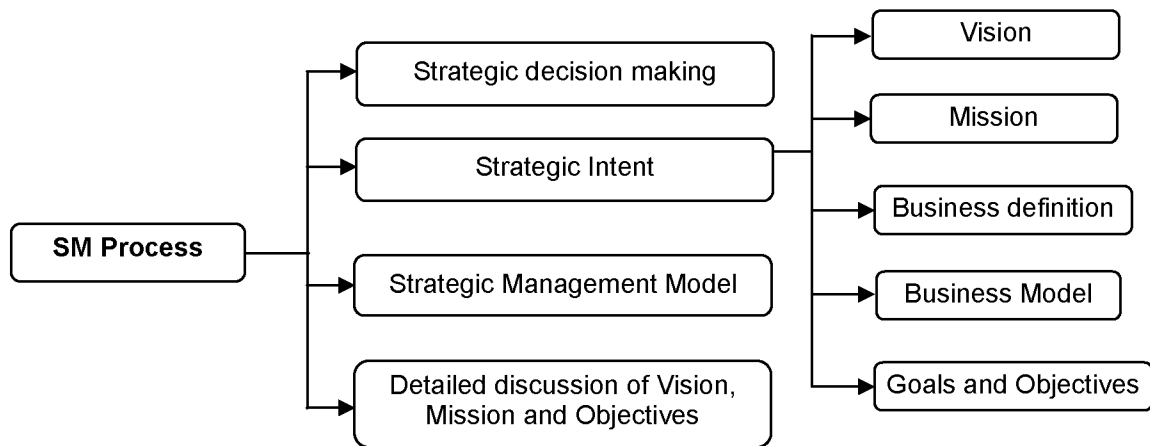


3. STRATEGIC MANAGEMENT PROCESS



Q.No.1.What is Strategic Planning? (C)

(NEW SM)

WHAT IS PLANNING?

- Planning means deciding what needs to be done in the future (today, next week, next month, next year, over the next couple of years, etc.) and generating blueprints for action. Good planning is an important constituent of good management.
- Planning involves determination of the course of action to attain the predetermined objectives. It bridges the gap between where we are and where we want to go. Planning can be strategic or operational. Strategic plans are made by the senior management for the entire organization. Operational plans are made at the middle and lower level management.

MEANING OF STRATEGIC PLANNING:

- It is the process of determining the objectives of the firm, resources required to attain these objectives and formulation of policies to govern the acquisition, use and disposition of resources.
- Strategic planning involves a set of interactive and overlapping decisions leading to the development of an effective strategy for the firm.
- Strategic planning determines where an organization is going over the next year or more and the ways for going there. The process is organization wide, or focused on a major function such as a division or other major function.

SIMILAR QUESTION:

1. It is the process of strategic planning that culminates in the formulation of corporate strategy. In this context, explain what is strategic planning.

A. Refer the meaning of strategic planning in the above answer.

Q.No.2. What is strategic decision making? Briefly explain the Features/ Major Dimensions of Strategic Decision Making. (A)

(NEW SM, OLD PM, RTP M13, N14, M15, N15, N16 - 3M, N 11,13 - 3M, N15- 4M, MTP M18, N18)

MEANING OF DECISION MAKING: It is a managerial process of choosing a particular course of action out of several alternative courses for the purpose of accomplishment of the organizational goals. Decisions may be operational (related to general day-to-day operations) or strategic in nature.

THE FEATURES / MAJOR DIMENSIONS OF STRATEGIC DECISIONS ARE:

- Strategic issues require top-management involvement:** Strategic decisions should be considered by top management as they involve thinking in totality of the organization.
- Strategic decisions involve commitment of organizational resources:** For example, Strategic decisions to launch a new project by a firm require allocation of huge funds and assignment of a large number of employees.

3. **Strategic decisions necessitate consideration of factors in the firm's external environment:** Strategic focus in organization involves adjusting its internal environment to the changes of external environment.
4. **Strategic decisions are likely to have a significant impact on the long-term prosperity of the firm:** Generally, the results of strategic implementation are seen on a long-term basis and not immediately.
5. **Strategic decisions are future oriented:** Strategic thinking involves predicting the future environmental conditions and how to orient for the changed conditions.
6. **Strategic decisions usually have major multifunctional or multi-business consequences:** As strategic decisions involve organization in totality they affect different sections of the organization with varying degree.

SIMILAR QUESTIONS:

1. How strategic decisions differ in nature from other decisions taken in the day-to-day working of an organisation? Explain. (OLD PM, N14 - 3M)
A. Write Meaning and side headings of the above answer.
2. Decision making is an important managerial function in strategic management. Discuss. What are the major dimensions of strategic decisions? (RTP - M16)
A. Same as above.
3. Rohit Seth in an informal discussion with his friend shared that he has to move very cautiously in his organisation as the decisions taken by him have organisation wide impact and involve large commitments of resources. He also said that his decisions decide the future of his organisation. Where will you place Rohit Seth in organisational hierarchy? What are the dimensions of the decisions being taken by him? (RTP-M18)
A. As the decisions taken by Rohit Seth have organisation wide impact, involves large commitments and have implication on the future, he is at the top level in organizational hierarchy. These characteristics also indicate that he is taking strategic decisions in the organisation. The major dimensions of strategic decisions are as follows: + write the 6 points in the above answer.

STRATEGIC MANAGEMENT PROCESS

Q.No.3. Explain the Strategic Management Model. (A)

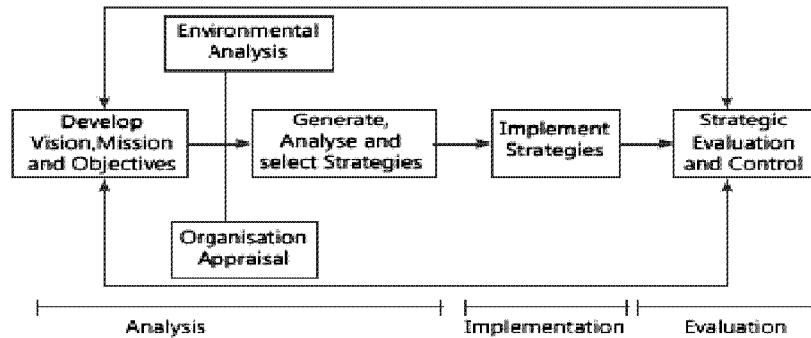
**(N17 - 3M, N18 - 2M)
(For student self-study)**

1. The Strategic Management Model consists of 3 broad phases: Strategy Formulation, Strategy Implementation and Strategy Control.
2. The process of formulating, implementing and controlling a strategy or strategies is a continuous and an ongoing process. A change in any one of the major components in the model can necessitate a change in any or all of the other components.

For e.g., a shift in the economy could represent a major opportunity and require a change in long-term objectives and strategies; a failure to accomplish annual objectives could require a change in policy; or a major competitor's change in strategy could require a change in the firm's mission.

3. THE MAJOR STAGES IN THE STRATEGIC MANAGEMENT PROCESS ARE:

- a) Develop vision and mission statements
- b) Perform internal and external audit (environmental scanning)
- c) Establish long-term objectives
- d) Generate, evaluate, and select strategies
- e) Implement strategies considering management issues
- f) Implement strategies marketing, finance, accounting, R&D, MIS issues
- g) Measure and evaluate performance.



CONCLUSION: The Strategic Management process is dynamic and continuous. Strategy Formulation, Implementation and Evaluation activities should be performed on a continuous basis, not just at the end of the year or semi-annually.

SIMILAR QUESTIONS:

1. What are the major stages in the strategic management process? (OLD PM, M14 - 3M)
 - A. Refer 3rd point in the above answer.
2. The first step in strategic management model is developing a strategic vision and mission. Explain.
 - A. Identifying an organisation's existing vision, mission, objectives are the starting point for any strategic management process. Determining vision and mission provides long-term direction, delineate what kind of enterprise the company is trying to become and infuse the organisation with a sense of purposeful action.
3. The Strategic Management Process encompasses three phases. Explain. (N17 - 3M)
 - A. Same as above.

Q.No.4. Explain the stages in Strategic Management. (A)

Crafting and executing strategy are the heart and soul of managing a business enterprise.

Strategic management involves the following stages:

1. Developing a strategic vision and formulation of statement of mission, goals and objectives.
2. Environmental and organizational analysis.
3. Formulation of strategy.
4. Implementation of strategy.
5. Strategic Evaluation and Control

Stage 1: Strategic Vision, Mission and Objectives:

Vision: First a company must determine its vision. A strategic vision describes management's aspirations for the organisation and highlights a particular direction, or strategic path for it to follow in preparing for the future, and moulds its identity.

Mission: Managers need to be clear about what they see as the role of their organization, and this is often expressed in terms of a statement of mission.

Objectives: The managerial purpose of setting objectives is to convert the strategic vision into specific performance targets - results and outcomes the management wants to achieve - and then use these objectives as yardsticks for tracking the company's progress and performance.

Stage 2: Environmental and Organizational Analysis: This stage is the diagnostic phase of strategic analysis. It involves two types of analysis:

- **Environmental scanning:** It involves the analysis of economic, social, technological, market and other forces which affect its functioning.
- **Organisational analysis:** It involves a review of organisation's internal environment. This would reveal organisational strengths and weaknesses which could be matched with the threats and opportunities in the external environment.

Stage 3: Formulating Strategy: The first step in strategy formulation is developing strategic alternatives in the light of the organization's SWOT factors.

The second step is the deep analysis of various strategic alternatives for the purpose of choosing the most appropriate alternative which will be used as strategy of the firm.

Stage 4: Implementation of Strategy: Implementation and execution is an operations-oriented, activity aimed at shaping the performance of core business activities in a strategy-supportive manner.

Stage 5: Strategic Evaluation and Control: The final stage of strategic management process - evaluating the company's progress, assessing the impact of new external developments, and making corrective adjustments.

SIMILAR QUESTION:

1. **Managing an organisation strategically is not a one-step activity, but involves several steps which provide us the order and clarity of thought. List out the steps of strategic management and briefly explain them.**

A. Refer the above answer.

Q.No.5. What is Strategic Intent and what are its elements?

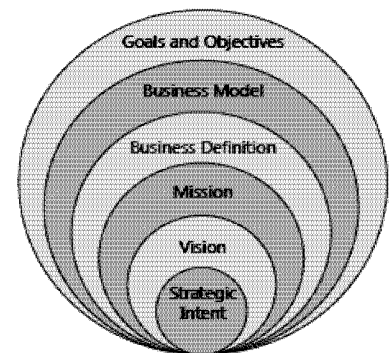
(A) (NEW SM, RTP M18)

1. **Meaning:**

- Strategic intent refers to purposes of what the organization strives for.
- Strategic intent gives an idea of what the organization desires to attain in future. It indicates the long-term market position, which the organization desires to create or occupy and the opportunity for exploring new possibilities.
- Strategic intent provides the framework within which the firm would adopt a predetermined direction and would operate to achieve strategic objectives.

2. **Elements of Strategic Intent:** The following are the elements of strategic intent.

- Vision:** Vision implies the blueprint of the company's future position. It describes where the organisation wants to land. It depicts the organisation's aspirations and provides an indication of what the organization would like to become in future.
- Mission:** Mission describes the firm's business, its goals and ways to reach the goals. It explains the reason for the existence of the firm in the society. It is designed to help potential shareholders and investors understand the purpose of the company.
- Business Definition:** It seeks to explain the business undertaken by the firm, with respect to the customer needs, target markets, and alternative technologies. With the help of business definition, one can determine the strategic business choices.
- Business Model:** It is a strategy for the effective operation of the business, determining sources of income, desired customer base, and financial details.
- Goals and Objectives:** These are the base of measurement. Goals are the end results, that the organization attempts to achieve. On the other hand, objectives are time-based measurable targets, which help in the accomplishment of goals.



Elements of Strategic Intent

SIMILAR QUESTION:

1. **Strategic Management is defined as a dynamic process of formulation, implementation, evaluation, and control of strategies to realise the organization's strategic intent. Define strategic intent and explain the components of strategic intent.**

A. Refer the above answer.

VISION

Q.No.6. What do you mean by Strategic Vision? What are its Elements? (A)
(NEW SM, OLD PM, RTP - M12, N11 - 3M, N12 - 3M, N14, N15, M17 - 4M, N17- 3M)

Vision is what a firm or a person would ultimately like to become. Therefore, a vision, expresses the position that a firm would like to attain or achieve in the distant future.

MEANING:

- a) A Strategic Vision is:
- A Road Map of a Company's Future,
 - Providing specifics about Technology and Customer Focus, the Geographic and Product-Markets to be pursued, and
 - The Capabilities it plans to develop and the kind of company that the management is trying to create.
- b) A strategic vision describes management's aspirations for the business, providing a view of the "where we are going" and a convincing justification/logic for why this makes good business sense for the company.
- c) A clearly stated strategic vision communicates management's aspirations to stakeholders and helps steer the energies of company personnel in a common direction.

ELEMENTS OF STRATEGIC VISION:

- Through vision statement, a firm defines 'what business the company is presently in and conveys "Who we are and where we are now?"
- The organisation's vision statement should provide long-term direction to employees about "Where we are going?"
- The organisation's vision must be clear, inspiring and stated in exciting terms to obtain commitment of all employees.

EXAMPLES:

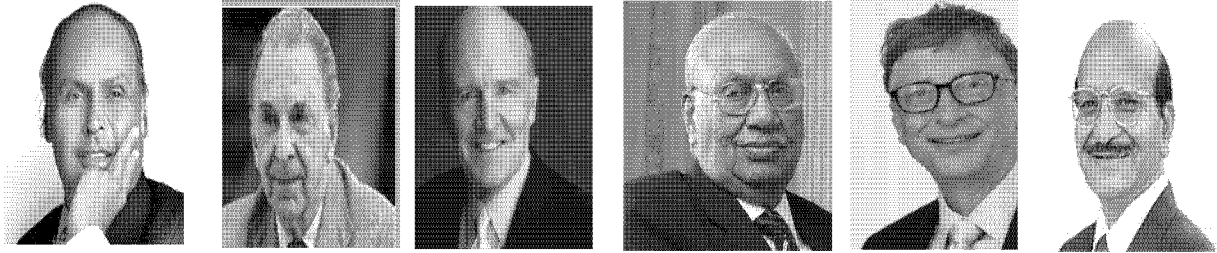
- The vision of ICAI** - To be the World's leading accounting body, a regulator and developer of trusted and independent professionals with world class competencies in accounting, assurance, taxation, finance and business advisory services.
- Reliance Industries:** *Through sustainable measures, create value for the nation, enhance quality of life across the entire socio-economic spectrum and help spearhead India as a global leader in the domains where we operate.*
- TATA Power:** *To be the most admired and responsible Integrated Power Company with international footprint, delivering sustainable value to all stakeholders.*

**SIMILAR QUESTIONS:**

- What do you mean by Strategic Vision?
A. Refer 'Meaning' in the above answer.
- State the elements of a Strategic Vision? (OLD PM, N 12 - 3M, M 13 - 3M, N17- 3M)
A. Refer the points under the sub - heading 'Elements of Strategic Vision' above.
- "A strategic vision is a roadmap of a company's future". Comment. Draft a strategic vision statement of any well- known national level educational institution you are familiar with?
A. Refer point 'a' under meaning and write example of ICAI. (OLD PM, N14 - 3M)

4. Very early in the strategy making process, a company's senior managers must consider the issue of what directional path the company should take and what changes in the company's product-market-customer-technology focus would improve its current market position and future prospects. In this context, write about the importance of vision statement.
- A. Refer above answer.

Q.No.7. How to develop a Strategic Vision? (Or) Write short notes on Essentials of Strategic Vision. (B) (RTP N18)



Visionary Leaders: Can you identify them?

- a) The Entrepreneurial Challenge in developing strategic vision is to think creatively about how to prepare a company for the future.
- b) Forming a Strategic Vision is an exercise in Intelligent Entrepreneurship.
- c) A well-articulated strategic vision creates enthusiasm among the members of the organisation.
- d) The best worded vision statement clearly illuminates the direction in which organisation is headed.

SIMILAR QUESTION:

1. Forming a strategic vision is not so easy as it involves analysis of several factors and requires a lot of brainstorming. What essentials are to be kept in mind while preparing a vision statement?
- A. Refer the above answer.

MISSION

Q.No.8. What do you mean by Mission? (A)

(NEW SM, OLD PM, RTP N11, N14)

MEANING OF MISSION STATEMENT:

- a) Mission statement of a company is focused on its present business scope- "Who we are and what we do" and it broadly describes an organisation's present capabilities, customers focus, present activities and business makeup.
- b) An organisation's mission states what customers it serves, what need it satisfies, and what type of product it offers.
- c) Mission is the Purpose or reason for an organisation's existence.
- d) Mission is defined as "an Enduring Statement of Purpose that distinguishes one organisation from other similar organisations".
- e) *It is an expression of the growth ambition of the organisation.*



The mission is a firm's guiding principle, common purpose which the entire firm shares and pursues.

SOME MORE POINTS TO PROVIDE CLARITY ABOUT MISSION:

- a) Mission clarifies why the firm is there, what existence it seeks and what purpose it seeks to achieve as a business firm.
- b) Mission serves as a justification for the firm's presence and existence.

- c) Mission is also an expression of the vision of the corporation, its founder/ leader. It is through the mission that the firm spells out its vision.
- d) It represents the common purpose, which the entire firm shares and pursues.
- e) Mission is not a confidential affair and confined at the top. It has to be open to the entire company.
- f) Mission is the foundation from which the networks of corporate aims are built.
- g) It serves as a proclamation to insiders and outsiders on what the corporation stands for.
- h) It tries to establish a link between its internal and external environment. It creates closer linkages and better communication with consumers, suppliers and alliance partners.

EXAMPLES:

1. *"To refresh the world.... To inspire the moments of optimism and happiness.... and to create value and make a difference."* - Coca Cola
2. *"To deliver superior value to our customers, shareholders, employees and society at large. Our core values are integrity, commitment, passion, seamlessness, and speed."*- Aditya Birla Group
3. *ICAI will leverage technology and infrastructure and partner with its stakeholders to:*
 - a) *Impart world class education, training and professional development opportunities to create global professionals*
 - b) *Develop an independent and transparent regulatory mechanism that keeps pace with the changing times*
 - c) *Ensure adherence to highest ethical standards.*
 - d) *Conduct cutting edge research and development in the areas of accounting, assurance, taxation, finance and business advisory services*
 - e) *Establish ICAI members and firms as Indian multi-national service providers.*

**SIMILAR QUESTIONS:**

1. **What is a Mission Statement?** (M 07 - 2M)
 - A. Refer meaning of mission statement in above answer
2. **Mission statement of a company focuses on the question: 'who we are' and 'what we do'. Explain briefly.** (OLD PM, M14 - 3M)
 - A. Refer meaning of mission statement in above answer
3. **A mission is an answer to the basic question 'what business are we in and what we do'. It has been observed that many firms fail to conceptualise and articulate the mission with the required clarity. In this context, write about the mission statement.**
 - A. Refer the above answer.

Q.No.9. State the points that may be considered while writing a mission statement of a company. (A) (NEW SM, OLD PM, RTP N11, M17, N09 - 2M, M10 - 4M, N17 - 3M)

Mission statement broadly describes an organization's present capabilities, customer focus, activities, and business makeup. The following points must be considered while writing a mission statement of a company.

1. To establish special identity of the business - one that differentiates it from other similarly positioned companies.
2. Needs which business tries to satisfy, customer groups it wishes to target and the technologies and competencies it uses and the activities it performs.

3. Good mission statements should be personalised and unique to the organisation for which they are developed.
4. The mission of a company should not be to make profit. Surpluses may be required for survival and growth, but cannot be the mission of a company.
5. *Mission statements should be precise, clear, feasible, distinctive and motivating.*
6. *Mission statements should serve as justification for the presence and existence of the firm.*

SIMILAR QUESTIONS:

1. **State the points that may be considered while writing a mission statement of a Company.**
 - A. Same as above. (N09 - 2M)
2. **You are asked to draft a mission statement of a company. What is a mission statement? Give any two characteristics of a good mission statement.** (N16 - 3M)
 - A. Refer previous question for mission statement and write any two points in the above answer.
3. **What tips can you offer to write a 'right' Mission Statement?** (M10 - 4M)
 - A. Same as above
4. **Explain 'Mission' briefly. Discuss major elements of an effective corporate mission statement.** (N17- 3M)
 - A. Refer Meaning in Q.no. 8 + write the above answer.

DEFINING BUSINESS



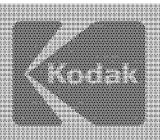
Q.No.10. According to Peter F. Drucker every organisation must ask an important question "What Business are We in?" - Elucidate. (C) (NEW SM)

To ensure continued evolution of growth, an organization must define their business in a broader sense to take advantage of the growth opportunities that emerge over time. They must continuously understand and act on their customers' needs and desires.

E.g.1: A company like Intel, the makers of microprocessors, may define their business like this: "We are in the business of computing technology and to consistently develop the building blocks of computing technology for the entire computer industry of the world is our business."

E.g.2: Ford motor company would say: "We are in the business of automotive and auto-related products and services."

E.g.3:

Organisation	Production - Oriented Answer (Internal Perspective)	Marketing - Oriented Perspective (External Perspective)
	<i>We run a railroad system.</i>	<i>We offer a public transportation and material-handling system.</i>
	<i>We produce oil and gasoline products.</i>	<i>We provide various types of safe and cost-effective energy.</i>
	<i>We make cameras and film.</i>	<i>We help people to preserve beautiful memories.</i>

Pitfalls of narrowly defining a business: Traditionally, firms viewed their businesses as one of producing some goods. They used to set their future plans around the production of more of those goods. Organisations that define their businesses too narrowly dig their own graves. They develop short sightedness over a period of time and get unrecognized in the market in the long run.



"In the factory we make cosmetics. In the drug store we sell hope." - Charles Revson.

SIMILAR QUESTION:

1. Organisations that define their businesses too narrowly dig their own graves. In this context, write about the importance of defining the business.
- A. Refer the above answer.

SETTING OBJECTIVES

Q.No.11. Define the term Objectives (A)

(NEW SM, RTP N16, M16 - 3M)

OBJECTIVES:

- a) Objectives are organisation's performance targets i.e. the results and outcomes it wants to achieve. They function as yardstick for tracking an organization's performance and progress.
- b) They provide meaning and sense of direction to organizational endeavour.
- c) Organizational structure and activities are designed and resources are allocated around the objectives to facilitate their achievement.
- d) They also act as benchmarks for guiding organizational activity and for evaluating how the organization is performing.
- e) All organizations have objectives and the pursuit of objectives is an unending process.
- f) Today, organizations are capable of achieving multiple objectives. In general, we may identify a set of business objectives being pursued by the business. For example, profitability, productive efficiency, growth, technological dynamism, stability, self-reliance, survival, competitive strength, customer service, financial solvency, product quality, diversification, employee satisfaction and welfare, and so on.
- g) Organizations need to balance these objectives in an appropriate manner.

SIMILAR QUESTIONS:

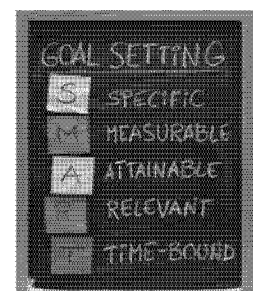
1. 'Objectives' and 'Goals' provide meaning and sense of direction to organizational endeavour. Explain. (RTP N18)
- A. Same as above.

Q.No.12. State the Characteristics of Objectives? (A)

(NEW SM, RTP - N16)

The following are the characteristics of Objectives.

- a) Objectives should define the organization's relationship with its environment.
- b) They should facilitate the achievement of mission and vision.
- c) They should provide the basis for strategic decision-making.
- d) They should provide standards for performance appraisal.
- e) Objectives should be understandable.
- f) Objectives should be concrete and specific
- g) Objectives should be related to a time frame



- h) Objectives should be measurable and controllable
- i) Objectives should be challenging
- j) Different objectives should correlate with each other
- k) Objectives should be set within constraints

An objective should satisfy the SMART principle.

S - Specific

M - Measurable

A - Achievable or Attainable

R - Realistic

T - Time bound

SIMILAR QUESTIONS:

1. What is meant by organizational objectives? Explain the six characteristics of organizational objectives. (RTP - N16)
- A. Write 'a' & 'b' points of Q. No. 11 + write the answer of Q. No. 12.
2. Objectives with strategic focus relate to outcomes that strengthen an organization's overall business position and competitive vitality. Hence they should have certain characteristics. List out the characteristics of the objectives.
- A. Refer the above answer.

APPLICATION ORIENTED QUESTIONS

Q.No.13. What do you understand by 'shared vision' and 'vision shared'? (A)
(NEW SM, OLD PM, RTP - M16, M10 - 2M)

1. Individuals in organisations relate themselves with the vision of their organisations in different manner.
2. **SHARED VISION:** When the individuals are able to bring organisational vision close to their hearts and minds they have "shared vision". Shared vision is a force that creates a sense of commonality that spreads throughout the organization and gives coherence to diverse activities.
3. **VISION SHARED:** 'Vision shared' shows imposition of vision from the top management. It may demand compliance rather than commitment.
4. For success of organisations having shared vision is better than vision shared.

Q.No.14. "A company should focus on external perspective to define its mission". Support this statement with reasons. (B)
(OLD PM, RTP - M17)

1. A business organization is a part of overall structure of society and functions within wide external environmental factors. It draws its resources from its external environment, processes them and provides output in the form of goods and services. Therefore, it is correct to say that a business enterprise should focus on external perspective to define its mission.
2. Bringing an external perspective justifies the purpose/ existence of the company.
3. The mission statement is a message designed to be inclusive of the expectations of all stakeholders for the performance of an enterprise / company over the long run.
4. Some of the questions addressed by mission statement are:
 - a) Why is the firm in business?
 - b) What are it's economic goals?

- c) What is the operating philosophy in terms of quality, firm's image and self- concept?
- d) What are its core competencies and competitive advantages?
- e) What customers it serves/ wants to serve?
- f) How does the company view its responsibilities to stockholders, employees, communities, environment and social issues?

TEST YOUR KNOWLEDGE

1. List out the various strategic decisions that a CA educational institution should take in the present cut-throat competitive market.
2. List out the various operational and strategic decisions to be taken by an educational institution.
3. What are the steps you follow as an entrepreneur to implement strategic management in your company?
4. 'Strategic Management' is a one-time activity and is not a continuous process. Comment.
5. Will a company's mission statement be changed frequently? Under what situations a company's mission statement may change?
6. As a CA student, write down your short term, midterm and long term objectives, keeping in mind the 'SMART' principle.
7. A CA student says "I want to be a successful Chartered Accountant." Is this an objective or a goal and give proper reasons for your answer.
8. "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?
9. Imagine you are presently manufacturing and marketing a fairness cream brand. How do you define your business in a broader sense?

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To **MASTER MINDS**, Guntur

THE END