

STRATEGIC MANAGEMENT [C4] – CHARTERED LEVEL**Marks****Question No. 1****(a) Why forecasting is needed?****10**

Z-Sharp stationers must develop its own projections. Z-Sharp stationers need to forecast (project) its own revenues and profits annually. Given the current situation, Z-Sharp stationers also needs to forecast market share or customer loyalty in local/international markets. For Z-Sharp stationers, forecasting is very important in strategic management of its business and regain its lost value.

Why internal forecasting is needed?

No forecast is perfect, and some forecasts are even wildly inaccurate. This fact accents the need for strategists at Z-Sharp stationers to devote sufficient time and effort to study the underlying bases for published forecasts and to develop internal forecasts of their own.

How to determine appropriate forecasting tool?

Qualitative forecasting is most useful in situations where it is suspected that future results will depart markedly from results in prior periods, and which therefore cannot be predicted by quantitative means. For example, the historical trend in sales may indicate that sales will increase again in the next year, which would normally be measured using trend line analysis. This approach also works well when a course of action must be derived from inadequate data. In this case, a qualitative analysis will seek to link disparate data to construct a more broad-based view, sometimes incorporating intuition to construct this view.

Quantitative forecasts are most appropriate when historical data are available and when the relationships among key variables are expected to remain the same in the future. Linear regression, for example, is based on the assumption that the future will be just like the past—which, of course, it never is. As historical relationships become less stable, quantitative forecasts become less accurate.

Given the current situation, it seems that qualitative forecasting methods would be more appropriate for Z-Sharp stationers because future results appear to be uncertain since the market shifts to the paperless transaction, therefore, demand cannot be predicted by quantitative means.

Advantages of good forecasting

Z-Sharp stationers can effectively identify key external opportunities and threats only through good forecasts. Accurate forecasts can provide major competitive advantages for Z-Sharp stationers. Accurate forecasts are vital to their strategic management process and to their success. Good forecasting can provide Z-Sharp stationers provide a sense of direction which will allow them to get the most out of the marketplace. They can use good forecasts of customer data to accurately determine how many employees they will need to have on hand to meet the required level of production.

(b) Retrenchment Strategy:**05**

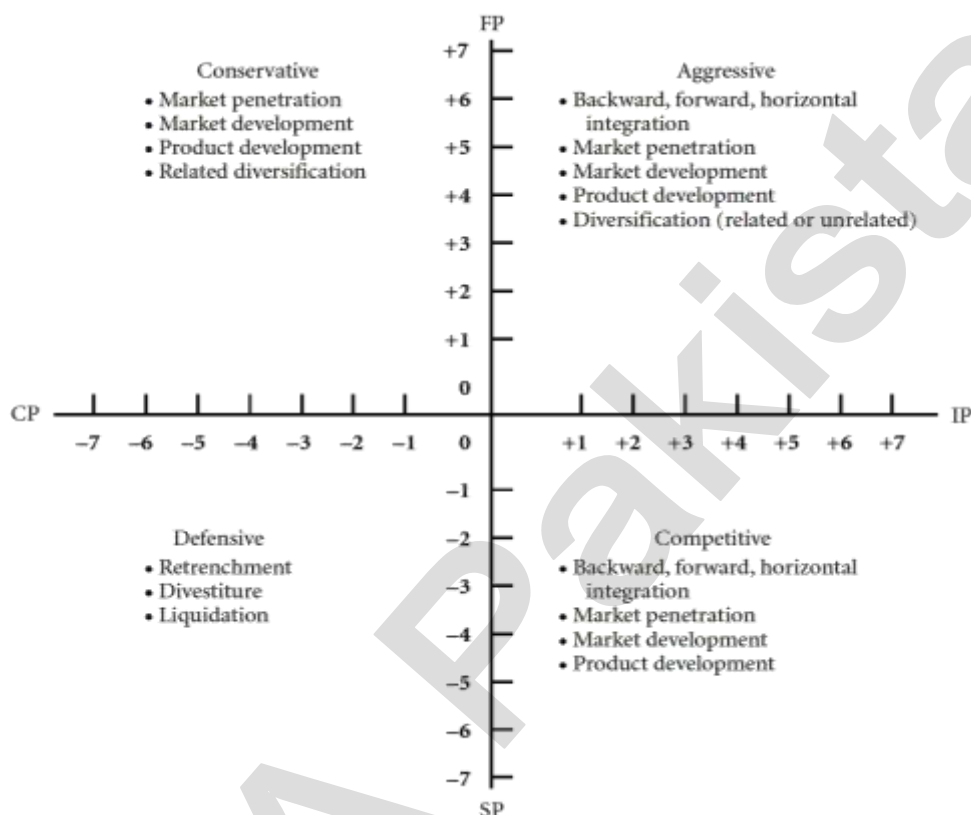
Retrenchment occurs when an organization regroups through cost and asset reduction to reverse declining sales and profits. Sometimes called a turnaround or reorganizational strategy, retrenchment is designed to fortify an organization's basic distinctive competence. During retrenchment, strategists work with limited resources and face pressure from shareholders, employees, and the media. Retrenchment can entail selling off land and buildings to raise needed cash, pruning product lines, closing marginal businesses, closing obsolete factories, automating processes, reducing the number of employees, and instituting expense control systems.

Retrenchment Strategy for Z-Sharp Stationers:

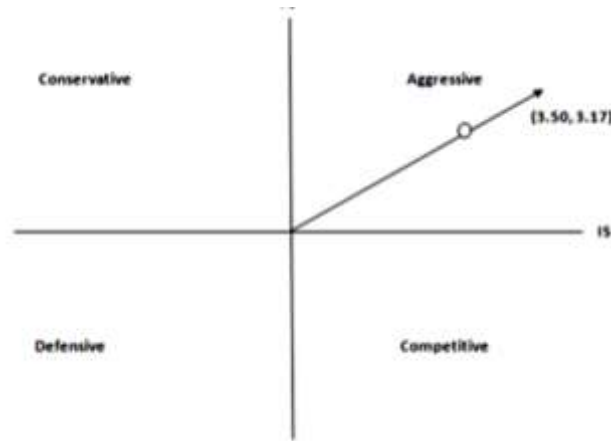
Given the current scenario, retrenchment appears to be a good strategic choice for Z-Sharp stationers. Regroups through cost and asset reduction appears to be vital to reverse declining sales and profits. There are limited resources and pressures from stakeholders to reverse the decline in company's worth. Z-Sharp stationers may opt to sell off its assets, especially its international business to raise additional cash. They can also consider closing their marginal businesses. Another option is to reduce the work force and go for process automation to increase process efficiency and further cut costs.

STRATEGIC MANAGEMENT [C4] – CHARTERED LEVEL**Marks****Question No. 2****(a) Explanation of Strategic Position and Action Evaluation (SPACE) Matrix:****10**

The Strategic Position and Action Evaluation (SPACE) Matrix, another important tool to assess the company and its environment. Its four-quadrant framework indicates whether aggressive, conservative, defensive, or competitive strategies are most appropriate for a given organization. The axes of the SPACE Matrix represent two internal dimensions (financial position [FP] and competitive position [CP]) and two external dimensions (stability position [SP] and industry position [IP]). These four factors are perhaps the most important determinants of an organization's overall strategic position.

**Calculation of Matrix Scores:**

$$\begin{aligned} \text{Average score of CP} &= (-1-1-2-1-2-2)/6 &= & -1.5 \\ \text{Average score of IP} &= (5+6+6+4+5+4)/6 &= & 5 \\ \text{Average score of FP} &= (5+6+5+5+4+6+4)/6 &= & 5 \\ \text{Average score of SP} &= (-1+4-2-2-1-1)/6 &= & -1.83 \\ \text{Total X-axis score} &= -1.5+5 &= & 3.5 \\ \text{Total Y-axis score} &= 5-1.83 &= & 3.17 \end{aligned}$$

STRATEGIC MANAGEMENT [C4] – CHARTERED LEVEL**Marks****Explanation of Strategy:**

According to the SPACE matrix, the company falls into aggressive quadrant of SPACE matrix. It shows that the company has an excellent position to use its IP (industry position) in order to take advantage of external opportunities, overcome weaknesses, and avoid threats. Therefore, in this position company has set possible strategies such as market development, product development, market penetration, forward/backward integration etc. depending upon detailed conditions it faces.

(b) Human Resource Concerns When Implementing Strategies:**10**

Human resource concerns that arise when Perelman implement his strategy can usually be traced to one of three causes: (1) disruption of social and political structures, (2) failure to match individuals' aptitudes with implementation tasks, and (3) inadequate top management support for implementation activities.

Strategy implementation by Perelman can pose a threat to many managers and employees in Mc Royal Inc. New power and status relationships are anticipated and realized. New formal and informal groups' values, beliefs, and priorities may be largely unknown. Managers and employees may become engaged in resistance behavior as their roles, prerogatives, and power in the firm change. Disruption of social and political structures that accompany strategy execution must be anticipated and considered during strategy formulation and managed during strategy implementation.

Jobs have specific and relatively static responsibilities. However, people are dynamic in their personal development. Commonly used methods to match managers with strategies to be implemented (such as transferring managers, developing leadership workshops, offering career development activities, promotions, job enlargement, and job enrichment) may not always be successful in matching individuals' aptitude with the job assigned to them.

Top management commitment is pivotal in implementing strategies. If Perelman does not show commitment and a long-term approach towards implementing his strategies, employees can lose interest in their jobs leaving implementation of strategy a very difficult task to achieve.

Strategies to Overcome such Concerns:

A number of other guidelines can help ensure that human relationships facilitate rather than disrupt strategy-implementation efforts. Specifically, Mc Royal managers should do a lot of chatting and informal questioning to stay abreast of how things are progressing and to know when to intervene. Managers at Mc Royal can build support for strategy-implementation efforts by giving few orders, announcing few decisions, depending heavily on informal questioning, and seeking to probe and clarify until a consensus emerges. Key thrusts that succeed should be rewarded generously and visibly. Perhaps the best method for preventing and overcoming human resource problems would be to actively involve as many managers and employees as possible in the process. Although time consuming, this approach builds understanding, trust, commitment, and ownership and reduces resentment and hostility. The true potential of strategy formulation and implementation resides in people.

STRATEGIC MANAGEMENT [C4] – CHARTERED LEVEL**Marks****(c) Identification of Mc Royal Organizational Resources:****04**

Nothing could be more detrimental to strategic management and to organizational success than for resources to be allocated in ways not consistent with priorities indicated by approved annual objectives. All organizations have at least four types of resources that can be used to achieve desired objectives: financial resources, physical resources, human resources, and technological resources. Allocating resources to particular divisions and departments does not mean that strategies will be successfully implemented.

Factors that Prohibit Mc Royal from Effective Resource Allocation:

In case of Mc Royal, a number of factors can prohibit effective resource allocation, including an overprotection of resources, too great an emphasis on short-run financial criteria, organizational politics, vague strategy targets, a reluctance to take risks, and a lack of sufficient knowledge. Managers normally have many more tasks than they can do. Mc Royal management must allocate time and resources among these tasks. Pressure builds up. Expenses may become too high and the Mc Royal would like to see good financial report for the quarters to come. Strategy formulation and implementation activities often get deferred. Mc Royal should keep in mind that today's problems can soak up available energies and resources. Scrambled accounts and budgets fail to reveal the shift in allocation away from strategic needs to currently squeaking wheels. The real value of any resource allocation program lies in the resulting accomplishment of Mc Royal's objectives. Effective resource allocation does not guarantee successful strategy implementation because programs, personnel, controls, and commitment must breathe life into the resources provided.

Question No. 3**(a) Scenarios for Re-engineering and Restructuring:****06**

Re-engineering is concerned more with employee and customer well-being than shareholder well-being. Reengineering—also called process management, process innovation, or process redesign—involves reconfiguring or redesigning work, jobs, and processes for the purpose of improving cost, quality, service, and speed. Reengineering does not usually affect the organizational structure or chart, nor does it imply job loss or employee layoffs.

Firms often employ restructuring when various ratios appear out of line with competitors as determined through benchmarking exercises. Restructuring is concerned with eliminating or establishing, shrinking or enlarging, and moving organizational departments and divisions, the focus of reengineering is changing the way work is actually carried out. The primary benefit sought from restructuring is cost reduction.

Reengineering is characterized by many tactical (short-term, business-function-specific) decisions, whereas restructuring is characterized by strategic (long-term, affecting all business functions) decisions.

(b) Why Annual Objectives are Essential for Strategy Implementation?**06**

Establishing annual objectives is a decentralized activity that directly involves all managers in an organization. Active participation in establishing annual objectives can lead to acceptance and commitment. Annual objectives are essential for strategy implementation because they (a) represent the basis for allocating resources; (b) are a primary mechanism for evaluating managers; (c) are the major instrument for monitoring progress toward achieving long-term objectives; and (d) establish organizational, divisional, and departmental priorities.

STRATEGIC MANAGEMENT [C4] – CHARTERED LEVEL**Marks**

Annual objectives serve as guidelines for action, directing and channeling efforts and activities of an organization's members. These are major instrument for monitoring progress towards achieving long term objectives and serve as standards of performance. These are primary tool for evaluating employees and serve as a source of employee motivation and identification. These provide a basis for organization design, represent basis for allocating resources, and establish priorities at all levels.

Considerable time and effort should be devoted to ensuring that annual objectives are well conceived, consistent with long-term objectives, and supportive of strategies to be implemented. Approving, revising, or rejecting annual objectives is much more than a rubber-stamp activity.

Annual objectives serve as guidelines for action, directing and channeling efforts and activities of organization members. They provide a **source of legitimacy** in an enterprise by justifying activities to stakeholders. They serve as standards of performance.

They serve as an important source of employee motivation and identification. They give incentives for managers and employees to perform. They provide a basis for organizational design.

Clearly stated and communicated objectives are critical to success in all types and sizes of firms. Annual objectives, stated in terms of profitability, growth, and market share by business segment, geographic area, customer groups, and product, are common in organizations.

Question No. 4**(a) What is Globalization?****08**

- Globalization is a process of doing business worldwide, so strategic decisions are made based on global profitability of the firm rather than just domestic considerations. A global strategy seeks to meet the needs of customers worldwide, with the highest value at the lowest cost.
- Globalization refers to concept of making the world as close as a village and where trade and transaction take place with least possible restrictions.
- Globalization also formulates the concept of liberalization of economic activities such as trade, investment etc.

What is Global Strategy?

Global strategy is a process of expanding and competing in globalized markets. At some point, companies will be an international, with few products or services in a select number of countries. When a company is multinational, there are different variations of their product across multiple countries. A global strategy includes designing, producing, and marketing products with global needs in mind, instead of considering individual countries alone. A global strategy integrates actions against competitors into a worldwide plan. Today, there are global buyers and sellers and the instant transmission of money and information across continents.

Why Companies become Global?

Different industries become global for different reasons. Factors such as cost, market size, and product life all play a role in determining which industries will be global and which will not. However, it is important to recognize that many other factors (for example, resource availability, government regulations, and similarity of customer taste) also play a role in this determination.

The need to amortize massive research and development (R & D) investments over many markets is a major reason why the aircraft manufacturing industry became global. Another reason is use of technology for one's competitive advantage. For example, firms may need to look around the world for the best technology and select one that has the most promise for the largest number of markets. Marketing products/services is another important reason. When firms

STRATEGIC MANAGEMENT [C4] – CHARTERED LEVEL**Marks**

design a product, they could design it to be marketable in as many countries as possible. Yet another important reason is the cost of developing products/services. Aircraft industry is one good example. This industry is global because of the cost of developing and producing large aircraft, combined with market size. This industry must sell aircraft to a marketplace that is big enough to justify the costs of developing and building new jets. No single country has a market big enough to justify such costs, thus air craft industry must seek customers around the globe.

Why Companies become Local?

- If investment is insufficient
- Lack of advance technology for production; which can reduce per unit cost.
- If any local industry is enjoying monopoly in local market, then it may not opt for globalization.

(b) Cultural Dimensions and Two-Real World Examples:**06**

Cultural products or dimensions are levers that strategists can use to influence and direct strategy formulation, implementation, and evaluation activities. An organization's culture compares to an individual's personality in the sense that no two organizations have the same culture and no two individuals have the same personality. Both culture and personality are enduring and can be warm, aggressive, friendly, open, innovative, conservative, liberal, harsh, or likable.

Example-1:

At Google, the culture is informal. Employees are encouraged to wander the halls on employee-sponsored scooters and brainstorm on public whiteboards provided everywhere. Google is just as famous for its laid-back, unstandardized, free-flowing culture. Google's culture is reflected in their decision making as well. Decisions at Google are made in teams. Google is not a company where decisions are made by the senior person in charge and then implemented top down. It is common for several small teams to attack each problem and for employees to try to influence each other using rational persuasion and data.

Example-2:

At P&G the culture is very formal. P&G is notoriously controlled, disciplined, scalable, and rigid—so much so that employees call themselves “Proctoids”. However, P&G's management treated its employee's like family members. Essentially, culture of P&G is a clan culture. The company's core values i.e. leadership, integrity, ownership, passion for winning, and trust and with their purpose, principles, and vision to strive for people and organizational excellence and business productivity are focused on the development of its people.

STRATEGIC MANAGEMENT [C4] – CHARTERED LEVEL**Marks****Question No. 5****(a) Five Elements of Contingency Plans:****05**

Only high-priority areas require the insurance of contingency plans. Strategists at Tropicaso cannot and should not try to cover all bases by planning for all possible contingencies. But in any case, contingency plans should be as simple as possible.

The five elements included in a contingency plans established by Tropicaso would include:

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

(b) For Tropicaso, strategy evaluation would be becoming increasingly difficult with the passage of time, for many reasons. Domestic and world economies were more stable in years past, product life cycles were longer, product development cycles were longer, technological advancement was slower, change occurred less frequently, there were fewer competitors, foreign companies were weak, and there were more regulated industries. Other reasons why strategy evaluation would be more difficult for Tropicaso include the following trends:

06

1. A dramatic increase in the environment's complexity.
2. The increasing difficulty of predicting the future with accuracy.
3. The increasing number of variables.
4. The rapid rate of obsolescence of even the best plans.
5. The increase in the number of both domestic and world events affecting organizations.
6. The decreasing time span for which planning can be done with any degree of Certainty.

(c) Characteristics of an Effective Strategy Evaluation System:**04**

There is no one ideal strategy-evaluation system. The unique characteristics of an organization, including its size, management style, purpose, problems, and strengths, can determine a strategy-evaluation and control system's final design. There are few characteristics that Tropicaso should consider when designing its own strategy evaluation system.

1. The strategy evaluation activities must be economical. Tropicaso should avoid getting too much information because it can be just as bad as too little information. Also too many controls can do more harm than good. Strategy-evaluation activities also should be meaningful and should specifically relate to Tropicaso's objectives.
2. Strategy evaluation should be designed to provide a true picture of what is happening. For example, in a severe economic downturn, productivity and profitability ratios may drop alarmingly, although employees and managers are actually working harder. Strategy evaluations should fairly portray this type of situation.

STRATEGIC MANAGEMENT [C4] – CHARTERED LEVEL**Marks**

3. Information derived from the strategy-evaluation process should facilitate action and should be directed to those individuals in the organization who need to take action based on it. Managers at Tropicaso can ignore evaluative reports that are provided only for informational purposes because not all managers need to receive all reports. Controls need to be action-oriented rather than information-oriented.
4. The strategy-evaluation process should not dominate decisions and it should foster mutual understanding, trust, and common sense. No department should fail to cooperate with another in evaluating strategies.
5. Strategy evaluations should be simple, not too cumbersome, and not too restrictive. Complex strategy-evaluation systems often confuse people and accomplish little. The test of an effective evaluation system is its usefulness, not its complexity.
6. There should be a more elaborate and detailed strategy-evaluation system because it is more difficult to coordinate efforts among different divisions and functional areas. Familiarity with local environments can be a problems for Tropicaso in order gathering and evaluating information.
7. Another important characteristic is the ability of strategy-evaluation system to convince participants that failure to accomplish certain objectives within a prescribed time is not necessarily a reflection of their performance.

Question No. 6**(a) How Companies can Foster the Culture of Innovation?****02**

Companies needs to work in coordination with their suppliers and customers and seek to organize R&D activities in a way that breaks the isolation of R&D from the rest of the company and promotes a spirit of partnership between R&D managers, other managers in the firm, and stakeholders. The R&D decisions and plans must be integrated and coordinated across departments and divisions by having the departments share experiences and information. The strategic-management process facilitates this cross-functional approach to manage the R&D function.

(b) Why Firms should Consider Environment Sustainability Important?**04**

Employees, consumers, governments, and society are especially resentful of firms that harm rather than protect the natural environment. Conversely people today are especially appreciative of firms that conduct operations in a way that mends, conserves, and preserves the natural environment. Consumer interest in businesses preserving nature's ecological balance and fostering a clean, healthy environment is high. No business wants a reputation as being a polluter. A bad sustainability record will hurt the firm in the market, jeopardize its standing in the community, and invite scrutiny by regulators, investors, and environmentalists. Governments increasingly require businesses to behave responsibly and require, for example, that businesses publicly report the pollutants and wastes their facilities produced.

STRATEGIC MANAGEMENT [C4] – CHARTERED LEVEL**Marks****Role of Sustainability Report:**

A sustainability report reveals a firm's operations impact the natural environment. This document discloses to shareholders information about the firm's labor practices, product sourcing, energy efficiency, environmental impact, and business ethics practices. It is good business for a company to provide a sustainability report annually to the public. Many firms use the sustainability Reports of large global firms as a benchmark, guideline, and model to follow in preparing their own report.

- (c) Some of the competitive advantages can include cross-selling to customers, monitoring suppliers, keeping managers and employees informed, coordinating activities among divisions, and managing funds. Like inventory and human resources, information is now recognized as a valuable organizational asset that can be controlled and managed. Firms that implement strategies using the best information will reap competitive advantages in the twenty-first century. A good information system can allow a firm to reduce costs. For example, online orders from salespersons to production facilities can shorten materials ordering time and reduce inventory costs. Direct communications between suppliers, manufacturers, marketers, and customers can link together elements of the value chain as though they were one organization. Improved quality and service often result from an improved information system. **04**

Question No. 7

- (a) The answers would vary. The proponents of company's social obligation would argue that the first social responsibility of any business must be to make enough profit to cover the costs of the future because if this is not achieved, no other social responsibility can be met. Indeed, no social need can be met by the firm if the firm fails. They would further argue that strategists should examine social problems in terms of potential costs and benefits to the firm and focus on social issues that could benefit the firm most. For example, should a firm avoid laying off employees so as to protect the employees' livelihood, when that decision may force the firm to liquidate? **04**

The opponents of firms' social obligation would argue that that organizations have no obligation to do any more for society than is legally required. They may further contend that it is irresponsible for a firm to give monies to charity. In essence, they would take a shareholder's view to corporate social responsibility. According to this view, there is one and only one social responsibility of business—to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game.

- (b) **Problems with Formal Planning Processes: {Any three (3)}** **06**

(1) Practical Failure:

Empirical studies have not proved that formal planning processes contribute success. Companies which adopt long range view and planning techniques do not consistently outperform those which do not.

(2) Routine and Regular:

Strategic planning occurs often in an annual cycle. But a firm cannot allow itself to wait every year for the budget planning process to address its problems.

(3) Reduce Initiative:

Formal planning discourages strategic thinking. Once a plan is locked in place, people are unwilling to question it, or to take alternative actions to improve a situation because they feel that, if they do, they will have to defend themselves for acting outside the plan—regardless of any benefits which result from their actions.

STRATEGIC MANAGEMENT [C4] – CHARTERED LEVEL**Marks****(4) Internal Politics:**

The assumption of 'objectivity' in evaluation ignores political battles between different managers and departments.

(5) Exaggerates Power:

Managers are not all-knowing, and there are limits to the extent to which they can control the behavior of the organization.

THE END