MBA SEMESTER IV

MB0052 – Strategic Management and Business Policy - 4 Credits

(Book ID:B1314)

Assignment Set- 1 (60 Marks)

Note: Each question carries 10 Marks. Answer all the questions

1. What is meant by ‘Strategy’? Differentiate between goals and objectives.

The word strategy is derived from the Geek word “strategia”, and conventionally used as a military term. It means a plan of action that is designed to achieve a particular goal. Earlier, the managers adopted the day-to-day planning method without concentrating on the future work. Later the managers tried to predict the future events using control system and budgets. These techniques could not calculate the future happenings accurately

Thus, an effective technique called strategy was introduced in business to deal with long term developments and new methods of production. The different concepts of strategy are:

- It is defined as a plan to direct or guide a course of action

- It is a pattern to improve the performance over time

- It is a fundamental way to view an organisation’s performance

- It is a scheme to out-maneuver competitor

Difference between Goals and Objectives of Business

Goals are statements that provide an overview about what the project should achieve. It should align with the business goals. Goals are long-term targets that should be achieved in a business. Goals are indefinable, and abstract. Goals are hard to measure and do not have definite timeline. Writing clear goals is an essential section of planning the strategy.

Example - One of the goals of a company helpdesk is to increase the customer satisfaction for customers calling for support.

Objectives are the targets that an organisation wants to achieve over a period of time.

Example - The objective of a marketing company is to raise the sales by 20% by the end of the financial year.

Example - An automobile company has a Goal to become the leading manufacturer of a particular type of car with certain advanced technological features and the Objective is to manufacture 30,000 cars in 2011.

Both goals and objectives are the tools for achieving the target. The two concepts are different but related. Goals are high level statements that provide overall framework about the purpose of the project. Objectives are lower level statements that describe the tangible products and deliverables that the project will deliver.

Goals are indefinable and the achievement cannot be measured whereas the success of an objective can be easily measured. Goals cannot be put in a timeframe, but objectives are set with specific timelines. The difference between organisational goals and objectives is depicted in table 1.

Goals	Objectives
Are long term	Are usually meant for short term
Are general intentions with broad outcome	Are precise statements with specific outcome
Cannot be validated	Can be validated
Are intangible – can be qualitative as well as quantitative	Are tangible – are usually quantitative and measurable
Are abstract	Are concrete

2. Define the term “Strategic Management”. What are the types of strategies?

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

Types of Strategies

1. Corporate level - The board of directors and chief executive officers are involved in developing strategies at corporate level. Corporate level strategies are innovative, pervasive and futuristic in nature.

The four grand strategies in a corporate level are:

— Stability and expansion strategy

— Retrenchment

— Corporate restructuring

— Combination strategies – concept of synergy

Stability strategy : The basic approach of the stability strategy is to maintain the present status of the organisation. In an effective stability strategy, the organisation tries to maintain consistency by concentrating on their present resources and rapidly develops a meaningful competitiveness with the market requirements.

Further classifications of stability strategy are as follows:

— No change strategy – No change strategy is the process of continuing the current operation and creating nothing new. Usually small business organisations follow no change strategy with an intention to maintain the same level of operations for a long period.

— Pause/Proceed with caution strategy – Pause/Proceed with caution strategy provides an opportunity to halt the growth strategy. It analyses the advantages and disadvantages before processing the growth strategy. Hence it is termed as pause/proceed with caution strategy.

— Profit strategy – Profit strategy is the process of reducing the amount of investments and short term discretionary expenditures in the organisation.

Expansion strategy : The organisations adopt expansion strategy when it increases its level of objectives much higher than the past achievement level. Organisations select expansion strategy to increase their profit, sales and market share. Expansion strategy also provides a significant increase in the performance of the organisation. Many organisations pursue expansion strategy to reduce the cost production per unit.

Expansion strategy also broadens the scope of customer groups, and customer functions.

Example – Prior to 1960's most of the furniture industry did not venture into expanding their industry globally. This was because furniture got damaged easily while shipping and the cost of transport was high. Later in 1970's a Swedish furniture company, IKEA, pioneered towards expanding the industry to other geographical areas. The new idea of transporting unassembled furniture parts lead to minimizing the costs of transport. The customers were able to easily assemble the furniture. IKEA also lowered the costs by involving customer in the value chain. IKEA successfully expanded in many European countries since customers were willing to purchase similar furniture.

The further classification of expansion strategy is as follows:

— Diversification - Diversification is a process of entry into a new business in the organisation either marketwise or technology wise or both. Many organisations adopt diversification strategy to minimise the risk of loss. It is also used to capitalise organisational strengths.

Diversification may be the only strategy that can be used if the existing process of an organisation is discontinued due to environmental and regulatory factors.

The two basic diversification strategies are:

- Concentric diversification :The organisation adopts concentric diversification when it takes up an activity that relates to the characteristics of its current business activity. The organisation prefers to diversify concentrically either in terms of customer group, customer functions, or alternative technologies of the organisation. It is also called as related strategy.

- Conglometric diversification : The organisation adopts conglometric diversification when it takes up an activity that does not relate to the characteristics of its current business activity. The organisation chooses to diversify conglometrically either in terms of customer group, customer functions, or alternative technologies of the organisation. It is also called as unrelated diversification.

— Concentration – Concentric expansion strategy is the first route towards growth in expanding the present lines of activities in the organisation. The present line of activities in an organisation indicates its real growth potential in the present activities, concentration of resources for present activity which means strategy for growth.

The two basic concentration strategies are:

- Vertical expansion : The organisation adopts vertical expansion when it takes over the activity to make its own supplies. Vertical expansion reduces costs, gains control over a limited resource, obtain access to potential customers.

- Horizontal expansion : The organisation adopts horizontal growth when it takes over the activity to expand into other geographical locations. This increases the range of products and services offered to the current markets.

Retrenchment : Retrenchment strategy is followed by an organisation which aims to reduce the size of activities in terms of its customer groups, customer functions, or alternative technologies.

Example – A healthcare hospital decides to focus only on special treatment to obtain higher revenue and hence reduces its commitment to the treatment of general cases which is less profitable.

Different types of retrenchment strategies are:

— Turnaround – Turnaround is a process of undertaking temporary reduction in the activities to make a stronger organisation. This kind of processing is called downsizing or rightsizing. The idea behind this strategy is to have a temporary reduction of activities in the organisation to pursue growth strategy at some future point.

Turnaround strategy acts as a doctor when issues like negative profits, mismanagement and decline in market share arise in the organisation.

— Captive company strategy – Captive company strategy is a process of tying up with larger organisations and staying viable as an exclusive supplier to the large organisations. An organisation may also be taken as captive if their competitive position is irreparably weak.

— Divestment strategy – Divestment strategy is followed when an organisation involves in the sale of one or more portion of its business. Usually if any unit within the organisation is performing poorly then that unit is sold and the money is reinvested in another business which has a greater potential.

— Bankruptcy – Bankruptcy is a legal protective strategy that does not allow others to restructure the organisation’s debt obligations or other payments. If an organisation declares bankruptcy with customers then there is a possibility of turnaround strategy.

— Liquidation – Liquidation strategy is considered to be the most unattractive process in an organisation. This process involves in closing down an organisation and selling its assets. It results in unemployment, selling of buildings and equipments and the products become obsolete. Hence, most of the managers work hard to avoid this strategy.

Corporate restructuring : Corporate restructuring is the process of fundamental change in the current strategy and direction of the organisation. This change affects the structure of the organisation. Corporate restructuring involves increasing or decreasing the levels of personnel among top level, mid-level and lower level management. It is reorganising and reassigning of roles and responsibilities of the personnel due to unsatisfactory performance and poor results.

Combination strategies – concept of synergy : Combination strategy is a process of combining - stability, expansion and retrenchment strategies. This is used either at the same time in various businesses or at different times in the same business. It results in better performance of the organisation.

The effect towards the success is greater when there is a synergy between the strategies. Synergy is obtained in terms of sales, operations, investments and management in the organisation.

Example – Levis & co, a jeans manufacturing company suffered corrosion in market share in 1990. This was due to the manufacture of jeans that did not attract the younger generation. Hence there was a change in strategies laid at the corporate level with diversification of products. This led to the change in acquiring new resources, selling the current resources, changing the personnel at various levels of management and analysing the competitors in the market. With these changes the company was able to make profits and achieved success.

2. Business level : Business level strategy relates to a unit within an organisation. Mainly strategic business unit (SBU) managers are involved in this level. It is the process of formulating the objectives of the organisation and allocating the resources among various functional areas. Business level strategy is more specific and action oriented. It mainly relates to “how a strategy functions” rather than “what a strategy is” in corporate level.

The main aspects of business level strategies are related with:

— Business stakeholders

— Achieving cost leadership and differentiation

— Risk factors

Business stakeholders : Business stakeholders are a part of business. Any operation which is affected in business also affects the business stakeholders along with profit or loss of the business. Business stakeholders include employees, owners and customers. Other indirect business stakeholders are competitors, government etc. They play a very important role in ups and downs of the organisation.

Cost leadership and differentiation : Cost leadership strategy is adopted by the organisations to produce a relatively standardised products or services to the customer. It must be acceptable to the characteristics as mentioned by customers. Customers value the company if it adopts cost leadership strategy.

Differentiation strategy mainly deals with providing the products or services with unique features to the customers. Differentiated products satisfy the customer's needs. The unique features of the product attract the customers more when compared to the traditional features of the products.

But cost leadership must be pursued in conjunction with differentiation strategy to produce a cost effective, superior quality, efficient sales and a unique collection of features in the product or services.

According to Porter's generic strategy, the organisation that succeeds in cost leadership and differentiation often has the following internal strengths:

— The company possesses the skills in designing efficient products

— High level of expertise in the manufacturing process

— Well organised distribution channel

— Industry reputation for quality and innovation

— Strong sales department with the ability to communicate successfully the real strengths of the product

Risk factors : Risk is the probability of “good” or “bad” things that may happen in the business. Risk will impact the objectives of the organisation. The risk factors in the business strategies include two types - external and internal risks.

— External risks – External risk includes various risks experienced externally like competition with companies, political issues, interest rates, natural hazards etc.

— Internal risks – Internal risks include issues of employees, maintenance of processes, impact of changes in strategies, cash flows, security of employees and equipments.

3. Tactical of functional level

The functional strategy mainly includes the strategies related to specific functional area in the organisation such as production, marketing, finance and personnel (employees). Decisions at functional level are often described as tactical decisions.

Tactical decision means “involving or pertaining to actions for short term than those of a larger purpose”. Considering tactical decisions in functional level strategy describes involving actions to specific functional area. The aim of the functional strategy is “doing things right” whereas the corporate and business level strategy stresses on “doing the right thing”.

The different types of strategies at functional level are:

— Procuring and managing

— Monitoring and directing resources towards the goal

Procuring and managing : Procuring basically means purchasing or owning. In the management field procuring is the process of purchasing goods or services which includes ordering, obtaining transport, and storage for organisation use.

Most of the individual organisations set procurement strategy to obtain their choice of products, methods, suppliers and the procedures that are used to communicate with their suppliers.

Steps involved in procuring strategy are:

— Identify the need of purchase and the required quantity.

— Plan the cost budget of the goods or services being purchased and the procedure of contracting by checking the cost and requirements with various sellers.

— Select the seller who is matching the cost and requirement criteria as per the organisation.

— Perform the contract deal with selected seller and monitor the contract.

— Close the contract once the goods or services are acquired.

Managing is the process of monitoring the strategies that are implemented in the business. Many strategies are implemented at various levels of the business. Hence catering these strategies is termed as managing.

Managing includes completing the task effectively in every sector of the organisation. It can be managing employees, the external and internal factors of organisation, and the equipments.

An effective managing process strengthens the critical activities in the business such as marketing, manufacturing, human resource planning, performance assessment, and communications.

Monitoring and directing resources towards the goal

Monitoring and directing is the essential part of management. Monitoring means knowing “what is going on”. Monitoring is also called as measuring. In an organisation monitoring includes measuring the performance of the organisation to check whether the strategy implemented is achieved or not.

Monitoring the resources includes monitoring the employees, the equipments, and the activities being performed in the organisation.

It leads to risk if monitoring of the resources show a deviation from the true path as expected by the organisation. The directing process will make path to ensure a relevant action is performed to remove the deviation and lay all the resources on the right track. Directing process uses principles and statement of the objectives to solve the problem which was identified during monitoring process.

Monitoring and directing process of resources sets the organisation to work on the right track by removing all hurdles and produces effective outcome in reaching the goals of the organisation efficiently.

4. Operational level : Operational level is concerned with successful implementation of strategic decisions made at corporate and business level. The basic function of this level is translating the strategic decisions into strategic actions.

The basic aspects in operational level are:

— Achieving cost and operational efficiency

— Optimal utilisation of resources

— Productivity

Achieving cost and operational efficiency : Achieving cost deals with achieving greater profits by reducing the cost for various resources within the organisation to balance the expenditure and investment. Organisations must implement cost achievement in targeted operational areas like HR, supply chain, and procurement.

The operational efficiency comes into picture once the cost reduction is achieved with greater profits. It deals with minimising the waste and maximising the resource capabilities.

Optimal utilisation of resources : Optimal utilisation of resources includes usage of resources in a planned manner. The usage of resources must be cost effective. Usually the board of directors ensures that the process of optimal utilisation of resources is implemented and monitored on a regular basis.

Planning and scheduling activities in business plays a major impact on the utilisation of resources. The systematic planning and scheduling of activities result in utilisation of less budgeted resources for greater profits in an organisation.

Productivity : Productivity basically means a relative measure of the efficiency of production in terms of converting the ratio of inputs to useful outputs. Productivity is a key to success of an organisation. Productivity growth is a vital factor for continuous growth of the organisation.

3. Describe Porter's five forces Model.

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

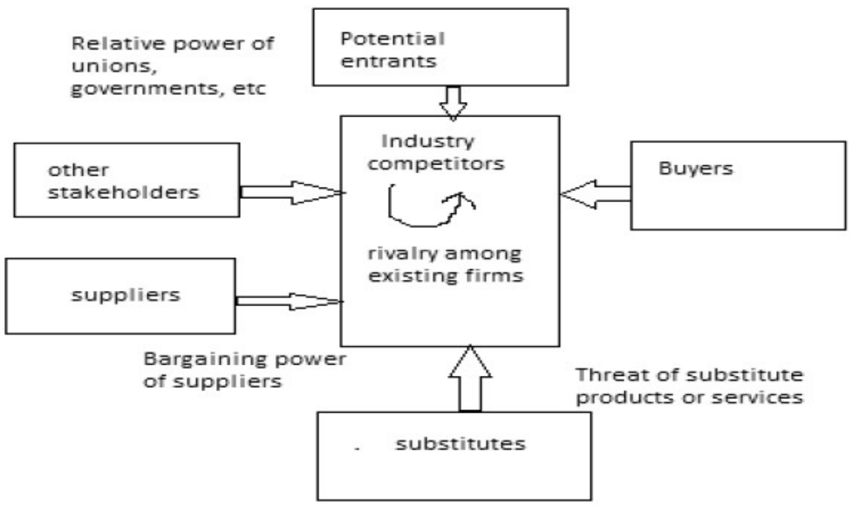


Figure 3.4 Forces Driving Industry Competitions

Forces driving industry competitions are:

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

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

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

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

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

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

4. What is strategic formulation and what are its processes?

Strategy Formulation : Strategy formulation is the development of long term plans. It is used for the effective management of environmental opportunities and for the threats which weaken corporate management. Its objective is to express strategical information to achieve a definite goal.

The following are the features of strategy formulation:

— Defining the corporate mission and goals

— Specifying achievable objectives

— Developing strategies

— Setting company policy guidelines

Strategic formulation involves effective strategic decision making and strategic choice, which are discussed in the following sections.

Systematic approach to strategic decision making process : Strategic decision making is a tool to do business in a smarter way. It enhances a manager's abilities to obtain insight of strategic decision making problems and to do justice by extracting their decision making skills. An individual takes the first step towards decision making by dividing decision problems into more manageable fragments and explicitly considering the possible options.

Effective decision making involves the following six steps which are shown in the table

1) Creating a constructive environment

As a strategist, you must do the following to create a constructive environment:

i. *Establish the objectives* – Define what you want to achieve.

ii. *Agree on the process* – You must focus on the final decision, which is made after establishing the objective.

iii. *Involve the right people* – Make sure you have the right team of people.

iv. *Allow opinions to be heard* – Encourage participants to contribute in discussions, debates and analyse.

v. *Need to ask the right question* – Ask yourself whether you are questioning the right issue or not.

vi. *Use creativity tools from the beginning* – Apply creativity by thinking from a different perspective and angle.

2) Generating good alternatives

When you generate alternatives, you force yourself to view the problem from different angles, which in turn gives you effective results. Some of the techniques are as follows:

i. *Brainstorming* – It is an effective process which develops creative solutions to problems and enhances the productivity of the organisation.

ii. *Generating ideas from a large number of people* – Everybody's ideas must be heard and given equal weightage, irrespective of the person's position or power within the organisation.

iii. *Inviting others* – Asking outsiders to join the discussion.

3) Exploring the chosen alternatives

When you are satisfied with your collection of realistic alternatives, you can evaluate the feasibility, risk and the implications of each choice. Few factors that need to be considered when the alternatives are explored are as follows:

i. *Risk* – In decision making, there is usually some degree of uncertainty, which leads to risk. By evaluating it, you can determine whether the risk is manageable or not.

ii. *Implications* – Another way to look at your options is to consider the potential consequences of each alternative.

iii. *Validation* – Exploring the resources leads to a validity check of the product.

4) Choosing the best alternative

After you have evaluated the alternatives, choose the best among the available choices. Take your valuable time to do so.

5) Checking and confirming your decision

You must be sure that common errors have not crept into the decision making process, so check your decisions properly. This includes methodical testing of the assumptions and thoroughly reviewing the same.

6) Communicate your decision and move to action

After you have made your decision, it is important to explain it to others and start implementing it.

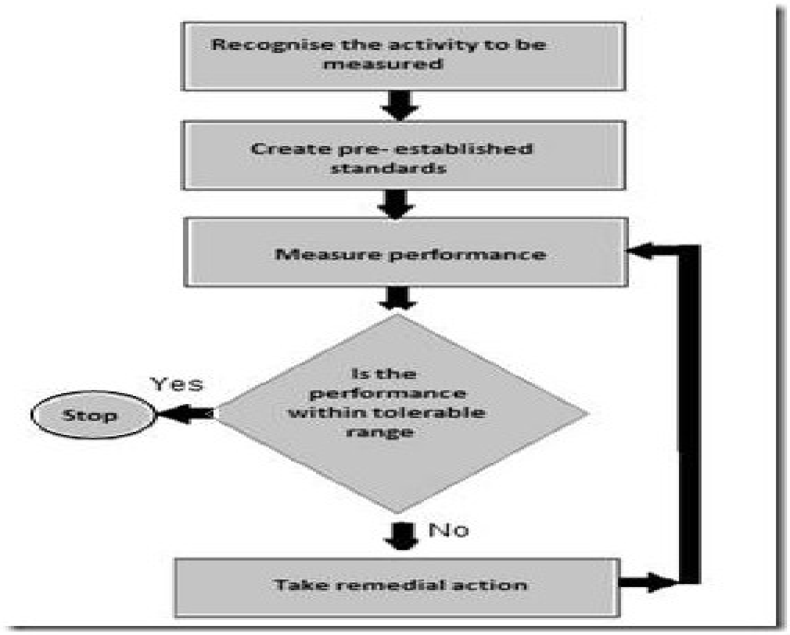
5. Explain strategic evaluation and its significance.

The core aim of strategic management succeeds only if it generates a positive outcome. Strategic evaluation and control consists of data and reports about the performance of the organisation. Improper analysis, planning or implementation of the strategies will result in negative performance of the organisation. The top management needs to be updated about the performance to take corrective actions for controlling the undesired performance.

All strategies are subject to constant modifications as the internal and external factors influencing a strategy change constantly. It is essential for the strategist to constantly evaluate the performance of the strategies on a timely basis. Strategic evaluation and control ensures that the organisation is implementing the relevant strategy to reach its objectives. It compares the current performance with the desired results and if necessary, provides feedback to the management to take corrective measures.

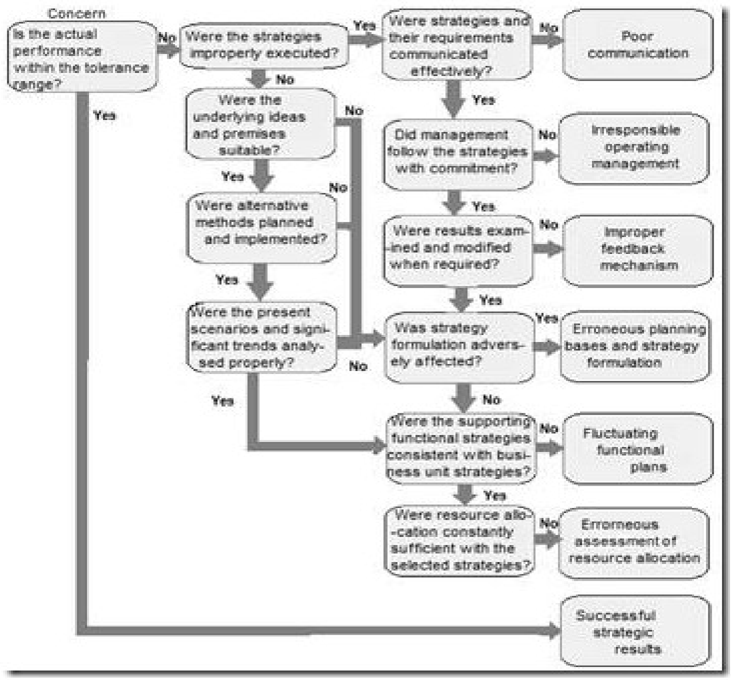
Strategic evaluation consists of performance and activity reports. If performance results are beyond the tolerance range, new implementation procedures are introduced. One of the obstacles to effective strategic control is the difficulty in developing appropriate measures for important activities. Strategic control stimulates the strategic managers to investigate the use of strategic planning and implementation. After the evaluation, the manager will have knowledge about the cause of the problem and the corrective actions.

The five step process of strategic evaluation and control is illustrated below :



Importance of effective strategic evaluation : The strategic-evaluation process with constantly updated corrective actions results in significant and long-lasting consequences. Strategy evaluation is vital to an organisation's well-being as timely evaluations can alert the management about potential problems before the situation becomes critical. Successful strategists combine patience with a willingness to take corrective actions promptly, when necessary.

The process of evaluating the implemented strategy is explained



Frequent strategic evaluation activities can control the negative consequences of the environmental complexity and instability issues. Success today does not guarantee success tomorrow! However, the frequencies of strategic evaluation performed were surprisingly found to be vice-versa in stable and unstable industries. Management in dynamic industries seems to have performed fewer strategic evaluation activities when compared to those in stable industries. Lindsay and Rue concluded that forecasting is more difficult under complex and unstable environmental conditions. So, strategists may see less need for frequent evaluation of their long-range plans.

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6. Define the term "Business policy". Explain its importance.

Policy : Policy is a predefined course of action set up by top level management to provide guidance towards business strategies and objectives. It identifies the fundamental activities and provides strategic ways to handle different issues. It recommends the manner in which the objectives are achieved.

Business policies are the instructions laid by an organisation to manage its activities. It identifies the range within which the subordinates can take decisions in an organisation. It authorises the lower level management to resolve their issues and take decisions without consulting the top level management repeatedly. The limits within which the decisions are made are well defined. Business policy involves the acquirement of resources through which the organisational goals can be achieved. Business policy analyses roles and responsibilities of top level management and the decisions affecting the organisation in the long-run. It also deals with the major issues that affect the success of the organisation.

Features of business policy : Following are the features of an effective business policy:

— Specific- Policy should be specific and identifiable. The implementation of policy is easier if it is precise.

— Clear - Policy should be clear and instantly recognisable. Usage of jargons and connotations should be avoided to prevent any misinterpretation in the policy.

— Uniform – Policy should be uniform and consistent. It should ensure uniformity of operations at different levels in an organisation.

— Appropriate – Policy should be appropriate and suitable to the organisational goal. It should be aimed at achieving the organisational objectives.

— Comprehensive – Policy has a wide scope in an organisation. Hence, it should be comprehensive.

— Flexible – Policy should be flexible to ensure that it is followed in the routine scenario.

— Written form – To ensure uniformity of application at all times, the policy should be in writing.

— Stable – Policy serves as a guidance to manage day to day activities. Thus, it should be stable.

Importance of Business Policies : A company operates consistently, both internally and externally when the policies are established. Business policies should be set up before hiring the first employee in the organisation. It deals with the constraints of real-life business.

It is important to formulate policies to achieve the organisational objectives. The policies are articulated by the management. Policies serve as a guidance to administer activities that are repetitive in nature. It channels the thinking and action in decision making. It is a mechanism adopted by the top management to ensure that the activities are performed in the desired way. The complete process of management is organised by business policies.

Business policies are important due to the following reasons:

— Coordination – Reliable policies coordinate the purpose by focusing on organisational activities. This helps in ensuring uniformity of action throughout the organisation. Policies encourage cooperation and promote initiative.

— Quick decisions – Policies help subordinates to take prompt action and quick decisions. They demarcate the section within which decisions are to be taken. They help subordinates to take decisions with confidence without consulting their superiors every time. Every policy is a guide to activities that should be followed in a particular situation. It saves time by predicting frequent problems and providing ways to solve them.

— Effective control – Policies provide logical basis for assessing performance. They ensure that the activities are synchronised with the objectives of the organisation. It prevents divergence from the planned course of action. The management tends to deviate from the objective if policies are not defined precisely. This affects the overall efficiency of the organisation. Policies are derived objectives and provide the outline for procedures.

— Decentralisation – Well defined policies help in decentralisation as the executive roles and responsibility are clearly identified. Authority is delegated to the executives who refer the policies to work efficiently. The required managerial procedures can be derived from the given policies. Policies provide guidelines to the executives to help them in determining the suitable actions which are within the limits of the stated policies. Policies contribute in building coordination in larger organisations.

MBA SEMESTER IV

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(Book ID:B1314)

Assignment Set- 2 (60 Marks)

Note: Each question carries 10 Marks. Answer all the questions

1. What is meant by “Business Continuity Plan” (BCP)? Discuss the steps involved in BCP.

Business Continuity Plan (BCP) : According to the Business Continuity Institute, a Business Continuity Plan (BCP) is defined as:

“A document containing the recovery timeline methodology, test-validated documentation, procedures, and action instructions developed specifically for use in restoring organisation operations in the event of a declared disaster. Business Continuity Plans also require testing, skilled personnel, access to vital records, and alternate recovery resources including facilities”.

BCP is a collection of procedures which is developed, recorded and maintained in readiness for use in the event of an emergency or disaster.

Steps in Business Continuity Plan

The BCP’s senior management committee is responsible for the initiation, planning, approval, testing and audit of the BCP. The BCP’s senior management committee also implements the BCP, coordinates its activities, supervises its creation and reviews the results of quality assurance activities. These steps are discussed below:

— Initiation

— Business impact analysis

— Disaster readiness strategies

— Develop and implement the plan

— Maintenance and testing

1. Initiation : The senior management initiates the project and conducts the meeting to review the following:

Establish a business continuity planning committee – The senior management identifies a team and discusses the business continuity planning project with them. The management forms a team and clearly defines the roles of project team members.

Draw up business continuity policies – The team establishes the basic principles and framework necessary to ensure emergency response for resumption and recovery, restoration and permanent recovery of the organisational operations and business activities during a business interruption event.

2. Business impact analysis (BIA) : BIA is the most important element of the continuity plan. BIA reveals the financial and operational impact of a major disruption. BIA report describes the potential risks specific to the organisation. It will provide the organisation with the following details:

- The identification of time sensitive business operations and services.

- An analysis of the organisation's financial status and operational impacts.

- The time-frames in which the time-sensitive processes, operations and functions must resume.

- An estimation of the resources necessary for successful resumption, recovery and restoration.

- The BIA will provide a basis and cost justification for risk management, response, recovery and restoration

3. Disaster readiness strategies : The disaster readiness strategies include the following activities:

- Define business continuity alternatives – Using the information from BIA, the project team should assess the alternative strategies that are available to the organisation and identify two or three strategies that are more credible.

- Estimate cost of business continuity alternatives – Based on these strategies, the organisation develops the budgetary plan. The resumption timeframe plays an important role in examining which elements may require pre-positioning.

- Recommend disaster readiness strategy – Based on the needs of the business and evaluation of alternatives, the project team should develop recommendations of strategies to provide funds for implementation. Prepare a formal report based on the findings of the BIA for the strategy alternatives that were developed and analysed Take approval from senior management to proceed with the project.

4. Develop and implement the plan : Develop and implement the plan includes the following activities:

- Emergency response and operations – It establishes a crisis management process to respond to these incidents.

- Develop and implement a business continuity plan – The plan describes specifically how to deal with the incidents. It should focus on the priorities of overall business continuity strategy.

- Apply business unit plans for each department – Describe the roles that each department has to perform in the event of an emergency. Example – It should detail the actions that the IT department will have to carry out if IT services are lost.

5. Maintenance and testing : Maintenance and testing includes the following activities:

- Establish a plan exercise program – BCP should develop and schedule the exercises to achieve and maintain high levels of competence and readiness. Document the objectives of each exercise and it should include the measurement criteria. Evaluate the results of each exercise against pre-stated values and document the results along with proposed plan enhancement.

- Awareness and training plans – It should ensure that the personnel is aware of the importance of business continuity plan and can operate effectively in case of an event .Review the effectiveness of awareness training and identify the need for further training.

- Sample emergency response exercises – Emergency response exercises should be ongoing. The exercises can be repeated using alternate setup and it should involve whole organisation within a particular facility that may be affected by a system disaster.

- Audit and update the plans regularly – It should regularly audit the plans to check if it meets the needs of the organisation and ensures that the documentation remains accurate and reflects any changes inside or outside the business.

2. What is meant by "Business plan"? Describe the strategies to create a business plan.

A business plan is a complete internal document that summarises the operational and financial objectives of a business. It also contains the detailed plans which show how the objectives are being accomplished.

An accurately made business plan helps to allocate resources properly, to handle unforeseen complications like financial crisis and to make good business decisions.

On the other hand, business venture is a start-up enterprise which is formed with expectations and plans of achieving financial gain. Once the need of the organisation is identified, it can be started by a small investor that has valuable resources and time. Other investors involve themselves by providing support for further development of the venture once the business is created. In the case of establishing a business venture, a formal business plan is written to outline the purpose and mission of the business for the future use.

Strategies for creating a business plan : This section describes the strategies for creating a business plan. Every entrepreneur creates a business plan and its completion will determine the feasibility of the plan. The strategies for creating a business plan are as follows:

— Define your business vision – You must clear the following queries while defining the business vision:

- Who is the customer?

- What business are you in?

- What do you sell (product/service)?

- What is your plan for growth?

- What is your primary competitive advantage?

— Make a list of your goals – You must create a list of goals after proper research. In case of a start up business, more effort must be put on the short-term goals.

— Certain things must be kept clear before setting up your goal. They are listed below:

- What do you want to achieve?

- How much growth you want to achieve?

- Describe the quality and quantity of the service and the customer satisfaction levels?

- How would you describe your primary competitive advantages?

— Understanding the customer – Understanding the customer is essential for a perfect business plan. You must understand the customer in terms of the following factors:

- Needs – The following customer requirements should be understood clearly:

- What unmet needs do your customers have?

- How does your business meet those needs?

- Problems – Customers buy things to solve their specific problems. Always be specific about the advantages of the product/services of your business which resolve the customer’s problems.

- Perceptions – Always try to know the perception of the customer. Clarify the doubts of the customer regarding your profession and the products/services of your business.

— Learn from your competitors – You can learn a lot about the business and the customers by looking at the business of your competitors. Always get the answers of the following questions which will assist you in learning from your competitor and focusing on your customer.

- What do you know about your target market?

- What competitors do you have?

- How are competitors approaching the market?

- What are the competitor's weaknesses and strengths?

- How can you improve upon the competition's approach?

— Resolving financial matters – Several questions might arise when we need to make financial decisions. They are as follows:

- How will you make money?

- What is the profit potential of your business?

You can resolve the financial issues by taking smart strategic investment decisions.

— Identify your marketing strategy – Identifying the marketing strategy is another essential skill which you must have. The following are the four steps to create a marketing strategy for your business:

— Identify all the target markets

— Qualify the best target markets

— Identify the tools, strategies and methods

— Test the marketing strategy and tools

3. What are the benefits of MNCs?

MNCs have certain unique advantages in their operations that are not benefited by domestic oriented companies. The international success of MNCs is mainly because of the ability to capitalise the advantages. The advantages widely depend on the nature of individual corporations and the type of their business. Benefits are –

1. To the company

— Superior technical knowledge – The most important advantage of MNCs is the patented technical knowledge which enables them to compete internationally. Large MNCs have access to advanced levels of technology which are either developed or acquired by the corporation. These technologies are patented. It can be in the areas of management, services or production. Extensive application of these technologies gives a competitive advantage to the MNC in international market, as it results in efficient, low-priced, hi-tech products and services that dominate a large international market. This results in efficient production and services like that of IBM or Microsoft.

— Large size of economy – Generally, MNCs are large like Wal-Mart and ExxonMobil which has sales larger than the gross national products of many countries. The large size gives the advantage of significant economic growth to the MNCs. The higher volume of production leads to lower fixed costs per-unit for the company's products. Competitors, whose volume of production of goods is smaller, must raise the price to recover the higher fixed costs. This situation implies to capital-intensive industries like steel, automobiles etc., in which fixed costs form a major proportion of total costs. Example – MNC like Nippon Steel of Japan can sell its products at lower prices than those of companies with smaller plants.

— Lower input costs due to large size – The production levels of MNCs are large and thus the purchase of inputs is in large volumes. Bulk purchases of inputs enable the corporation to bargain for lower input costs and obtain considerable amount of discount. Lower input costs means less expensive and more competitive products. Example – Nestle, which buys huge quantities of coffee from the market, can bargain for lower prices than small buyers can. Wal-Mart sells products at lower prices relative to its competitors due to bulk purchasing and efficient inventory control. By identifying which product sell effectively, Wal-Mart combines low-cost purchasing with efficient inventor to achieve competitive advantage in retail market.

— Ability to access raw materials overseas – By accessing raw materials in foreign countries, many MNCs lower the input and production costs. In many cases, MNCs supply the technology to extract raw materials. Such access can give MNCs monopolistic control over raw materials because they supply technology in exchange for monopolistic control. This control enables them to supply or deny raw materials to their competitors.

— Ability to shift production overseas – Another advantage of MNCs is the ability to shift the production overseas. MNCs relocate their production facilities to take advantage of lower labour costs, raw materials and other incentives offered by the host countries. They take advantage of the lower costs by exporting lower-cost goods to foreign markets. Many MNCs have set up factories in low-cost areas like China, India, Mexico, etc.

— Brand image and goodwill advantage – Most of the MNCs possess product lines that have created a good reputation for quality, value and service. This reputation spread to other countries through exports and promotion and adds to the goodwill or brand image of the company. MNCs are able to influence this brand image by standardizing their product lines in different countries. Example – Sony PlayStations do not have any modifications for different countries and the parent factory produces standardised products for the world market. Brand names like Sony help the company to charge premium prices for its products, because the customers are ready to buy quality products at premium prices.

— Information advantage – MNCs have a global market view with which it collects, analyses, and processes the in-depth knowledge of worldwide markets. This knowledge is used to create new products for potential market niches and expand the market coverage of their products. The MNCs have good information gathering capabilities in all aspects of their operations. Through this information network, the MNC is able to forecast government controls and gather commercial information. The network also helps in providing important information about economic conditions, changing market trends, social and cultural changes that affect the business of MNCs in different countries. With these information MNCs can position themselves appropriately to contingencies.

— Managerial experience and expertise – The MNCs function in large number in different countries simultaneously. This enables them to integrate wealth for valuable managerial experience. This experience helps them in dealing with different business situations around the globe. Example – An MNC located in Japan can attain knowledge of Japanese management techniques and apply them successfully in a different location.

2. To the nations where it operates (domestic nations) : MNCs bring advantage to the countries in which they operate. The benefits of MNCs to the nations where it operate are:

— Economic growth and employment – An MNC comes to a country with more amount of money to invest than any local company. The countries from where the MNCs operate are also called host countries. It brings inward investment to the host countries. This helps in boosting the national economy. Example – Constructing new plants requires resources like land, capital and labour. It provides employment to a large number of people which helps in dealing with the unemployment problem in the host countries. The inward investment can help in generating wealth in the local economy because it increases the spending ability of the people by providing them employment. As the MNCs provide employment to the people, they pay taxes to the local government. The people have more money to spend which provides market for local companies to sell their goods. The MNCs also attracts other smaller firms to the area where it is located. These firms provide different services to the MNCs.

— Skills, techniques and quality human capital – The MNCs bring with them new ideas and new techniques to improve the quality of production. This helps in improving the quality of human capital in the host country. The MNCs employ local labour and train them in new skills to improve productivity and efficiency. Example – Sunderland is one of the most productive car manufacturing plants in Europe. The workers had to get used to different ways of working that were used in other British firms. This can be a challenge and can also lead to improvement in productivity. The skills that the workers build up can be passed on the other workers which help in improving the supply of skilled labour in that area.

— Availability of quality goods and services – Generally, production in a host country is aimed at the export market. However, in some cases, the inward investment can gain access to the host country market to avoid trade barriers. Availability of quality goods leads to improved quality in other related industries. Example – The UK has access to high quality vehicles at cheaper price; this competition has led to improvement in prices, working practices and quality in other related industries.

— Improvement in infrastructure – The MNCs invest in a country for production and distribution facilities. In addition to this, the company might also invest in additional infrastructure facilities like road, port and communication facilities. This can benefit the entire country.

4. Define the term "Strategic Alliance". Differentiate between Joint ventures and Mergers.

Strategic alliance is the process of mutual agreement between the organisations to achieve objectives of common interest. They are obtained by the co-operation between the companies. Strategic alliance involves the individual organisations to modify its basic business activities and join in agreement with similar organisations to reduce duplication of manufacturing products and improve performance. It is stronger when the organisations involved have balancing strengths. Strategic alliances contribute in successful implementation of strategic plan because it is strategic in nature. It provides relationship between organisations to plan various strategies in achieving a common goal.

The various characteristics of strategic alliances are:

— The two independent organisations involving in agreement have a similar idea of achieving objectives with respect to alliances.

— The organisations share the advantages and organise the management of alliance until the agreement lasts.

— To develop more areas in alliances, the organisations contribute their own resources like technology, production, R&D, marketing etc to increase the performance.

According to Faulkner (1995) – Strategic alliance is the inter-organisational relationship in which the partners make substantial investment in developing a long-term collaborative effort, and obtain common orientation.

What is a Joint Venture? In stark contrast to a merger, a joint venture is merely the coming together of two business entities to undertake a single project or aspect of business. This does not involve dissolving their original business or changing the organizational structure to the extent that this occurs under a merger.

In a joint venture, a new company may be formed as the vehicle to effect the change or the combined effort. Each company will then take an interest, both operational and financial, in the new company and their share in the profits or losses of the new venture, which will be directly linked to the level of involvement or commitment they put forth from the start.

Although joint ventures are not as complete, and in some cases not as permanent as mergers, (because the newly formed company may be dissolved when the project has ended) this is not to say that they can be taken lightly. Embarking on a joint venture with another company can cast a positive or a negative light on the participating businesses depending on how the project is perceived. So they must be carefully planned out so they do not have a poor effect on the rest of the company's business.

What is a Merger? The difference between a merger and a joint venture is, therefore, clear cut. Although they both involve bringing two entities together, this is often where the similarity ends.

A merger, more aptly called a merger of equals, refers to a situation whereby two companies of roughly the same size decide to bring their operations and company structures together for the good of both parties involved. There are several different types of mergers:

1.Horizontal Merger - This occurs when two companies that previously were competitors come together to become one larger operation. They join forces to serve the same clients as a newly formed single entity.

2.Vertical Merger - This type of merger occurs when two companies that are next to each other on the supply-chain decide to become one entity. If for instance a supplier and customer become one, the output of one arm of the company is fed into the other and synergies occur.

3.Conglomeration - This type of merger occurs when two companies that have no relation to each other join forces. The objective in this case is diversification of assets and portfolios rather than direct benefits from synergistic energies.

There are quite a few benefits of mergers as well. One of the most commonly sited examples of a positive side effect of a merger is the synergy between the two companies. This refers to any cost reductions or improvements in process flows that are a result of bringing the companies together. Economies of scale, the need for less staff and, therefore, lower employee costs, are just two of the main results of the presence of synergy.

5. What do you mean by ‘innovation’? What are the types of innovation?

Innovation is the production or implementation of ideas. Innovation can be described as an action or implementation which results in an improvement; a gain, or a profit. The National Innovation Initiative (NII) defines innovation as "The intersection of invention and insight, leading to the creation of social and economic value."

Components of innovation : Innovation involves the whole process from opportunity identification, invention to development, prototyping, production, marketing and sales, while entrepreneurship only needs to involve commercialisation.

The components of innovations are as follows:

Implementation – It is to put ideas into practice. Implementation is made up of three aspects; idea selection, development and commercialisation. Organisations need processes, procedures and frameworks for achieving implementation. Some organisations in spite of having all right processes, procedures and frameworks, are yet to be innovative

Creativity – Creativity is less straight forward than implementation. Creativity is not about establishing a new process or structure. People think differently to be creative and behave differently to be innovative.

Types of innovation : Innovation is defined as using new ideas to apply current thinking in different ways that results in a significant change. The types of innovation are as follows:

- Architectural innovation – This innovation defines the basic configuration of the product and the process. It will establish the technical and marketing agendas that will guide subsequent developments.

- Market niche innovation – This innovation involves development of new marketing methods for the existing products. It provides the scope for improvement in product design, product promotion, and pricing.

- Regular innovation – This innovation involves the change that is applied on established technical and production competence of the existing markets and customers. The effect of these changes is to develop the existing skills and resources.

- Revolutionary innovation – This innovation disrupts and renders established technical and production competence that out of date, yet it is applied to existing markets and customers.

6. Describe Corporate Social Responsibility.

Corporate social responsibility (CSR), also known as corporate responsibility, corporate citizenship, responsible business, sustainable responsible business (SRB), or corporate social performance,[1] is a form of corporate self-regulation integrated into a business model. Ideally, CSR policy would function as a built-in, self-regulating mechanism whereby business would monitor and ensure its support to law, ethical standards, and international norms. Consequently, business would embrace responsibility for the impact of its activities on the environment, consumers, employees, communities, stakeholders and all other members of the public sphere. Furthermore, CSR-focused businesses would proactively promote the public interest by encouraging community growth and development, and voluntarily eliminating practices that harm the public sphere, regardless of legality. Essentially, CSR is the deliberate inclusion of public interest into corporate decision-making, and the honoring of a triple bottom line: people, planet, profit.

The practice of CSR is much debated and criticized. Proponents argue that there is a strong business case for CSR, in that corporations benefit in multiple ways by operating with a perspective broader and longer than their own immediate, short-term profits. Critics argue that CSR distracts from the fundamental economic role of businesses; others argue that it is nothing more than superficial window-dressing; others yet argue that it is an attempt to pre-empt the role of governments as a watchdog over powerful multinational corporations. Corporate Social Responsibility has been redefined throughout the years. However, it essentially is titled to aid to an organization's mission as well as a guide to what the company stands for and will uphold to its consumers

Development business ethics is one of the forms of applied ethics that examines ethical principles and moral or ethical problems that can arise in a business environment.

In the increasingly conscience-focused marketplaces of the 21st century, the demand for more ethical business processes and actions (known as ethicism) is increasing. Simultaneously, pressure is applied on industry to improve business ethics through new public initiatives and laws (e.g. higher UK road tax for higher-emission vehicles).

Business ethics can be both a normative and a descriptive discipline. As a corporate practice and a career specialization, the field is primarily normative. In academia, descriptive approaches are also taken. The range and quantity of business ethical issues reflects the degree to which business is perceived to be at odds with non-economic social values. Historically, interest in business ethics accelerated dramatically during the 1980s and 1990s, both within major corporations and within academia. For example, today most major corporate websites lay emphasis on commitment to promoting non-economic social values under a variety of headings (e.g. ethics codes, social responsibility charters). In some cases, corporations have re-branded their core values in the light of business ethical considerations (e.g. BP's "beyond petroleum" environmental tilt).

The term "CSR" came in to common use in the early 1970s, after many multinational corporations formed, although it was seldom abbreviated. The term stakeholder, meaning those on whom an organization's activities have an impact, was used to describe corporate owners beyond shareholders as a result of an influential book by R Freeman in 1984.[2]

ISO 26000 is the recognized international standard for CSR (currently a Draft International Standard). Public sector organizations (the United Nations for example) adhere to the triple bottom line (TBL). It is widely accepted that CSR adheres to similar principles but with no formal act of legislation. The UN has developed the Principles for Responsible Investment as guidelines for investing entities.

Potential business benefits : The scale and nature of the benefits of CSR for an organization can vary depending on the nature of the enterprise, and are difficult to quantify, though there is a large body of literature exhorting business to adopt measures beyond financial ones (e.g., Deming's Fourteen Points, balanced scorecards). Orlitzky, Schmidt, and Rynes found a correlation between social/environmental performance and financial performance. However, businesses may not be looking at short-run financial returns when developing their CSR strategy.

The definition of CSR used within an organization can vary from the strict "stakeholder impacts" definition used by many CSR advocates and will often include charitable efforts and volunteering. CSR may be based within the human resources, business development or public relations departments of an organization,[11] or may be given a separate unit reporting to the CEO or in some cases directly to the board. Some companies may implement CSR-type values without a clearly defined team or program.

The business case for CSR within a company will likely rest on one or more of these arguments:

Human resources : A CSR program can be an aid to recruitment and retention,[12] particularly within the competitive graduate student market. Potential recruits often ask about a firm's CSR policy during an interview, and having a comprehensive policy can give an advantage. CSR can also help improve the perception of a company among its staff, particularly when staff can become involved through payroll giving, fundraising activities or community volunteering. See also Corporate Social Entrepreneurship, whereby CSR can also be driven by employees' personal values, in addition to the more obvious economic and governmental drivers.

Risk management : Managing risk is a central part of many corporate strategies. Reputations that take decades to build up can be ruined in hours through incidents such as corruption scandals or environmental accidents. These can also draw unwanted attention from regulators, courts, governments and media. Building a genuine culture of 'doing the right thing' within a corporation can offset these risks.[13]

Brand differentiation : In crowded marketplaces, companies strive for a unique selling proposition that can separate them from the competition in the minds of consumers. CSR can play a role in building customer loyalty based on distinctive ethical values.[14] Several major brands, such as The Co-operative Group, The Body Shop and American Apparel[15] are built on ethical values. Business service organizations can benefit too from building a reputation for integrity and best practice.

License to operate : Corporations are keen to avoid interference in their business through taxation or regulations. By taking substantive voluntary steps, they can persuade governments and the wider public that they are taking issues such as health and safety, diversity, or the environment seriously as good corporate citizens with respect to labour standards and impacts on the environment

Stakeholder priorities : Increasingly, corporations are motivated to become more socially responsible because their most important stakeholders expect them to understand and address the social and community issues that are relevant to them. Understanding what causes are important to employees is usually the first priority because of the many interrelated business benefits that can be derived from increased employee engagement (i.e. more loyalty, improved recruitment, increased retention, higher productivity, and so on). Key external stakeholders include customers, consumers, investors (particularly institutional investors), communities in the areas where the corporation operates its facilities, regulators, academics, and the media.