

These notes plus our question bank is more than sufficient to score 85% to 95% Marks in Strategic Management.

- ☐ Please attend all the classes.
- ☐ Cover all questions from the question bank.
- ☐ Attempt mock tests provided with the classes.
- ☐ For additional mock tests visit [www.mocktestpapers.com](http://www.mocktestpapers.com)
- ☐ Revise properly.
- ☐ Stay in touch, through edu91 app, whatsapp channel and telegram channel for class updates etc. Please check your course for the link to stay updated for notes, classes etc.
- ☐ Whenever time is given in class for reading, please read properly and wholeheartedly.
- ☐ Theory vs Reality in Strategic Management - Strategic management is practical, but ICAI study material may not always match real-life scenarios. Don't insist that theory must align with practice—differences are common and expected.
- ☐ I believe that ICAI study material has some structural issues, which I have addressed in my teaching. Our goal is to clear the exam, so adjust as needed to match the syllabus. Rest assured, none of this will affect your exam preparation.

## Chapter 1- Introduction to Strategic Management

### Meaning of Strategy

- Game plan
- Used by management for (MOCCA):
  - Marketing position
  - Operations
  - Customers
  - Competition
  - Achieving organisational objectives
- Long range blue print of:
  - Image
  - Direction
  - Destination
- Other points
  - Not perfect, flawless, optimal
  - Flexible & pragmatic
  - Not a substitute for sound, alert, responsible mgt.
  - Sound strategy

- Allowance for possible miscalculations
- Unanticipated events

### Strategy can never be perfect, flawless and optimal.

- It is in the very nature of strategy that it is **flexible** and **pragmatic**.
- it is **art of** the **possible**.
- it **does not preclude** second-best choices, trade-offs, sudden emergencies, pervasive pressures, failures and frustrations.
- That is why in a sound strategy, **allowances** are made for possible miscalculations and unanticipated events.

### Strategies are partly proactive and partly reactive

Strategy is partly proactive and partly reactive:

A company's strategy is a blend of:

- Proactive actions to improve market position and financial performance.
- Reactions to unanticipated developments and fresh market conditions.

Businesses use a blend of proactive and reactive strategies. Proactive strategy is planned, while reactive strategy is adaptive to changing circumstances.

A company's current strategy comes from:

- Proactive elements: past actions, know-how, strengths, ongoing and new initiatives.
- Reactive elements: adjustments to competition, weaknesses, and unexpected changes.

Thus, strategy is partly deliberate and proactive, based on analysis and strategic thinking, and partly reactive, developed in response to unforeseen developments in the business environment and within the firm.

Generally Proactive strategies are better.

**Question - Strategy is partly proactive and partly reactive. Discuss.**-(RTP, May 2018, NA) (SA, Nov 2018, 5 marks) (MTP1, Nov 2019, 5 marks) (RTP, Nov 2020, NA) (MTP1, May 2021, 5 marks) (ICAI Study Material)

**Question-Yummy Foods and Tasty Foods are successfully competing in the business of ready to eat snacks in Patna. Yummy has been a 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, Nov 2018, NA) (MTP1, Nov 2021, 5 Marks) (MTP2, May 2023, 5 Marks) (ICAI Study Material) (Model test paper 3, May 2025, 5 marks)

Question-Imagine you are a strategic consultant advising a retail company that is facing increasing competition from online retailers. The company is considering several strategic options to improve its market position. Using the concept that strategy is partly proactive and partly reactive, explain how the company can develop a strategic approach to address this challenge.-(MTP1, May 2024, 5 marks) (ICAI Study material)(Model Test Paper 1, May 2025, 5 marks)

Question-ABC retail chain regularly monitors consumer trends and supply chain flexibility. The retail chain tracks consumer trends to adjust its offerings, ensuring they meet customer needs. Simultaneously, it maintains a flexible supply chain to respond swiftly to demand fluctuations. This strategy enables the ABC retail chain to anticipate market shifts and adapt to them effectively, ensuring its competitiveness and customer satisfaction. Which type of strategy is the retail chain employing?-(MTP2, May 2024, 5 marks) (ICAI Study material) (Model Test Paper 2, May 2025, 5 Marks)

## Management

- Key group
  - make organization, productive, and purposeful
  - Brings resources together
    - men, money, material, technology
- Set of interrelated function and processes
  - carried by key group
  - To achieve objectives

## Strategic management

- Managerial process
- Activities
  - VISION
  - Objectives
  - Strategy
  - Implementation and evaluation of strategies
  - Adjustments - corrective adjustment whenever necessary

## Overall objectives of strategic management

- Create competitive advantage
  - out performing the competitors

- Guide through changes in environment
- Originally called business policy
  - Focused on SWOT analysis
  - Designing strategies for survival and growth.

## Importance of Strategic Management

The major benefits of STRATEGIC MANAGEMENT are:

- Direction
  - Direction to move ahead
  - define goals and mission
  - define realistic objective
- Proactive
  - Proactive instead of reactive
  - take action instead of spectator
  - Helps in controlling destiny
  - work within vagaries of environment
- Framework for decisions
  - Decisions on business products
  - Better guidance on crucial points
- Face the future and act as pathfinder
  - pathfinder for various opportunities
  - ways and means of how to reach opportunities
- Corporate defense mechanism
  - Against mistakes and pitfalls
  - Avoid costly mistakes in product or market choices
- Longevity
  - Enhance longevity
  - Taking clear stand, not just surviving on luck
- Core competencies and competitive advantage
  - Develop core competency and competitive advantage
  - Facilitate survival and growth

## Limitations of Strategic Management

Strategic Management Cannot counter all hindrances.

Limitations are as follows

- Environment is difficult to understand
  - The environment affects the organization.
  - complex *turbulent* cannot be exactly pinpointed how it will shape up in future
  - Estimate can go wrong
- Time consuming
  - Time consuming process
  - Impede *daily operations and routine business*.
- costly
  - Add expenses due to involvement of **experts**

- Efforts are required for environmental analysis and creating strategies and *implementing* them
- costly, *particularly for small and medium organisations*
- **Difficult to estimate response**
  - Difficult to clearly estimate competitive response to firm's strategy.

**Question-Define Strategic Management. Also discuss the Limitations of Strategic Management.**-(SA, May 2018, 5 Marks) (RTP, May 2021, NA) (RTP, Nov 2021, NA) (MTP1, Nov 2022, 5 Marks) (MTP2, Nov 2023, 5 Marks) (RTP, May 2024, NA) (MTP1, Jan 2025, 5 marks) (Model test paper 6, May 2025, 5 marks)

**Question-'Strategic Management is not a panacea for all the corporate ills, it has its own pitfalls which can't counter all hindrances and always achieve success'. Do you agree with this statement? Discuss.**-(SA, May 2019, 5 Marks)

**Question-Ramesh Sharma has fifteen stores selling consumer durables in Delhi Region. Four of these stores were opened in the last three years. He believes in managing strategically and enjoyed significant sales of refrigerator, televisions, washing machines, air conditioners and the like till four years back. With the shift to the purchases to online stores, the sales of his stores came down to about seventy per cent in the last four years. Analyse the position of Ramesh Sharma in light of limitations of strategic management.**-(RTP, Nov 2019, NA) (RTP, Nov 2020, NA) (ICAI Study Material) (RTP, May 2025, NA) (MTP2, Sep 2024, 5 Marks) (MTP 2 Jan 2025, 5 marks) (Model test paper 5, May 2025, 5 marks) (Model test paper 7, May 2025, 5 marks)

### Strategic Intent (Vision, Mission, Goals, Objectives and Values)

- Strategic intent refers to the purposes the organisation strives for. Senior managers must define "what they want to do" and "why they want to do".
- "Why they want to do" represents the strategic intent of the firm.
- It is the philosophical base of strategic management and implies the purposes the organisation aims to achieve.
- Clarity in strategic intent is vital for future success and growth.
- At the corporate level, it may be expressed as vision and mission.
- At the business level, it may be expressed as business definition and business model.

- When stated precisely, it becomes operational as goals and objectives.

### Vision

- Blueprint of the company's future position. Roadmap of the future
- **Technology -customer-market-Product focus of the organisation**
- Mgmt. aspiration for business in future
- Describes - where we want to go.
- Helps the organisation and personnel at organisation to work in a particular Direction
- For Example - Henry Ford's vision inspired others, mobilized company resources, and guided strategic decisions.

### Essentials of a strategic vision

- The entrepreneurial challenge is to *think creatively* about preparing the company for the future.
- Forming a strategic vision requires *intelligent entrepreneurship*.
- A well-articulated strategic vision *builds enthusiasm* among organisation members.
- The best vision statement clearly shows the *direction* the organisation is heading.

### Mission

- Present Business Scope
- What Business are we in and what we do
- "Who we are"
- Present
  - Capability
  - Customer focus
  - Business Makeup
- Crucial for Strategic Planning

### Why should an organisation have a mission?

1. To ensure unanimity of purpose within the organisation.
2. To develop a standard for resource **allocation**.
3. To provide a basis for **motivating** resource use.
4. To establish a business like **general** tone / organisational climate.
5. To serve as a **focal** point for those aligned with the organisation's purpose and direction.
6. To specify **purposes** and translate them into **goals** with assessable cost, time, and performance.

7. To help convert **objectives** and **goals** into a work structure with assigned responsibilities.

### Essentials of a good mission statement – Points to be considered while writing a mission statement

Good Mission statement– precise, clear, feasible, distinctive and motivating Following points are useful while writing a mission of a company:

- A mission statement **must define an organization's unique** identity, business focus, and developmental path, distinguishing it from similar companies.
- It **defines the business by Needs** it is trying to satisfy, customers it's trying to serve, technology & competencies used
- Good mission statements are – **unique** to the organisation for which they are developed.

The mission must **not** be to **make profits**

### What is our mission? And what business are we in?

Peter Drucker and Theodore Levitt Emphasised that every business firm must clarify the corporate mission and define accurately the business the firm is engaged in. They also explained that towards facilitating this task, the firm should raise and answer certain basic questions concerning its business, such as:

- What is our mission?
- What is our ultimate purpose?
- What do we want to become?
- What kind of growth do we seek?
- What business are we in?
- Do we understand our business correctly and define it accurately in its broadest connotation?
- Whom do we intend to serve?
- What human need do we intend to serve through our offer?
- What brings us to this particular business?
- What would be the nature of this business in the future?
- In what business would we like to be in, in the future?

According to Peter Drucker, every organisation must ask an important question "What business are we in?" and get the correct and meaningful answer. The answer should have marketing or external perspective and should not be restated to the production or generic activities of business.

For example

Company	Production-oriented answer	Marketing-oriented answer
Indian Oil	We produce oil and gasoline products.	We provide various types of safe and cost-effective energy.
Indian Railways	We run a railroad	We offer a transportation and material-handling system.
Lakme	In the factory, we make cosmetics.	In the retail outlet, we sell hope.

### Difference between vision and mission

#### Vision

- Future(galvanizes) – Vision can galvanize the people to achieve defined objectives, even if they are stretch objectives, provided the vision is specific, measurable, achievable, relevant and time bound.
- Outlines what the organisation wants to be
- Inspire to Achieve defined objectives
- Broad (ultimate aim)
- Vision statement is more specific in terms of both the future state and the time frame

#### Mission

- Present (on-going intent)
- Tells the fundamental purpose of the organisation
- Path to Achieve Vision
- Specific (current operations)
- A mission statement defines the purpose or broader goal for being in existence or in the business and can remain the same for decades

These statements have a direct bearing on the bottom line and success of the organization.

### Goals and Objectives

- Organisations **translate vision** and **mission** into goals and objectives.
- Goals are **open-ended attributes** that denote the future states or outcomes.
- Objectives are **close-ended attributes** which are precise and expressed in specific terms.
- However, this distinction is not made by several theorists on the subject. ICAI uses them interchangeably.
- Objectives are an **organisation's performance targets** – the results and outcomes it wants to achieve.



- They function as yardsticks for tracking an organisation's performance and progress.

### Characteristics of Objectives

Objectives To be meaningful to serve the intended role, must possess the following characteristics:

1. **S – Specific** – They should be concrete and specific.
2. **M – Measurable** – They should be measurable and controllable.
3. **A – Achievable** – Objectives should be set within the constraints of organisational resources and external environment.
4. **R – Relevant** – Different objectives should correlate with each other.
5. **T – Time-Bound** – They should be related to a time frame.
6. **Decision** – They should provide the basis for strategic decision-making.
7. **Standard** – They should provide standards for performance appraisal.
8. **Mission & Purpose** – They should be facilitative towards achievement of mission and purpose.
9. **Challenging** – They should be challenging.

### A need for both short-term and long-term objectives

- Long-term objectives are the results expected from pursuing specific strategies.
- The time frame for objectives and strategies should align
- Short-range objectives can match long-range ones if current performance meets long-term targets.
- Example: A company with 15% yearly profit growth goal, already achieving it, has identical short and long-range objectives.
- When performance is below target, short-range objectives act as steps to reach the long-term goal.

*Long-term objective: – Company ka 5 saal ka goal hai customer satisfaction score ko 90% tak le jaana.*

*Current performance: – Agar abhi bhi har saal customer satisfaction score already 90% hai, toh short-term objective bhi wahi hoga – maintain 90%. Kyunki target already meet ho raha hai, short-term aur long-term objective same ho sakte hain.*

### Clearly established objectives offer many benefits.

They provide direction, allow synergy, aid in evaluation, establish priorities, reduce uncertainty, minimize conflicts,

stimulate exertion, and aid in both the allocation of resources and the design of jobs.

### Long-term objectives

To achieve long-term prosperity, strategic planners commonly establish long-term objectives in seven areas.

- Profitability
- Productivity
- Competitive Position
- Employee Development
- Employee Relations
- Technological Leadership
- Public Responsibility

### Values

- Values are the deep-rooted principles which guide an organisation's decisions and actions.
- A few common examples of values are – Integrity, Trust, Accountability, Humility, Innovation, and Diversity.
- They can never be compromised either for convenience or short-term economic gain.
- Values often reflect the values of the company's founders.
- They are the source of a company's distinctiveness
- Employees often seek employers with relatable values, impacting their work and personal life.
- Consumers often choose companies whose purpose aligns with their values, showing values' internal and external impact.
- Values often drive intent, making them broader in scope than intent.

*Question–Distinguish between Vision and Mission–(RTP, May 2018, NA) (MTP2, Jan 2025, 5 Marks) (Model test paper 7, May 2025, 5 marks)(MTP2, May 2025, 5 Marks)*

*Question–What is a strategic vision, and what are the essential components that make it an effective tool for guiding an organization's future?–(MTP2, Sep 2024, 5 Marks) (Model test paper 5, May 2025, 5 marks)(MTP2, May 2025, 5 Marks)*

*Question–Mr Raj has been hired as a CEO by XYZ Ltd a FMCG company that has diversified into affordable cosmetics. The company intends to launch Feelgood brand of cosmetics. XYZ wishes to enrich the lives of people with its products that are good for skin and are produced in ecologically beneficial manner using herbal ingredients. Draft vision and mission statement that may*

be formulated by Raj.-(RTP, Nov 2019, NA) (RTP, Nov 2020, NA) (ICAI Study Material)

**Question-A company's mission statement is typically focused on its present business scope. Explain the significance of a mission statement. -(SA, May 2024, 5 Marks) (RTP, Jan 2025, NA) (MTP 1, May 2025, 5 marks) (RTP, Sep 2025, NA)**

### Strategic Levels in Organisations

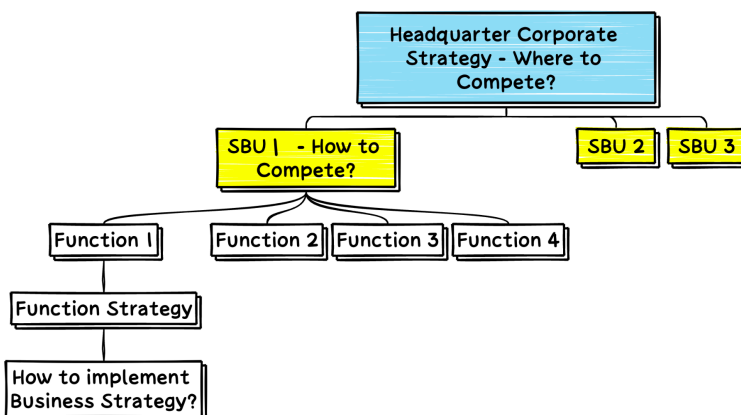
Generally, there are three main levels of management:

- Corporate level
- Business level
- Functional level

General managers are found at the first two of these levels, but their strategic roles differ depending on their sphere of responsibility.

### SBU (Strategic business Unit)

- An organisation is divided into segments that work together to deliver a product or service.
- If multiple or different products/services are offered, the company creates self-contained divisions with their own functions.
- General managers of these divisions handle specific product lines.
- Their main focus is the healthy growth of their divisions.
- They decide how to build competitive advantage and improve profitability using available resources and capital.
- These divisions are called Strategic Business Units (SBUs).



### Corporate level of management

- Include **CEO**, senior executives, board of directors, and corporate staff.

- These individuals participate in **strategic decision making** within the organization.
- The role of **corporate-level managers (CEO)** is
  1. oversee the development of **strategies** for the whole organization;
  2. defining the **mission** and goals of the organization;
  3. determining what **businesses** it should be in;
  4. **allocating resources** among the different businesses;
  5. formulating, and implementing **strategies** that **span individual businesses**;
  6. providing **leadership** for the organization;
  7. ensuring that the corporate and business level strategies which company pursues are consistent with **maximizing shareholders wealth**, and
  8. managing the **divestment** and **acquisition** process.

Corporate-level managers provide a **link** between the people who oversee the strategic development of a firm and those who own it (the shareholders).

**Question-XYZ Enterprises operates in various sectors, including renewable energy solutions, organic skincare products, eco-friendly packaging, and smart home technologies. The organization is currently in the process of recruiting a Chief Executive Officer. In this scenario, imagine yourself as an HR consultant for XYZ Enterprises. Identify the strategic level that encompasses this role within XYZ Enterprises. Provide an overview of the key duties and responsibilities falling under the Chief Executive Officer's scope.-(RTP, Jan 2025, NA)**

### Business-level manager

- The strategic role of these managers is to **translate** the general statements of direction and intent that come from the corporate level into concrete strategies for individual businesses.
- Thus, whereas **corporate-level** managers are concerned with strategies **that span individual businesses**, business-level managers are concerned with strategies that are **specific** to a particular business.

### Functional-level managers

- Handle **specific functions** (HR, product development, customer service, etc.).
- Responsible for **functional strategies aligned** with business and corporate goals.
- Provide **critical information** for formulating realistic and attainable strategies

- Generate **key ideas** that might turn into major strategies, requiring general managers to listen to them
- Play **key role** in strategy implementation at operational level.

### Which is better – Top Down Approach or Bottom-Up Approach?

A **top-down** approach to **decision** making is when decisions are **made** solely by **leadership** at the top i.e. corporate level of management, while the **bottom-up approach** gives **all teams across** the levels a voice in decision making.

### Network of relationship between the three levels

- Corporate level sets what to achieve,
- Business level plans how to achieve,
- Functional level executes the plan.
- The network of relationships depends on the organisation's culture and aspirations.

### Functional and Divisional Relationship

- Independent setup; each function/division is run separately.
- Headed by business level managers, reporting to corporate level.
- Example: Functions like Finance, HR, Marketing; Divisions like kids toys, teen toys.

### Horizontal Relationship

- Flat structure; all roles (top to staff) are at the same level.
- Encourages openness, transparency, idea sharing, and innovation.
- Suited for startups needing fast communication.

### Matrix Relationship

- Grid-like structure; teams from various departments work on task-based projects.
- One functional team may report to multiple business level managers.
- Useful for large organisations; complex for small firms.

**Question-Explain the difference between three levels of strategy formulation.**–(RTP, May 2020, NA) (MTP 1, May 2023, 5 Marks) (ICAI Study Material)

**Question-Dharam Singh, the procurement department head of Cyclix, a mountain biking equipment company, was recently**

**promoted to look after the sales department along with the procurement department. His seniors at the corporate level have always liked his way of leadership and are assured that he would ensure the implementation of policies and strategies to the best of his capacity but have never involved him in decision making for the company. Do you think this is the right approach? Validate your answer with logical reasoning around management levels and decision making.**–(RTP, May 2021, NA) (ICAI Study Material)

**Question-Swati is the marketing manager at a software company. She is responsible for developing and implementing marketing strategies for the company's products. Swati leads a team of marketing professionals and works closely with the product development and sales teams to ensure that the company's products are effectively promoted in the market. She also analyzes market trends and customer feedback to refine the marketing strategies. Which level is she working at, discuss the roles and responsibilities of this level in organization?**–(MTP1, May 2024, 5 Marks) (ICAI Study Material) (Model Test Paper 1, May 2025, 5 marks)

**Question-Elvis Global is a famous OTT platform facing fierce competition from its competitors amid changing consumer preferences. This has made it difficult to retain customers as the existing television channels are also launching their own platforms. The company has appointed Raghav to lead the company forward as the sales & marketing manager. Raghav needs to design creative and innovative advertising campaigns to gain a competitive edge, engage the public and capture the market.**

**Identify the strategic level that represents Raghav's role at Elvis Global. As a strategic advisor, highlight the various benefits of strategic management in overcoming different challenges to Raghav.**–(SA, May 2024, 5 Marks)

**Question-Tech Innovators Inc., a rapidly expanding technology company, aims to lead in artificial intelligence (AI) and machine learning (ML). With recent growth, the company is evaluating which organizational structure will best support its vision for innovation and leadership in AI technologies. They are considering three options: the Functional and Divisional Relationship for specialization, the Horizontal Relationship for flat, collaborative management, and the Matrix Relationship for crossfunctional teams.**

**Which of these relationships—Functional and Divisional, Horizontal, or Matrix—will most effectively achieve Tech Innovators Inc.'s strategic goals, and why?**–(RTP, Sep 2024, NA) (ICAI Study material) (Model test paper 8, May 2025, 5 marks)