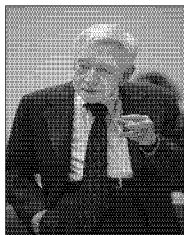
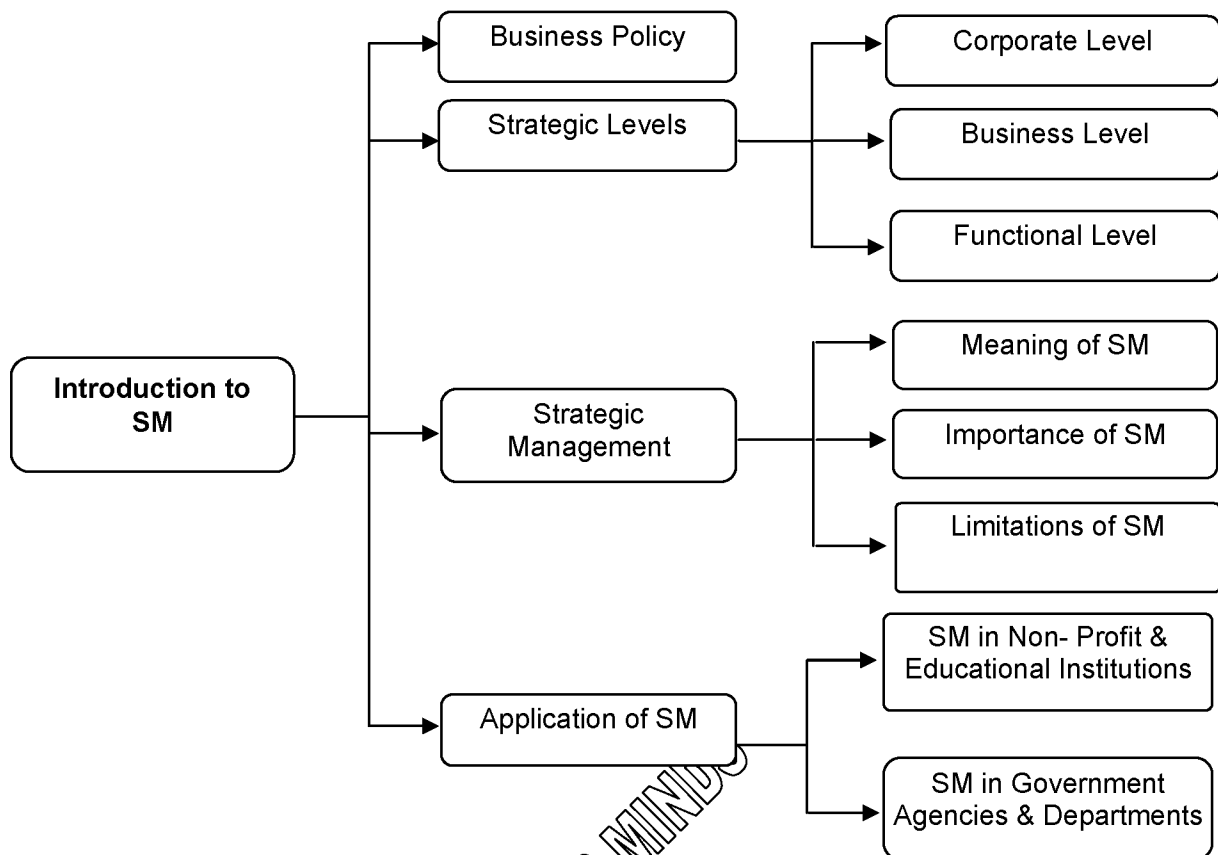


1. INTRODUCTION TO STRATEGIC MANAGEMENT



Alfred D. Chandler
(1918-2007)



Igor Ansoff
(1918-2002)



Peter F. Drucker
(1909-2005)



C.K. Prahlad
(1941- 2010)



Michael Porter
(1947)

Major Contributors to the Strategic Management discipline

With the increased competition, the management of business has acquired strategic dimension. All executives and professionals, including the CAs, working towards growth of their businesses must possess sound knowledge of strategic management.

BASICS OF STRATEGY

Q.No.1. Explain the Evolution and Importance of Business Policy? (C) (NEW SM, OLD PM)

1. EVOLUTION OF BUSINESS POLICY:

- Business policy was first introduced in Harvard Business School in 1911. It was an integrative course in management, based on some interactive case studies.
- The course was aimed at enhancing the general managerial capability of students.
- However, the introduction of business policy in the curriculum of other business schools / management institutes came much later.

2. **DEFINITION:** According to Christensen, Business Policy is the study of:
- The functions and responsibilities of senior management,
 - The crucial problems that affect the success of the total enterprise, and
 - The decisions that determine the direction of the organisation and shape its future.
3. **IMPORTANCE:**
- Business policy mainly stresses on the rational and analytical aspects of strategic management and strategic decision-making.
 - Business policy presents a framework for understanding strategic decision-making.
 - This framework helps managers in handling general management responsibilities.

SIMILAR QUESTIONS:1. **Explain Business Policy as a discipline.**

A. Refer 2 & 3 points in the above answer.

2. **Explain the evolution and importance of Business Policy and Strategic Management.**

A. Evolution & importance of Business Policy – refer above question

Importance of strategic management: Strategic Management enables an organisation to develop and maintain competitive advantage so that it can outperform its competitors and to have dominant role in the market. Strategic Management guides the company successfully through all changes in the environment

3. **“Business Policy arose from the developments in the use of planning techniques by managers”. In this context explain the importance of Business Policy.**

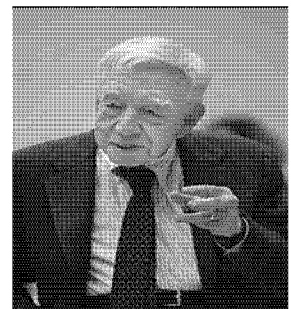
A. Refer the above answer.

Q.No.2. Define the term Strategy. (C)**(NEW SM)**

The dictionary meaning of the word strategy is something that is related to related to war and ways to win over enemy. In business context, the term is not much different. Businesses have to respond to dynamic and hostile external forces in the pursuit of their mission and vision.

MEANING OF STRATEGY:

- Strategy is a long range blueprint of an organization's desired image, direction and destination what it wants to be, what it wants to do and where it wants to go.
- “Strategy is the Unified, Comprehensive, and Integrated Plan designed to assure that the basic objectives of the enterprise are achieved.”
- **William F. Glueck**
- Strategy is a game plan used by the Management to achieve the desired market position, conduct operations, attract and satisfy customers, compete successfully and achieve organizational objectives.
- Strategy is a consciously chosen and flexibly designed scheme of corporate intent(=plan) and action:
 - To achieve effectiveness
 - To mobilise resources
 - To direct human effort and behaviour
 - To handle events and problems



Alfred D. Chandler was one of the earliest contributors to the field of Strategic Management. His 'Strategy and Structure' concept has been very popular.

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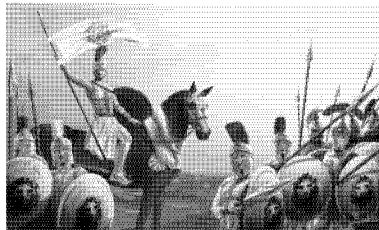
- e) To perceive and utilise opportunities, and
- f) To meet challenges and threats for corporate survival and success.

SIMILAR QUESTIONS:

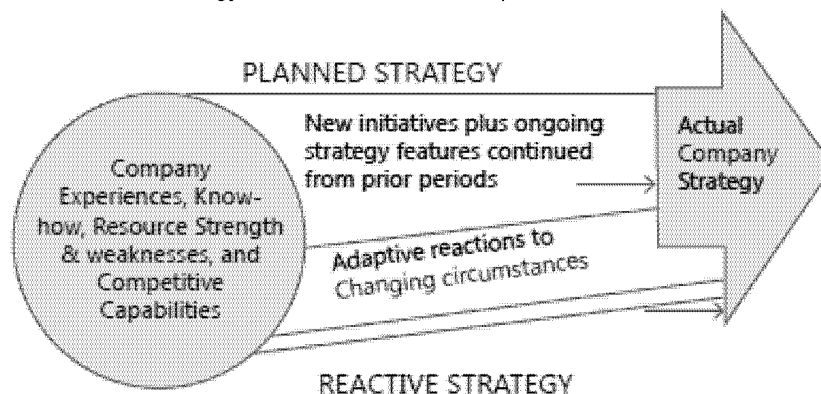
1. What do you understand by the term 'Strategy'? (RTP N16)
 - A. Strategies provide an integral framework for management and negotiate their way through a complex and turbulent external environment. Strategy seeks to relate the goals of the organisation to the means of achieving them + write 1st point of the above answer.
2. "The word strategy is often misunderstood in the business arena. Many people think that strategy is simply another term for planning". In this context define the term strategy.
 - A. Refer the above answer.

Q.No.3. Strategy of a company is partly Pro-active and partly Re-active. Explain. (A)
(NEW SM, OLD PM, RTP M14, RTP M16, RTP M18, RTP N18, N12 - 3M, N18- 5M)

1. A company's strategy is an effective combination of
 - a) Pro-active actions of the firm to improve its market position and financial performance, an Reactions to face unanticipated developments and .fresh market conditions.
 - b) Proactive strategy is planned strategy whereas reactive strategy is adaptive reaction to changing circumstances.
2. In proactive strategy, organizations will analyze all possible environmental developments and formulate strategies after proper planning and implement these strategies in a predetermined manner.
3. However, in reality no company can forecast both internal and external environment exactly. Everything cannot be planned in advance.
4. It is not possible to anticipate moves of rival firms, consumer behaviour, evolving technologies, etc.
5. There can be significant deviations between what was visualized and what actually happens.
6. Strategies need to be modified in light of possible environmental changes. Reactive strategy is triggered by the changes in the environment.



Strategy in a war should be both pro-active and reactive.

**SIMILAR QUESTIONS:**

1. A Company's strategy has always to be proactive in nature. (T/F) (N08 - 2M)
 - A. Refer fast track material.

2. "Strategy is partly proactive and partly reactive." Do you agree? Give reasons for your answer. (OLD PM, RTP M16)
- A. Refer above answer
3. Quite often strategies of most business organizations are a combination of planned strategies and reactive strategies. Explain with reasons. (OLD PM)
- A. Same as above. No need to present the diagram.
4. Yummy Foods and Tasty Foods are successfully competing in the business of ready to eat snacks in Patna. Yummy has been pioneer in introducing innovative products. These products will give them good sale. However, Tasty Foods will introduce similar products in reaction to the products introduced by the Yummy Foods taking away the advantage gained by the former. Discuss the strategic approach of the two companies. Which is superior? (RTP N18)
- A. Yummy Foods is proactive in its approach. On the other hand Tasty Foods is reactive. Proactive strategy is planned strategy whereas reactive strategy is adaptive reaction to changing circumstances. + Write 1st point in the above answer + write the following:
- If organisational resources permit, it is better to be proactive rather than reactive. Being proactive in aspects such as introducing new products will give you advantage in the mind of customers.
- At the same time, crafting a strategy involves stitching together a proactive/intended strategy and then adapting first one piece and then another as circumstances surrounding the company's situation change or better options emerge—a reactive/adaptive strategy. This aspect can be accomplished by Yummy Foods.
5. "Strategies should be pragmatic and flexible". What are the ways of crafting strategies?
- A. Refer above answer.

LEVELS OF STRATEGY

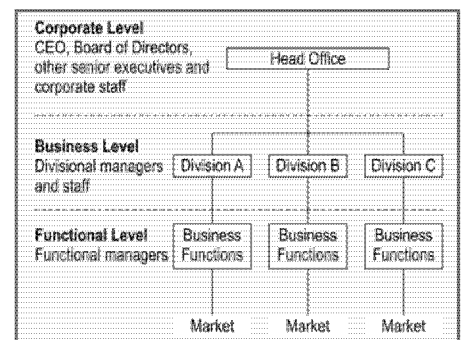
Q.No.4. Write about various Strategic Levels in an organization? (A)
(NEW SM, OLD PM, N10 - 3M, MTP N18, N18- 2M)

An organization is divided into several functions and departments that work together to bring a particular product or service to the market.

FOLLOWING ARE THE THREE MAIN LEVELS OF MANAGEMENT:

1. Corporate Level Management:

- It consists of Chief Executive Officer (CEO), other senior executives, Board of Directors and Corporate staff.
- Their role is to oversee(=supervise) the development of strategies for the whole organization.
- Their role includes defining the mission, vision and goals of the organization, determining what businesses it should be in, allocating resources among different businesses, formulating and implementing strategies that span individual businesses, and providing leadership for the organization.



- Business Level General Managers:** The development of strategies for individual businesses is the responsibility of the respective business level managers. They are concerned with strategies that are specific to a particular business. Their role is to translate the general statements of direction and intent of corporate level management into concrete strategies for individual businesses.
- Functional Level Managers:** They are responsible for the specific business functions or operations (human resources, purchasing, product development, customer service, etc.) that constitute a company or one of its divisions.

SIMILAR QUESTIONS:

1. Distinguish between the three levels of strategy formulation.
2. List the different strategic levels in an organization. (OLD PM, RTP N15, N10 - 3M, MTP N18)
 - A. Same as above.
3. A typical large business organisation has several divisions and departments which is complex to manage .hence a hierarchy based on areas of responsibility is to be established at different levels.in this context what are the different strategic levels in an organization.
 - A. Same as above.

Q.No.5. Write short notes on Corporate Level Management. (A)
(NEW SM, OLD PM, M15 - 3M, RTP N18)

1. Corporate level of management consists of Chief Executive Officer (CEO), other Senior Executives, the Board of Directors and Corporate Staff.
 2. Their role is to oversee the development of strategies for the whole organisation.
 3. They occupy the apex role in decision making within the organisation and **broadly have following roles:**
 - a) Oversee the development of strategies for the whole organization.
 - b) Defining the mission, vision and goals of the organization.
 - c) Determining what businesses it should be in
 - d) Allocating resources among the different businesses.
 - e) Formulating and implementing strategies that span individual businesses.
 - f) Providing leadership for the organization.
 4. They provide a link between the people who oversee the strategic development of a firm and those who own it (the shareholders). Corporate level managers, and particularly the CEO, can be viewed as the guardians of shareholder welfare. It is their responsibility to ensure that the corporate and business strategies that the company pursues are consistent with maximizing shareholder wealth.
- 5. Example ¹:**

SIMILAR QUESTIONS:

1. In your view, what is the role of corporate level managers in strategic management?
 - A. Same as above. (OLD PM, M15 - 3M)
2. You are appointed as a strategic manager by XYZ Co. Ltd. Being a strategic manager what should be your tasks to perform? (OLD PM, N11 - 3M)
 - A. The primary task of the strategic manager is conceptualizing, designing and executing company strategies. + Refer 3rd point in the above answer.
3. Corporate level managers are the guardians of shareholder value. In this context what role the corporate managers have to play in managing a successful organisation.
 - A. Same as above.

¹ For e.g. Godrej is active in a wide range of businesses, including soaps, insecticides, edible oil, furniture, Information technology, and real estate. The main strategic responsibilities of its Group chairman, Adi Godrej, are setting overall strategic objectives, allocating resources among the different business areas, deciding whether the firm should divest itself of any of its businesses, and determining whether it should acquire any new ones.

Q.No.6. Write short notes on Business Level Managers. (C)

(NEW SM)

- a) A business unit is an independent division (with its own functions like Finance, Purchasing, Production and Marketing departments) that provides a product or service for a particular market.
- b) The principal general manager at the business level, or the business-level manager, is the head of the division.
- c) Their strategic role is to translate the general statements of direction and intent from the corporate level into concrete strategies for individual businesses. They are held responsible for the performance.
- d) Corporate-level general managers are concerned with taking decisions concerning all businesses of the company, whereas business-level general managers are concerned with developing strategies that are specific to a particular business.

SIMILAR QUESTION:

1. **Formulation of strategies for specific businesses or individual business areas is very important to deal with competition in the market place. In this context explain briefly the role of Business Level Managers.**
- A. Same as above.

Q.No.7. What are the activities performed by Functional Level Managers? (B)

(NEW SM)

1. Functional-Level Managers are responsible for the specific business functions/ tasks/ operations (e.g. Human Resources, Purchasing, Product Development, Customer Service, etc.) that constitute a Company or one of its divisions.
2. They have a major strategic role to develop functional strategies in their area that help to fulfill the strategic objectives set by Business-Level and Corporate-Level General Managers.
3. They provide most of the information that makes it possible for Business-Level and Corporate-Level General Managers to formulate realistic and achievable strategies because they are closer to the customer.
4. Thus, it is important for corporate and business level general managers to listen closely to the ideas of their functional managers.
5. *An equally great responsibility for managers at the operational level is strategy implementation: i.e., the execution of corporate and business-level plans.*

SIMILAR QUESTIONS:

1. **“Although they are not responsible for the overall performance of the organization, functional managers nevertheless have a major strategic role” in this context write the role of the functional level managers.**
- A. Same as above.

STRATEGIC MANAGEMENT

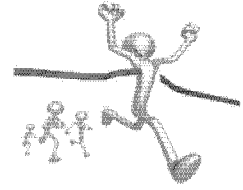
Q.No.8. What is Strategic Management? What are its Objectives? (A)

(NEW SM, OLD PM, N 07 - 5M, RTP N11, M12, M14, M15)

INTRODUCTION: *In a highly competitive marketplace, companies can operate successfully by creating and delivering superior value to target customers and also learning how to adapt to a continuously changing business environment. So,, to meet changing conditions in their industries, companies need to be farsighted and visionary, and must have a system of managing strategically.*

MEANING: Strategic Management refers to the managerial process of:

- Forming a Strategic Vision and Mission,
- Setting Objectives,
- Crafting a strategy,
- Implementing and Evaluating the Strategy, and
- Making necessary corrective adjustments which are deemed appropriate, over a period of time.



OBJECTIVES: The objectives of Strategic Management are -

- To create Competitive Advantage so that the company can gain advantage over competitors and dominate the market.
- To guide the company through all changes in the environment.

SIMILAR QUESTIONS:

1. What is Strategic Management? (N 07)

A. Refer meaning in the above answer.

2. "Obtaining Competitive Advantage in business requires strategic managerial framework" in this context list out the steps of strategic managerial process in an organisation along with its objectives.

A. Same as above.

Q.No.9. Explain the Importance or Benefits of Strategic Management. Do you think companies should be managed strategically? Discuss. (A)
(NEW SM, OLD PM, RTP M12, M15, N18, N 07, 5M, M11 - 4M, M12, 13 - 3M, MTP-M18, N18)

Strategic planning and implementation is must for all organizations for their survival and growth in the present turbulent^(=unstable) business environment. Companies should be managed strategically, because the success of the efforts and activities of the enterprise depends heavily on the quality of Strategic Management.

THE IMPORTANCE OF STRATEGIC MANAGEMENT IS HIGHLIGHTED AS UNDER:

- Strategic Management gives a direction to the company to move ahead:** It defines the goals and mission. It helps management to define realistic objectives and goals which are in line with the vision of the company.
- Helps an organisation to be more proactive instead of reactive in shaping its future:** With the help of strategic management organisations can analyse and take actions instead of being mere spectators and control their own destiny in a better manner. It helps them in working within the forces of environment and shaping it, instead of getting influenced by its turbulence or uncertainties.
- Provides framework for decision-making:** Strategic Management provides the framework for all major business decisions of an organization such as decisions on businesses, products and markets, manufacturing facilities, investments and organisational structure.
- Makes the company future-driven:** Strategic Management is concerned with ensuring a good future for the firm. It tries to prepare the firm to face the future and acts as pathfinder to various business opportunities.
- Defence mechanism:** Strategic management serves as a corporate defence mechanism against mistakes and pitfalls. It helps organisations to avoid costly mistakes in product market choices or investments.
- Strategic management helps to enhance the longevity of the business:** With the state of competition and dynamic environment it may not be possible for organisations to survive in long run. But strategic management helps the organization to take a clear stand in the industry and makes sure that it is not just surviving on luck.

7. **Helps in building Core Competencies & Competitive Advantages:** Strategic Management provides a firm with certain core competencies and competitive advantages in its fight for survival and growth.

SIMILAR QUESTIONS:

1. 'Organisations sustain superior performance over a long period of time, in spite of the rapid changes taking place continually in its competitive environment if they implement strategic management successfully.' Explain. (OLD PM, N15 - 3M)
- A. Business organizations function within dynamic environment. The environment may vary from being conducive to hostile. Whatever be the conditions, implementation of strategic management is very important for the survival and growth of business organizations. Strategic management helps organizations to sustain superior performance in the following manner: + explain the above 5 points briefly.
2. List some of the major reasons due to which all types of firms should engage in 'strategic management.'
3. What benefits accrue by following a strategic approach to managing?
 - A. Same as above. (OLD PM, RTP- M15, N07 - 6M)
4. Write short notes on importance of strategic management. (OLD PM)
 - A. Same as above.

Q.No.10. What are the limitations of Strategic Management? (A) (NEW SM, RTP M18, M18- 5M)

The presence of strategic management cannot prevent all hindrances and always achieve success. There are limitations attached to strategic management. These can be explained in the following lines:

1. **Environment is highly complex and turbulent:** It is difficult to understand the complex environment and exactly pinpoint how it will shape-up in future. The organisational estimate about its future shape may badly go wrong and put all strategic plans at risk. The environment affects the organisation as the organisation has to deal with suppliers, customers, governments and other external factors.
2. **Strategic management is a time-consuming process:** Organisations have to spend a lot of time in preparing and communicating the strategies that may disturb daily operations and negatively impact the routine business.
3. **Strategic management is a costly process:** Strategic management adds lot of expenses to an organization. Expert strategic planners need to be engaged, efforts have to be made for analysis of external and internal environments, devise strategies and properly implement them. These can be really costly for organisations with limited resources, particularly the small and medium sized organisations.
4. **Uncertainty:** In a competitive scenario, where all organisations are trying to move strategically, it is difficult to clearly estimate the competitive responses to a firm's strategies.

SIMILAR QUESTIONS:

1. The presence of strategic management cannot counter all hindrances and always achieve success for an organisation. What are the limitations attached to strategic management?
 - A. Same as above. (RTP M18)
2. No management discipline is without limitations and strategic management is no exception. Write the limitations of strategic management.
 - A. Same as above.

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APPLICATION OF STRATEGIC MANAGEMENT

Q.No.11. Explain the Significance of Strategic Management in Non-Profit making organizations? (A)
(NEW SM, M13 - 3M, MTP N18)

NON - PROFIT ORGANISATION:

- a) Business organisations can be classified as commercial or non-commercial on the basis of the interest they have.
- b) Typically, a non - profit organization may function without commercial objective of making profit. They might be established for social, charitable, or educational purposes.
- c) Their aim is to provide services to members, beneficiaries or public at large.
- d) **Examples of non - profit organizations:** ICAI, municipal corporations and so on.

IMPORTANCE OF STRATEGIC MANAGEMENT TO NO- PROFIT ORGANIZATIONS:

- a) Strategic Management Process can be used effectively by Non-Profit and Governmental Organisations.
- b) Many Non-Profit and Governmental Organisations outperform Private Firms and Corporations on innovativeness, motivation, productivity and strategic management.
- c) Non-Profit and governmental organisations may function as a monopoly, produce a product or service that offers little or no measurability of performance, and are totally dependent on outside financing.
- d) Strategic management provides an excellent vehicle to such social and charitable institutions for developing needed financial support.

SIMILAR QUESTIONS:

1. Do you agree with the statement that "Strategic Management concepts are of no use to Government organizations and Medical organizations"? Explain with reasons. (MTP N18)
- A. Same as above. In place of 'non-profit organisation', write 'government & medical organisations'.
2. Helpbuddy is a not-for-profit organisation providing medical facilities to poor and needy at highly affordable costs. The organisation is dependent on Government grants and donations to manage its affairs. Rohit who is running the organisation believes in taking things as they come and will change the level of activities based on the funds available. Do you think Rohit is right in taking things as they come? What will you advise him?

(MTP N18)

- A. It is not advisable for any organisation to take things as they come. Organisations whether commercial or non-commercial need proper planning. + write the importance of SM to non- profit organisations in the above answer. + write the following:

Rohit needs to understand the importance of strategic management in his organisation. His organisation is also depended on funds from government and donations. On one side, he needs to maintain steady inflow of funds and on the other side he needs to ensure proper utilisation of funds. He can plan to use funds in a manner to maintain similar level of continuous services. With proper planning, resources can be better utilised, more funds can be generated and the quality of services maintained.

Q.No.12. Educational Institutions require Strategic Management. Explain. (B)
(NEW SM, OLD PM, N11 - 3M)

1. **INTRODUCTION:** Education is a noble profession. An educational institution usually functions as a not-for-profit organization managed by trusts and societies. They include schools, colleges and universities.

2. **IMPORTANCE OF STRATEGIC MANAGEMENT TO EDUCATIONAL INSTITUTIONS:** On account of the significant changes in the competitive environment of educational institutions, they have to adopt different strategies for attracting best students. With the help of strategic management, educational institutions have to focus on:
- Joining hands with industries/ companies in order to deliver education and to make graduates more employable.
 - Introducing modernized teaching methods such as computers, Internet technologies, online degrees etc.
 - Getting better name and recognition.
 - Designing the curriculum in such a way to provide better citizenry and employability.

SIMILAR QUESTIONS:

1. Richard cyert, president of carnegie-Mellon university, says, "I believe we do a far better job of Strategic management than any company I know". In this context write the importance of strategic management to educational institutions.

A. Same as above.

Q.No.13. Write short notes on Strategic Management in Governmental Agencies and Departments. (B) (NEW SM, OLD PM) (For student self study)

- Central, State and Municipal Agencies, Public Sector Units and Departments are responsible for formulating, implementing and evaluating strategies that use taxpayers' money in the most cost-effective way to provide services and programs.
- However, strategists in Government Organisations operate with less strategic autonomy than Managers in Private Firms. Legislators and Politicians often have direct or indirect control over major decisions and resources.
- Government organisations, agencies and departments are now motivating their employees to participate in the strategic management process thereby have an effect on the organisation's mission, objectives, strategies and policies.
- Government agencies are also using strategic management to develop and substantiate formal requests for additional funding.

SIMILAR QUESTIONS:

1. "Central, state, municipal agencies, Public Sector units, departments are responsible for formulating, implementing, and evaluating strategies that use taxpayers' money in the most cost-effective way to provide services and programs." In this context elaborate on the importance of Strategic management to government organisations.

A. Same as above.

APPLICATION ORIENTED QUESTIONS

Q.No.14. Health Wellnow is a Delhi based charitable organisation promoting healthy lifestyle amongst the office-goers. It organises programmes to encourage and guide office-goers on matters related to stress relief, yoga, exercises, healthy diet, weight management, work life balance and so on. Many business organisations and resident welfare associations take services of Health Wellnow. Its daily yoga sessions are very popular in some of the big companies located in Delhi, Noida and Gurgaon. The Health Wellnow has no commercial interest and does not charge any fees for its services. However, the organisation is able to get good charities and has sufficient funds to meet its routine expenses. Do you think the concepts of strategic management are relevant for Health Wellnow? Discuss. (A) (RTP M18)

1. The concepts of strategic management are relevant for Health Wellnow.
2. Organizations can be classified as commercial and non-commercial on the basis of the interest they have.
3. Health Wellnow falls in the category of a non-commercial organisation. While non-commercial organisations may have objectives that are different from the commercial organisations, they need to employ the strategic management tools to efficiently use their resources, generate sufficient surpluses to meet daily expenses and achieve their objectives. In fact, many non-profit and governmental organizations outperform private firms and corporations on innovativeness, motivation, productivity, and human relations.
4. The strategic management in Health Wellnow needs to cover aspects such as:
 - a) Generate sufficient funds for meeting its objectives.
 - b) Efficiently reach office-goers and help them to have health in life.
 - c) Promote itself to cover more offices, resident welfare associations.
 - d) Have a deep collaboration with health experts, including dieticians, psychologist, fitness trainers, yoga experts.

TEST YOUR KNOWLEDGE

1. What was the need to introduce 'Business Policy' as a subject in Harvard Business School in 1911?
2. "A CA student's exam preparation strategy should be both pro-active and reactive", Elaborate.
3. List out the various strategic decisions that a CA educational institution should take in the present cut-throat competitive market.
4. List out the various operational and strategic decisions to be taken by an educational institution.
5. Mention the various strategic levels in Tata Group along with diagrammatic representation.
6. Differentiate between a 'Generalist' and 'Journalist'. In terms of organisational hierarchy where will you put them?
7. "If you do not know where you want to go, any path will take you there." In which context, can we discuss this statement and what is the meaning of this statement?
8. Do single business firms or focused firms need to formulate strategies at multiple levels or is a single level strategy enough for them?

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THE END