Subject: Business Economics

Course: B.A., 6th Semester, Undergraduate.

Paper No: 602

Paper Title: Business Strategy & Ethics

Unit No.: 3 (Three)

Title: Strategy Formulation, Analysis & Choice

Lecture No: 2 (Two)

Title: Strategic Analysis & Choice

FAQs

Q1. Explain two types of strategy levels.

- **Business-level Strategy (Competitive)**
  - Each business unit in a diversified firm chooses a business-level strategy as its means of competing in individual product markets.
- **Corporate-level Strategy (Companywide)**
  - Specifies actions taken by the firm to gain a competitive advantage by selecting and managing a group of different businesses competing in several industries and product markets.

Q2. Write about question mark.

Question marks are products that grow rapidly and as a result consume large amounts of cash, but because they have low market shares they don't generate much cash. The result is large net cash consumption. A question mark has the potential to gain market share and become a star, and eventually a cash cow when the market growth slows. If it doesn't become a market leader it will become a dog when market growth declines. Question marks need to be analyzed carefully to determine if they are worth the investment required to grow market share.

Q3. Explain cash cow.

As leaders in a mature market, cash cows exhibit a return on assets that is greater than the market growth rate – so they generate more cash than they consume. These units should be 'milked' extracting the profits and investing as little as possible. They provide the cash required to turn question marks into market leaders.

Q4. What does SWOT represent?

- *S* trengths
- *W* eaknesses
- *O* pportunities
- *T* hreats

Q5 what is strength? Give examples of strength

Strength is something a firm does well or an attribute that enhances its competitiveness

- **Examples include**
  - Valuable skills, competencies, or capabilities
  - Valuable physical assets
  - Valuable human assets
  - Valuable organizational assets
  - Valuable intangible assets
  - Important competitive capabilities
  - An attribute placing a company in a position of market advantage
  - Alliances or cooperative ventures with partners

Q6 what is weakness? Explain its resources.

A ***weakness*** is something a firm lacks, does poorly, or a condition placing it at a disadvantage

Resource weaknesses relate to

a. Inferior or unproven skills, expertise, or intellectual capital
b. Lack of important physical, organizational, or intangible assets
c. Missing capabilities in key areas

Q7 Explain Grand strategy Matrix.

Strategy analysis and choice is a process that reconciles strategic actions, market opportunities, corporate strengths and resources, values of managers, and legal requirements and social responsibilities to select a “best” mission, strategic thrust, and set of strategic actions.

Grand strategies, often called master of business strategies provide basic direction for strategic actions. They are the basis of coordinated and sustained efforts directed toward achieving long term business objectives.

Grand strategies indicate the time period over which long range objectives are to be achieved. Thus, a grand strategy can be defined as a comprehensive general approach that guides a firm’s major actions.

Managers can use tools and techniques such as grand selection matrix to achieve long term objectives.

Q8. What is vertical integration?

It is an acquisition of firms that supply inputs such as raw materials or customers for its outputs, such as warehouses for finished products.

The main reason for vertical integration is the desire to increase the dependability of the supply or quality of the raw materials used as production inputs

Q9. What is retrenchment?

It is cutting back on products, markets, operations because the firm’s overall competitive and financial situation cannot support commitments needed to sustain or build its operations.

Q10. What is divestiture?

A **divestiture strategy** involves the sale of a firm or a major component of a firm

When retrenchment fails to accomplish the desired turnaround, or when a nonintegrated business activity achieves an unusually high market value, strategic managers often decide to sell the firm .Reasons for divestiture vary.