectiveness in respect to the expenditure cannot be directly measured. Because sales is a function of several variables out of which advertising is only one.

**3) PUBLICITY:**

- a) Publicity is a non-personal form of promotion similar to advertising. However, no payments are made to the media as in case of advertising. Organizations skillfully seek to promote themselves and their product without payment.
- b) Publicity is communication of a product, brand or business by placing information about it in the media without paying for the time or media space directly. Thus, it is way of reaching customers with negligible cost.
- c) Basic tools for publicity are press releases, press conferences, reports, stories, and internet releases. Of course, these releases must be of interest to the public.

**4) SALES PROMOTION:**

- a) Sales promotion includes all activities that are undertaken to promote the business but are not specifically included under personal selling, advertising or publicity.
- b) Activities like discounts, contests, money refunds, installments, kiosks, exhibitions and fairs will come under sales promotion. All these are meant to give a boost to the sales.
- c) Sales promotion done periodically may help in getting larger market share to an organization.

**SIMILAR QUESTIONS:**

1. Write short on publicity and sales promotion?
- A. First write the meaning of promotion and list out all the four methods of promotion. After that write 3<sup>rd</sup> and 4<sup>th</sup> points of the above answer.
2. Ronit Roy has started a new business of manufacturing washing powder. Make a plan for him to promote his product. (RTP M18)
  - A. Same as above.
  3. Modern marketing is highly promotional oriented. Write about Promotion and its methods.
    - A. Same as above.
    4. Mr. Vicky Verma, a Gwalior based entrepreneur, has entered into an exclusive-retail deal with an Italian company selling 'Fantasy-3D', a Hologram LED Fan, which is being used for advertising at public places. Mr. Verma procured a total of 500 units of the product and paid upfront as per the seller's policy. This resulted in blocking of his working capital significantly and the shipment is expected in a month. Meanwhile his continued efforts of establishing relations with the marketing heads of corporates resulted in a series of meetings, where he demonstrated his specialist product knowledge by changing the hologram images to personalise basis specifications of the customer. The management of a big automotive company was impressed with the quality and adaptability of the product, and awarded a contract of 125 units to be displayed in the auto-maker's showrooms. Identify and explain the product promotion strategy adopted by Mr. Verma. [RTPN20]
    - A. Mr. Vicky Verma established personal contacts with potential buyers of the product and persuaded the marketing department over several physical meetings, and was finally able to make sales. The personal relation establishment and physical demonstration, indicates that Mr. Verma used the Personal Selling method of Promotion. Modern marketing is highly promotional oriented and include personal selling, advertising, publicity and sales promotion.+ Write PERSONAL SELLING point in the above answer.

**Q.No.7. Explain various Marketing Strategies/ Techniques?****(C) (OLD PM, N14 - 4M, M12 - 2M)**

- 1) **SOCIAL MARKETING:** It refers to the design, implementation, and control of programs seeking to increase the acceptability of social idea, cause or practice among a target group e.g. "No Smoking" Campaign.
- 2) **AUGMENTED MARKETING:** It refers to provision of additional customer services and benefits built around the actual products and introduction of hi-tech services, e.g. movies on demand, on-line computer repair services, secretarial services, etc. Such innovative offerings can increase customer service to much higher levels. **(N18- 2M)**
- 3) **DIRECT MARKETING:** It is the process of marketing through various advertising media that interact directly with consumers to get a direct response from the consumer. Direct Marketing includes Catalogue Selling, e- mail, telecomputing, electronic marketing and TV Shopping.
- 4) **RELATIONSHIP MARKETING:** It is the process of creating, maintaining and enhancing strong, value-laden relationship with customers & other shareholders. This results in provision of special benefits to select customers, in order to strengthen bonds and build lasting customer relationships, e.g. British Airways offers special lounges with showers at 199 airports for frequent flyers.
- 5) **SERVICES MARKETING:** It is the process of applying the concepts, tools and techniques of marketing to services. Service refers to any activity or benefit that one party can offer to another, and is essentially intangible, e.g. Banking, Retailing, Educational or other utilities.
- 6) **PERSON MARKETING:** Person marketing consists of activities undertaken to create, maintain or change attitudes or behaviour towards particular people. **For example**, politicians, sports, stars, film stars, etc. market themselves to get votes, or to promote their careers and income. 
- 7) **ORGANISATION MARKETING:** Organisation Marketing consists of activities undertaken to create, maintain or change attitude and behaviour of target audiences towards an organisation. Both profit and non-profit entities practice organisation marketing.
- 8) **PLACE MARKETING:** Place Marketing involves activities undertaken to create, maintain or change attitudes and behaviour towards particular places, e.g. *business sites marketing, tourism marketing*. 
- 9) **ENLIGHTENED MARKETING:** It is a marketing philosophy holding that a Company's marketing efforts should support the best long-run performance of the marketing system. Its five principles include (a) customer-oriented marketing, (b) innovative marketing, (c) value marketing, (d) sense of- marketing, and (e) societal marketing.
- 10) **DIFFERENTIAL MARKETING:** It is a market-coverage strategy in which a firm decides to target several market segments and designs separate offer for each segment. **For example**, Hindustan Lever Limited has Lifebuoy, Lux and Rexona in its popular segment Liril and Pears in its premium segment. 
- 11) **SYNCHRO MARKETING:** In some cases, the demand for the product is irregular. It can be due to season, some parts of the day, or on hour basis, causing idle capacity or over-worked capacities. In such cases, Synchro marketing can be used to regularize the pattern of demand through flexible pricing, promotion and other incentives. **E.g.** Fans and ACs sold at off season prices.
- 12) **CONCENTRATED MARKETING:** It is a market-coverage strategy, in which a Firm goes after a large share of one or few sub-markets.
- 13) **DE-MARKETING:** It is a marketing strategy to reduce demand temporarily or permanently. The aim is not to destroy demand, but only to reduce or shift it. De-marketing can be applied to regulate demand, in case of full demand in certain cases. **For e.g.** *keeping 'houseful' board at the movie theatre when there is heavy rush.*

**NOTE:** The above question will not be asked in the exam as it is but definitions can be asked individually from this question.

**SIMILAR QUESTION:**

1. Define Augmented Marketing. Give two examples. (N18- 2M)
- A. Refer 2<sup>nd</sup> point in the above answer.
2. Define the term 'Marketing'. Distinguish between social marketing and service marketing. (M18-5M)

**FINANCIAL MANAGEMENT STRATEGIES**

**Q.No.8. What do you mean by financial strategy of an organization?**

**(B)****MEANING OF FINANCIAL STRATEGY:**

- 1) The financial strategies of an organization are related to several finance/ accounting concepts considered to be central to strategy implementation.
- 2) These are: acquiring needed capital/sources of funds, developing projected financial statements/budgets, management/ usage of funds, and evaluating the worth of a business.
- 3) The circumstances where it is important to evaluate the actual worth of the business are acquisition, mergers or diversification or retrenchment.
- 4) *Some examples of decisions that may require financial and accounting policies are:*
  - a) *To raise capital with short-term debt, long-term debt, preferred stock, or common stock.*
  - b) *To lease or buy fixed assets.*
  - c) *To determine an appropriate dividend payout ratio.*
  - d) *To extend the time of accounts receivables.*
  - e) *To establish a certain percentage discount on accounts within a specified period of time.*
  - f) *To determine the amount of cash that should be kept on hand.*

**Q.No.9. What are the major components of financial strategy?**

**(C)****THE MAJOR COMPONENTS OF FINANCIAL STRATEGY ARE:**

**STRATEGISING ACQUIRING CAPITAL (SOURCES OF FUNDS):** Successful strategy implementation often requires additional capital. Besides net profit from operations and the sale of assets, two basic sources of capital for an organization are debt and equity. Determining an appropriate mix of debt and equity in a firm's capital structure can be vital to successful strategy implementation.

**PROJECTED FINANCIAL STATEMENTS/BUDGETS:** as an effective tool to implement financial strategy: Projected (pro forma) financial statement analysis is a central strategy-implementation technique because it allows an organization to examine the expected results of various actions and approaches. This type of analysis can be used to forecast the impact of various implementation decisions

**STRATEGISING UTILIZATION/MANAGEMENT OF FUNDS:** Plans and policies for the usage of funds deal with investment or asset-mix decisions. The important factors regarding which plans and policies are to be made are: capital investment; fixed asset acquisition; current assets; loans and advances; dividend decisions; and relationship with shareholders. Usage of funds is important since it relates to the efficiency and effectiveness of resource utilization in the process of strategy implementation.

**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 may result in the sale of a division of a firm itself. Thousands of transactions occur each year in which businesses are bought or sold. In all these cases, it is necessary to establish the financial worth or cash value of a business to successfully implement strategies.

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**Q.No.10. Successful implementation of any project needs additional funds. What are the different sources of raising funds and their impact on the financial strategy which you as a financial manager consider?**  
(A) (OLD PM, RTP - M16, M17, N11 - 3M, M15 - 3M)

- 1) Successful strategy implementation often requires additional capital. Besides net profit and sale of assets, there are two basic sources of capital for an organization i.e. debt and equity. Being a financial manager it is important to determine an appropriate mix of debt and equity in a firm's capital structure, for successful implementation of strategy.
- 2) Major factors regarding which strategies have to be made by a financial manager are:
  - a) Capital structure
  - b) Procurement of capital and working capital borrowings
  - c) Reserves and surplus as sources of funds and
  - d) Relationship with lenders, banks and financial institutions.
- 3) Generally, fixed debt obligations must be met, irrespective of profits.  
This does not mean that equity is always better than debt for raising capital. If ordinary stock is issued to finance a project; ownership and control of the enterprise are diluted. This can be a serious concern in today's business environment of hostile takeovers, mergers and acquisitions.
- 4) Strategies related to the sources of funds are important since they determine how financial resources will be made available for the implementation of strategies. Organizations have a range of alternatives regarding the source of funds. While one company may rely on external borrowings, another may follow a policy of internal financing.

**SIMILAR QUESTIONS:**

1. 'Determining an appropriate mix of debt and equity in a firm's capital structure can be vital to successful strategy implementation'. Discuss.  
A. Same as above
2. Sources of funds determine the successful implementation of the strategy. Write about the sources of funds and their pros and cons.  
A. Refer answer above.
3. A web company initially started as an online marketplace for books. From "biggest E - Bookstore," its owners want to expand into an e commerce platform selling electronic goods. Implementation of this needs additional funds. What are the different sources of raising funds and their impact on the financial strategy which you as a financial manager will consider? (RTP N19)  
A. Refer above answer.

**Q.No.11. How the worth of a business is evaluated?**

(A) (OLD PM, RTP M12, M13, M14, M11 - 4M, M13 - 2M, N17- 3M, MTP - M18)

Evaluating the worth of a business is very important in strategy implementation because integrative, intensive and diversification strategies are often implemented by acquiring other firms.

Various methods for determining a business's worth can be grouped into three main approaches which are as follows:

- 1) **NET WORTH OR STOCKHOLDERS' EQUITY:** Net worth represents the sum of common stock, additional paid-in capital and retained earnings. After calculating net worth, add or subtract an appropriate amount for goodwill and overvalued or undervalued assets. This total provides a reasonable estimate of a firm's monetary value. *In other words, Net worth is the total assets minus total outside liabilities of an individual or a company.*
- 2) **FUTURE BENEFITS TO OWNERS THROUGH NET PROFITS:** These benefits are considered to be much greater than the amount of profits. A conservative rule of thumb says that a business's worth is equal to five times the firm's current annual profit. *A five-year average profit level could also be used.*
- 3) **MARKET - DETERMINED BUSINESS WORTH:** This, in turn, involves three methods.
  - a) **Comparative Price Method:** The firm's worth may be based on the selling price of a similar company.



- b) **Price-Earnings Ratio Method:** The market price of the firm's equity shares is divided by the annual earnings per share and multiplied by the firm's average net income for the preceding five years.
- c) **Outstanding shares method:** This is arrived at by simply, multiplying the number of shares outstanding by the market price per share and add a premium.

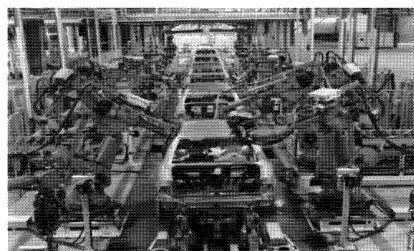
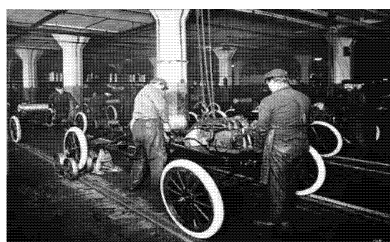
**SIMILAR QUESTIONS:**

1. Evaluating the worth of a business is central to strategy implementation." In the light of this statement, explain the methods that can be used for determining the worth of a business. (MTP M18)
  - A. Refer the various methods in the above answer.
2. What do you mean by financial strategy of an organization? How the worth of a business is evaluated? (RTP M20,M15)
  - A. Refer the meaning in Q. no.7 + Write the above question.
3. It is necessary to establish the financial worth or cash value of a business to successfully implement strategies. What are the different methods to evaluate the net worth of the business?
  - A. Refer answer above.
4. Write a short note on concept of cost leadership strategy and how to achieve it? [N19-5M]
  - A. Refer answer above.

**PRODUCTION MANAGEMENT STRATEGIES**

**Q.No.12. Write short notes on Production Strategy Formulation. (B)**

- 1) For effective implementation of higher level strategies, strategists need to provide direction to functional managers, including production, regarding which plans and policies to be adopted.
- 2) Production strategy provides a path for transmitting corporate and business level strategy to the production systems and makes it operational. Production Strategy is related to-
  - b) Production System,
  - c) Operational Planning and Control, and
- 3) Research and Development (R&D).
- 4) Production Strategies have an effect on-
  - a) Nature of product/service,
  - b) The number of markets to be served, and
  - c) The manner in which the markets are to be served.
- 5) For e.g. a strategy of expansion through related diversification will affect what products are offered to which market and how these markets are served.
- 6) *The operations system structure, which is concerned with the manufacturing/ service and supply/delivery system, and operations system objectives, which are related to customer service and resource utilisation, both determine what operations, plans and policies are set.*



**Old Assembly line Vs. Modern Assembly Line**

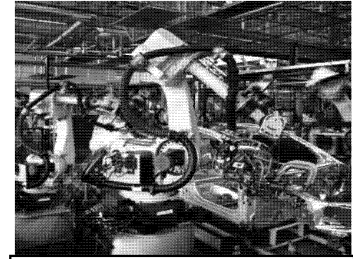
**SIMILAR QUESTION:**

1. How production Strategy implements, supports and drives higher strategies? (RTP - N14)
  - A. Refer 1<sup>st</sup> & 2<sup>nd</sup> points in the above answer.

**Q.No.13. Write short notes on Strategy formulation in the areas of - (a) Production System, and (b) Operational Planning and Control (A) (OLD PM, M14 - 3M, M12 - 1M, RTP M18)**

**1) PRODUCTION SYSTEM STRATEGY:**

- a) It is concerned with the capacity, location, layout, product or service design, work systems, degree of automation, extent of vertical integration, and such factors.
- b) Strategies related to production system are significant as they deal with vital issues affecting the capability of the organisation to achieve its objectives.
- c) It involves decisions which are long-term in nature and have an influence on- Operations capability of the firm and its ability to implement strategies and achieve objectives.



*Robotic arms are being used extensively in manufacturing assembly now- a- days.*

**2) OPERATIONS PLANNING AND CONTROL STRATEGY:**

- a) Strategies related to operations planning and control are concerned with aggregate production planning; materials supply; inventory, cost, and quality management; and maintenance of plant and equipment.
- b) Operational strategies seek to ensure that the resources are efficiently utilized and the day-to-day operations are carried out in the light of long-term objectives.
- c) Operations planning and control provide **an example** of an organizational activity that is aimed at translating the objectives into reality.

**Example:**

- Some companies use quality as a strategic tool. The operations policies at KSB Pumps Ltd lay a great emphasis on quality aspects. In implementing its strategy of stable growth, KSB Pumps has built a solid reputation for its quality products. Structurally, it has a separate department of quality assurance having two groups of quality inspection and quality engineering. Thus, quality is a consideration not only at the inspection stage but is built into the design itself.



*JIT is a Japanese production strategy that strives to improve the business return on investment by reducing in - process inventory and associated costs.*

**SIMILAR QUESTIONS:**

1. Write short on production system? (RTP M18)
- A. Refer product system strategy in above answer.
2. Strategy implementation would have to take into account the production system factors. Write about production system.
- A. Refer Production System Strategy in the above answer.
3. Operations Planning and Control provides an example of an organizational activity that is aimed at translating the objectives into reality. Write about operations system strategy.
- A. Refer Operations Planning and Control Strategy in the above answer.

**RESEARCH AND DEVELOPMENT STRATEGIES**

**Q.No.14. Explain how Research & Development personnel can play an integral part in strategy implementation? (A) (OLD PM, RTP N15, N14 - 3M)**

- 1) R & D personnel can play an integral part in strategy implementation. These individuals are responsible for developing new products and improving old products in a way that will allow effective strategy implementation.
- 2) R & D employees and managers perform tasks such as transferring complex technology, adjusting processes to local raw materials, adapting processes to local markets, and altering products to particular tastes and specifications.

- 3) Strategies such as product development, market penetration and concentric diversification require successful development of new products and that old products be significantly improved. But the level of management support for R&D is often constrained by resource availability.
- 4) The most successful organizations use an R&D strategy that ties external opportunities to internal strengths and is linked with objectives.
- 5) Well formulated R&D policies match market opportunities with internal capabilities.
- 6) R&D policies can enhance strategy implementation efforts to:
  - a) Emphasize product or process improvements.
  - b) Stress basic or applied research.
  - c) Be leaders or followers in R&D.
  - d) Develop robotics or manual-type processes.
  - e) Spend a high, average, or low amount of money on R&D.
  - f) Perform R&D within the firm or to contract R&D to outside firms.
  - g) Use university researchers or private sector researchers.

**SIMILAR QUESTIONS:**

1. Discuss the role of R&D in strategy implementation. (OLD PM, RTP N11)
- A. Same as above.
2. How would you argue that R & D personnel are important for effective strategy execution?
- A. Refer 1<sup>st</sup>, 2<sup>nd</sup> & 3<sup>rd</sup> points in above answer. [RTPN20] [MTP1N20] (N14 - 3M)
3. Companies in virtually, every industry are relying on the development of new products and services to fuel profitability and growth. Surveys suggest that the most successful organizations use an R&D strategy that ties external opportunities to internal strengths and is linked with objectives. In this connection explain the role of R&D in strategy implementation.
- A. Same as above.

**Q.No.15. What are the three major approaches for implementing R&D strategies? (A) (RTP M14)**

There are at least three major R&D approaches for implementing strategies as discussed below:

<p><b>1. Leader/ Pioneer</b></p>	<ul style="list-style-type: none"> <li>The strategy is to be the <u>first firm</u> to market new technological products.</li> <li>This is a <u>glamorous and exciting</u> strategy but also a <u>dangerous</u> one.</li> <li>Firms such as 3M and General Electric have been successful with this approach, but many other pioneering firms have fallen, with rival firms seizing the initiative.</li> </ul>
<p><b>2. Follower/ Innovative Imitator</b></p>	<ul style="list-style-type: none"> <li>A second R&amp;D approach is to be an <u>innovative imitator</u> of successful products, thus minimizing the risks and costs of start-up.</li> <li>This approach entails allowing a pioneer firm to develop the first version of the new product and to demonstrate that a market exists, and thereafter follower / imitator firms develop a similar product.</li> <li>This strategy requires excellent R&amp;D personnel and an excellent marketing department.</li> </ul>
<p><b>3. Low-cost Producer</b></p>	<ul style="list-style-type: none"> <li>To be a low-cost producer by <u>mass-producing products</u> similar to but <u>less expensive</u> than products recently introduced.</li> <li>As a new product accepted by customers, price becomes increasingly important in the buying decision. Also, mass marketing replaces personal selling as the dominant selling strategy.</li> <li>This strategy requires <u>substantial investment in plant and equipment</u> but less expensive than the two approaches described above.</li> </ul>

**SIMILAR QUESTIONS:**

1. There are at least three major R&D approaches for implementing strategies which depend on the business level strategies of the organisation. List out the approaches.
- A. Same as above.

**Q.No.16. A critical question is whether a firm should develop research and development expertise internally or outsource it outside to external agencies. Then what guidelines can be used to help make the decision? OR When should a firm have in-house R&D? When should it use external R&D support? (B)**

A critical question is whether a firm should develop research and development expertise internally or outsource it outside to external agencies.

The following guidelines can be used to help make this decision:

Combination		Nature of R&D Strategy
Technical Changes	Market Growth	
Slow	Moderate	<ul style="list-style-type: none"> <li>In-house R&amp;D is preferable due to time advantage.</li> <li>In-house R&amp;D if successful leads to temporary product or process monopoly, where there are significant barriers to possible new entrants.</li> </ul>
Fast	Moderate	<ul style="list-style-type: none"> <li>Less Risky R&amp;D Strategy should be adopted.</li> <li>Aggressive in-house R&amp;D is not warranted.</li> </ul>
Slow	Fast	Obtaining R&D expertise on exclusive or non-exclusive basis, from an outside firm is preferable, since there is not enough time for in house R&D.
Fast	Fast	Obtaining R&D expertise through acquisition of a well-established firm in the industry, is preferable.

**LOGISTICS & SUPPLY CHAIN MANAGEMENT STRATEGIES**

**Q.No.17. Write short notes on Logistics Strategy (A) (OLD PM, RTP M12, N15, N13 - 1M)**

**1) MEANING:**

- a) Management of Logistics is a process which integrates the flow of supplies into, through and out of an organisation.
- b) The objective is to ensure that the right materials are available at the right place, at the right time, of the right quality and at the right cost.
- c) Improvement in logistics can result in saving in cost of doing business.
- d) Supply chain management helps in logistics and enables a company to have constant contact with its distribution team, which could consist of trucks, trains, or any other mode of transportation.



**2) ISSUES:** Logistics Strategy deals with the following issues:

- a) Which sources of raw materials and components are available?
- b) How many manufacturing locations are there?
- c) What products are being made at each manufacturing location?
- d) What modes of transportation should be used for various products?
- e) What is the nature of distribution facilities?
- f) What is the nature of materials handling equipment used? Is it ideal?
- g) What is the method for deploying inventory in the logistics network?
- h) Should the business organization own the transport vehicles?



*Logistics of ants: They transport food from one place to another place very systematically*

**3) ADVANTAGES / IMPORTANCE:** The improvement in logistics can result in savings in cost of doing business. These savings can also reveal in the profits of the company.

Some examples of how logistics can help a business are as follows:

- |  |   |
|--|---|
| <ul style="list-style-type: none"> <li>• Cost Savings,</li> <li>• Reduced Inventory,</li> <li>• Improved Delivery time,</li> </ul> | <ul style="list-style-type: none"> <li>• Smooth Production Schedule,</li> <li>• Customer Satisfaction, and</li> <li>• Competitive Advantage.</li> </ul> |
|--|---|

**SIMILAR QUESTIONS:**

1. Define the term Logistics Strategy. (N08 - 2M)
- A. Refer the 1<sup>st</sup> point above (No need to write Issues & Advantages)
2. What are the issues that need to be addressed to formulate an effective logistics strategy in a business firm? (RTP N15)
- A. Write Meaning & issues in above answer.
3. Improvement in logistics can result in savings in cost of doing business. These savings can also reveal in the profits of the company. In this connection write in detail about logistics strategy.
- A. Same as above.

**Q.No.18. What is Supply Chain Management? What are the requirements for successful implementation of supply chain management system? Explain. (A)**  
**[RTP N19](OLD PM, RTP N14, N11 - 3M, N13 - 7M, N18- 5M)**

**MEANING:**

- 1) SCM refers to the linkages between suppliers, manufacturers and customers.
- 2) SCM is defined as the process of planning, implementing, and controlling the supply chain operations.
- 3) It encompasses all movement and storage of raw materials, work-in-process inventory, and finished goods from point-of-origin to point-of-consumption as efficiently as possible.

**IMPLEMENTING SUPPLY CHAIN MANAGEMENT SYSTEMS.**

- 1) A Successful implementation of supply management system requires a change from managing individual functions to integrating activities into key supply chain processes.
- 2) It involves collaborative work between buyers and suppliers, joint product development, common systems and shared information.
- 3) Partners need to link together to share information through electronic data interchange and take decisions in timely manner.

**STEPS:** Implementing and successfully running supply chain management system will involve the following steps.

- 1) **PRODUCT DEVELOPMENT:** Customers and suppliers must work together in the product development process. This enables an organisation to develop and launch products in shorter time and remain competitive.
- 2) **PROCUREMENT:** Procurement requires careful resource planning, quality issues, identifying sources, negotiation, order placement, inbound transportation and storage. Suppliers are involved in planning the manufacturing process.
- 3) **MANUFACTURING:** Flexible manufacturing processes must be used to respond to market changes. Manufacturing should be done on the basis of Just-In-Time (JIT) and minimum lot sizes. Changes shall be made in the manufacturing process to reduce manufacturing cycle.
- 4) **PHYSICAL DISTRIBUTION:** Availability of the products at the right place at the right time is important for each channel participant. Through physical distribution processes, serving the customer becomes an integral part of marketing.
- 5) **OUTSOURCING:** The Company has to focus on those activities where it has competency and everything else shall be outsourced. Outsourcing is not limited to the procurement of materials and components, but also includes outsourcing of services that traditionally have been provided within an organization.
- 6) **CUSTOMER SERVICES:** Organizations through interfaces with the company's production and distribution operations should develop customer relationships so as to satisfy them. They work with customer to determine mutually satisfying goals, establish and maintain relationships.

- 7) **IMPROVED PERFORMANCE:** There is a strong relationship between the supplier, customer and organisation. Supplier capabilities and customer relationships can be correlated with firm's performance. It should be measured in different parameters such as costs, customer service, productivity and quality.

**SIMILAR QUESTIONS:**

1. Discuss major steps in implementing supply chain management systems in a business organisation?
- A. Refer steps in the above answer.
2. What is supply chain management? Is it same as logistics Management? Discuss? (RTP M15)
- A. Refer meaning in above answer + Refer fast track material for differences between supply chain management and logistics Management.

**HUMAN RESOURCE MANAGEMENT STRATEGIES**

**Q.No.19. Outline the key areas where the Human Resource Manager can play a strategic role.  
(A) (OLD PM, RTP M13, M17, N11, 12 - 3M, N15 - 3M, MTP1 N18) [RTPM19][MTP1J20][M19-5M]**

The prominent areas where the human resource manager can play strategic role are as follows:

**1) PROVIDING PURPOSEFUL DIRECTION:**

- a) The human resource manager must be able to lead people and the organization towards the desired direction.
- b) He has to ensure harmony between organizational objectives and individual objectives.
- c) All actions of each person must be consistent with the organizational goals.

**2) CREATING COMPETITIVE ADVANTAGE:**

- a) In the present globalized market, maintaining a competitive gain is the objective of any organization.
- b) There are two important ways through which a business can achieve competitive advantage over the others.
  - i) The first is cost leadership which means the firm aims to become a low cost leader in the industry.
  - ii) The second is differentiation under which the firm seeks to be unique in the industry in the areas that are highly valued by the customers.
- c) Putting these strategies into effect requires highly committed and competent workforce.

**3) FACILITATION OF CHANGE:**

- a) The human resource manager will be more concerned about furthering the organization and not just maintaining it.
- b) He has to devote more time to promote acceptance of change rather than maintaining the status quo.

**4) MANAGING WORKFORCE DIVERSITY:** In modern organizations, management of diverse workforce is a great challenge.

- a) Workforce diversity can be observed in terms of male and female, young and old, educated and uneducated, unskilled and professional employee and so on.
- b) Maintaining a congenial healthy work environment is a challenge for HR Manager.
- c) Motivation, maintaining morale and commitment are some of the key tasks that a HR manager has to perform.

**5) EMPOWERMENT OF HUMAN RESOURCES:**

- a) Empowerment means authorizing every member of a society or organisation to take of his/her own destiny realizing his/her full potential.

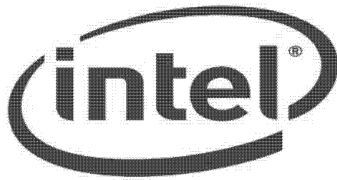
**6) BUILDING CORE COMPETENCIES:**

- a) The human resource manager has an important role to play in developing core competency by the firm.

- b) A core competence is a unique strength of an organization which may not be shared by others. It implies leveraging the limited resources of a firm. It needs creative, courageous and dynamic leadership having faith in the human resources of the organization.

7) **DEVELOPMENT OF WORK ETHICS AND CULTURE:**

- a) Greater efforts will be needed to achieve cohesiveness among workers.
- b) Focus should shift from extrinsic to intrinsic motivation.
- c) HR Management should try to develop a vibrant work culture-
- i) To create an atmosphere of trust among people, and
  - ii) To encourage creative ideas by the people.



*As a company focused on innovation, Intel is committed to investing in its employees. Their unique skills, experiences and backgrounds allow them to contribute valuable new ideas and perspectives to everything Intel does.*

**SIMILAR QUESTIONS:**

1. Explain the strategic role of Human Resource Management in the following areas: (RTP M17)
  - a) Facilitation of Change
  - b) Building Core Competencies
  - c) Development of work ethics & culture.
- A. Refer 3rd, 6<sup>th</sup> & 7<sup>th</sup> points above (N 12 - 3M)
2. Explain any 3 prominent areas where HR manager can play a strategic role.
- A. Write any 3 points in the above answer.
3. A well-designed strategic-management system can fail if insufficient attention is given to the human resource dimension. In this connection what role has to be played by the HR manager?
- A. Refer the above answer.

**Q.No.20. Explain briefly the internal factors which have a strong influence on employee competence? (A) [MTPN19] (OLD PM, M14 - 3M, N16 - 4M, RTP M18)**

The role of human resources in enabling the organisation to effectively deal with external environment challenges.

The Human resource management function has been accepted as a strategic partner in the formulation of organization's strategies and in the implementation of such strategies through human resource planning, employment, training, appraisal and rewarding of personnel.

**FOLLOWING PRACTICES CAN HAVE A STRONG INFLUENCE ON EMPLOYEE COMPETENCE:**

- 1) **Recruitment & selection:** The workforce will be more competent if a firm can successfully identify, attract and select the most competent applicants.
- 2) **Training:** The workforce will be more competent if employees are well trained to perform their jobs properly.
- 3) **Appraisal of performance:** The performance appraisal is to identify any performance deficiencies experienced by employees due to lack of competence. Such deficiencies, once identified, can be solved through counseling, coaching or training.
- 4) **Compensation:** A firm can usually increase the competency of its workforce by offering pay and benefit packages that are more attractive than those of their competitors. This practice enables organizations to attract and retain the most capable people.

**SIMILAR QUESTIONS:**

1. "Human resources are now viewed as a source of competitive advantage". Discuss the four activities when performed properly can increase the competency of workforce. (N16 – 4M)  
A. Same as above.
2. Does HRM function play a role in organizational strategy? (OLD PM)  
A. Refer the first paragraph in the above answer.
3. State the factors of human resource that influence on employee competence? (RTP M18)  
A. Same as above.
4. An organization's recruitment, selection, training, performance appraisal, and compensation practices can have a strong influence on employee competence. Comment.  
A. Same as above.

**SECTION 2: QUESTIONS FOR ACADEMIC INTEREST FOR STUDENTS SELF STUDY****Q.No.1. What are the limitations of financial budgets?****(C)**

- 1) Budgetary programs can become so detailed that they are cumbersome and overly expensive. Over budgeting or under budgeting can cause problems.
- 2) Financial budgets can become a substitute for objectives. A budget is a tool and not an end in itself.
- 3) Budgets can hide inefficiencies if based solely on precedent rather than on periodic evaluation of circumstances and standards.
- 4) Budgets are sometimes used as instruments of domination 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.

**APPLICATION ORIENTED QUESTIONS****Q.No.2. Distinguish between Logistic Management and Supply Chain Management. [MTPM19]**

Supply chain management is an extension of logistic management. However, there are differences between the two.

Logistical activities typically include management of inbound and outbound goods, transportation, warehousing, and handling of material, fulfillment of orders, inventory management and supply/demand planning. Although these activities also form part of supply chain management, the latter is much broader.

Logistic management can be termed as one of its part that is related to planning, implementing, and controlling the movement and storage of goods, services and related information between the point of origin and the point of consumption.

Supply chain management is an integrating function of all the major business activities and business processes within and across organizations.

Supply Chain Management is a systems view of the linkages in the chain consisting of different channel partners - suppliers, intermediaries, third-party service providers and customers.

Different elements in the chain work together in a collaborative and coordinated manner. Often it is used as a tool of business transformation and involves delivering the right product at the right time to the right place and at the right price.

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**Q.No.3. What are the areas to be examined while developing a logistics strategy?  
(A) (OLD PM, RTP M16, N13 - 4M)**

Following are different areas that should be examined while developing a logistic strategy for each company:

- 1) **TRANSPORTATION:** Does the current transportation strategies help service levels required by the organisation?
- 2) **OUTSOURCING:** Areas of outsourcing of logistics function are to be identified. The effect of partnership with external service providers on the desired service level of organisation shall also be examined.
- 3) **COMPETITORS:** Review the procedures adopted by the competitors. It shall also be judged whether adopting the procedures followed by the competitors will be beneficial to the organisation or not. This will also help in identifying the areas that may be avoided.
- 4) **AVAILABILITY OF INFORMATION:** The information regarding logistics should be timely and accurate. If the data is inaccurate then the decisions that are made will be incorrect. With the newer technologies it is possible to maintain information on movement of fleets and materials on real time basis.
- 5) **STRATEGIC UNIFORMITY:** The objectives of the logistics should be in line with overall objectives and strategies of the organisation. They should aid in the accomplishment of major strategies of the business organisation.

**SIMILAR QUESTION:**

1. What is logistics strategy? What are the areas to examine while developing a logistics strategy? (RTP M16)
- A. Refer 'meaning' in the answer of Q. no.14 + write the answer of the above question.

**Q.No.4. What is Marketing Mix? A company launches a new brand of ice creams. It keeps prices much below the prices of similar ice creams that are already in the market. Choose the pricing strategy that is probably used by the company. (B) (OLD PM)**

**MEANING OF MARKETING MIX:** Refer answer of marketing mix in the main questions.

A company trying to keep the prices of new brand of ice creams too low is trying to penetrate the market. In penetration pricing, prices are initially kept at relatively low levels. This is done to attract customers. It is expected that the price sensitive customers will switch to the new brand because of the lower price. The strategy helps in increasing market share or sales volume.

**Q.No.5. What are the objectives that must be kept in mind while designing a pricing strategy of a new product? (B) (M16 - 3M, RTP N18)**

For a new product pricing strategies for entering a market needs to be designed. In pricing a really new product at least three objectives must be kept in mind.

- 1) Making the product acceptable to the customers.
- 2) Producing a reasonable margin over cost.
- 3) Achieving a market that helps in developing market share.

For a new product an organization may either choose to skim or penetrate the market. In skimming prices are set at a very high level. The product is directed to those buyers who are relatively price insensitive but sensitive to the novelty of the new product.

In penetration pricing firm keeps a temptingly low price for a new product which itself is selling point. A very large number of the potential customers may be able to afford and willing to try the product.

*For example call rates of mobile telephony were set very high initially. Even the incoming calls were charged. Since the initial off take of the product is low, high price, in a way, helps in rationing of supply in favour of those who can afford it.*

**SECTION 3: TEST YOUR KNOWLEDGE**

- 1) What is the difference between Job Enlargement and Job Enrichment?
- 2) Will a premium branded apparel retail store be successful by establishing it in a rural area? Explain.
- 3) What strategies a company can adopt while launching a new product? **(OLD PM)**
- 4) **Prepare a marketing plan for a financial services company.** **(OLD PM)**
- 5) **Imagine your company wants to launch a new shampoo brand. Design the 4P's of marketing mix for it?**
- 6) Harley Davidson Company would like to launch its new bike model at a price of 15 lakhs in India. Suggest.  
a) Segmentation                      b) Targeting                      c) Positioning Strategies for the company

**THE END**

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