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Summer 2013

Master of Business Administration- MBA Semester 4

MB0052 – Strategic Management and Business Policy - 4 Credits

(Book ID: B1699)

Assignment- 60 marks

**Note: Answer all questions. Kindly note that answers for 10 marks questions should be approximately of 400 words. Each question is followed by evaluation scheme.**

**Q1. A well- formulated strategy is vital for growth and development of any organization. Explain corporate strategy in different types of organizations.**

**Answer : Corporate strategy in different types of organizations :**

**1. In small business :**

One of the best corporate strategy techniques useful for business growth requires a careful examination of a company's existing customer data. Being able to properly decipher this data is the primary key to increasing profits and customer loyalty. This information is also useful in creating a long-term strategy for sustaining a business despite a decline in seasonal market demands. In fact, analyzing existing customer data is the simplest and most accessible tool useful in these endeavors. Because this information is so readily available and so important to the company's bottom line, a sound corporate growth strategy should always begin with utilizing this information. A sound corporate strategy doesn't merely target new sales through new customers, but is able to identify ways of targeting new sales from existing customers.

**2. In large business :**

HM Revenue & Customs (HMRC) has developed a specific approach to dealing with large business customers based on an understanding of their particular needs and how they respond.

**Make sure your strategy is market relevant.**

We have a flexible, powerful system ready to guide you through the strategy development process from the grassroots up or integrate with your current strategic plan.

**Align your entire company to your corporate strategy.**

Manage staff and resources from one place, aligning every goal to your strategic direction- even down to individual action plans for every employee.

**Always know where your business is headed.**

Managers and executives can log in anytime to see the status on department, team, and individual goals and actions.

**3. In multinational companies :**

**Global Economy / Global Strategies**

Sometimes it only takes a single acquisition or the influence of a large customer to pull a nationally-focused business into the realm of global competitors. In other cases that evolution may be more elusive and take decades of effort to achieve.

**Being a Multinational Changes Things**

Regardless of how it happens, being a multinational organization changes things. Once companies have the economic power to venture into emerging markets in foreign lands, they face new dilemmas and challenges related to organizing the business structure .

**4. On public sectors :**

The roles and expectations of governments are evolving as their challenges increase in complexity, cutting across multiple economic sectors as well as international borders. The firm's consulting activities in the public sector cover a broad range of strategy and policy setting topics, including:

- Articulation of national economic development plans
- Policy planning and reforms in education, labor, health, and social welfare
- Sector-level planning to improve the competitiveness of economic sectors

**Non profit organization :**

**1. Develop a Business Plan**

A nonprofit is simply another version of a business. You need to have at least as much money coming in as going out in order to even survive, much less succeed in your mission. Many nonprofit start-ups are launched on a wing and a prayer rather than a well-thought-out plan.

**2. Make Sure That Your Organization Will Actually Qualify as a Nonprofit**

You might have a great idea but are you sure it will qualify as a charitable cause? There are many types of nonprofits...which one is yours? It may not be what you think.

**Q2. Businesses need to be planned not only for today, but also for tomorrow, that is, for the future which implies business continuity. Write the importance of business continuity planning. Explain any two strategies for business continuity planning.**

**Answer : Meaning of business continuity planning :**

Business continuity planning (BCP) "identifies an organization's exposure to internal and external threats and synthesizes hard and soft assets to provide effective prevention and recovery for the organization, while maintaining competitive advantage and value system integrity". It is also called business continuity and resiliency planning (BCRP). A business continuity plan is a roadmap for continuing operations under adverse conditions such as a storm or a crime. In the US, governmental entities refer to the process as continuity of operations planning (COOP).

**Importance of business continuity planning :**

Every organization is at risk from potential disasters that include:

- natural disasters such as tornadoes, floods, blizzards, earthquakes and fire;
- accidents;
- sabotage;
- power and energy disruptions;
- communications, transportation, safety and service sector failure;
- environmental disasters such as pollution and hazardous materials spills; or

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**Q3. Governed corporation is a model of successful corporate governance. Define and explain governed corporation. Distinguish between managed corporation and governed corporation in terms of board's role, major characteristics and policies of a company.**

**Answer : Governed corporation :**

Governed corporation refers to the way a corporation is governed. It is the technique by which companies are directed and managed. It means carrying the business as per the stakeholders' desires. It is actually conducted by the board of Directors and the concerned committees for the company's stakeholder's benefit. It is all about balancing individual and societal goals, as well as, economic and social goals.

Corporate Governance is the interaction between various participants (shareholders, board of directors, and company's management) in shaping corporation's performance and the way it is proceeding towards. The relationship between the owners and the managers in an organization must be healthy and there should be no conflict between the two. The owners must see that individual's actual performance is according to the standard performance. These dimensions of corporate governance should not be overlooked.

Benefits of Governed corporation :

1. Good corporate governance ensures corporate success and economic growth.
2. Strong corporate governance maintains investors' confidence, as a result of which, company can raise capital efficiently and effectively.
3. It lowers the capital cost.
4. There is a positive impact on the share price.
5. It provides proper inducement to the owners as well as managers to achieve objectives that are in interests of the shareholders and the organization.
6. Good corporate governance also minimizes wastages, corruption, risks and mismanagement.
7. It helps in brand formation and development.
8. It ensures organization is managed in a manner that fits the best interests of all.

**Difference between managed and governed corporation :**

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**Q4. Price or market competitiveness of a product or business depends on its cost competitiveness. Cost competitiveness implies two things-cost efficiency and cost effectiveness. Explain the concept of cost efficiency of an organization. Analyze the major determinants of cost efficiency.**

**Answer : Cost efficiency :**

Efficiency refers to quantity or speed, effectiveness refers to quality.

Take the example of two Customer Service reps, the first one is very short with the customers. If they start to tell him any unnecessary information, he cuts them off and tells them "that's not important". He quickly resolves their issue but leaves them with a bad taste for the company - most will never be repeat customers. He is able to handle 50 customer calls per day.

Cost efficiency (or cost optimality), in the context of parallel computer algorithms, refers to a measure of how effectively parallel computing can be used to solve a particular problem. A parallel algorithm is considered cost efficient if its asymptotic running time multiplied by the number of processing units involved in the computation is comparable to the running time of the best sequential algorithm.

For example, an algorithm that can be solved in  $O(n)$  time using the best known sequential algorithm and  $O(n/p)$  in a parallel computer with  $O(p)$  processors will be considered cost efficient. Cost efficiency also has applications to human services.

**Major determinants of cost efficiency :**

A goal of media marketing that is aimed at minimizing advertising expenses incurred while maximizing product publicity to a target market in terms of breadth and frequency of exposure. Maximizing cost efficiency in a marketing campaign is highly desirable for a business since the greatest product exposure is achieved for the least amount of financial investment.

**48 CFR 215.404-71-5 - Cost efficiency factor :**

(a) This special factor provides an incentive for contractors to reduce costs. To the extent that the contractor can demonstrate cost reduction efforts that benefit the pending contract, the contracting officer

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**Q5. Stability strategy is most commonly used by an organization. An organization will continue in similar business as it currently pursues similar objectives and resource base. Discuss six situations when it is good/best to pursue stability strategy. Give some Indian examples.**

**Answer : When to pursue stability strategy :**

In the following conditions, it is better to adopt stability strategy.

1. When the organization is serving a defined market or its segments according to business definitions, it can adopt stability strategy. This happens with most of organizations in the short term because their environment does not change and they can continue in the same business.
2. If the organization continues to pursue same objectives, it is better to adopt stability strategy adjusting the level of achievement about the same percentage each year as it has achieved in the past without substantial additional investment. For example, renovation of plant and machinery may add to production but by better efficiency and not through any substantial increase in the production facilities.
3. When there is scope for incremental improvement of functional performance in the same line of business, the organization should go for stability strategy. This is the motto of taking fullest advantages of the situation.

Though most of the organizations follow stability strategy for a period of time, some organizations follow it for much longer than others. It has been observed that as the companies get older, they become more conservative and more likely to pursue a stability strategy. Following are some important factors which suggest why the organizations follow stability strategy:

1. Perception of management about the performance of the organization may motivate it to pursue stability strategy. If the managers are satisfied with present performance they will like to continue with the same.
2. A stability strategy is less risky in that it offers the safe business to the organization unless there is major environmental change. If management prefers to take less risk it can continue stability strategy.
3. Some organizations are slow to change or resistant to change. Since stability strategy fits in their total framework, they often prefer not to change.

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**Q6. Corporate culture governs, to a large extent, business ethics and values in an organization. Describe the state of business ethics in Indian companies. Analyze in terms of KPMG business ethics survey.**

**Answer : Business ethics in Indian companies :**

As Ratan Tata, chairman of the Tata Group, observed, "If you choose not to participate in [corruption], you leave behind a fair amount of business." Much has been written about the benefits of doing business in India -- low input costs, easy access to labor and a massive consumer base. Less has been said about the ability of companies in India to thrive by bending rules, greasing palms and broadening ethical boundaries. At a time when the issue of corruption threatens the stability of the Indian government and scandals

unearthed in sectors from sports to telecommunications total tens of billions of dollars, it is becoming increasingly critical for multinational managers to ask whether business success in India comes at an ethical cost. Following the 1991 fiscal reforms, India's growth story is entering its third decade in dramatic fashion. Annual growth bordering on double digits, a middle class set to grow eightfold in the coming two decades and 800 million mobile subscribers are but a few highlights of the narrative that has reshaped the global business landscape. The sheer magnitude of the opportunity has brought multinational businesses racing to the subcontinent from all over the world for a slice of the burgeoning pie: In a recent survey conducted by the United Nations Conference on Trade and Development (UNCTAD), India replaced the U.S. as the second-most important foreign direct investment (FDI) destination for transnational

**Terms of KPMG business ethics survey :**

The main findings can be summarized as follows:

- A basic ethics infrastructure (such as codes of conduct and whistleblower protection) seems to be in place in most of the surveyed organisations. The existence of written documents that outline the organization's values and principles was reported by 84% of respondents.
- 54% of respondents indicated that their organisation has a confidential reporting mechanism.
- It seems that many organisations do not acknowledge the importance of assigning a senior level manager

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