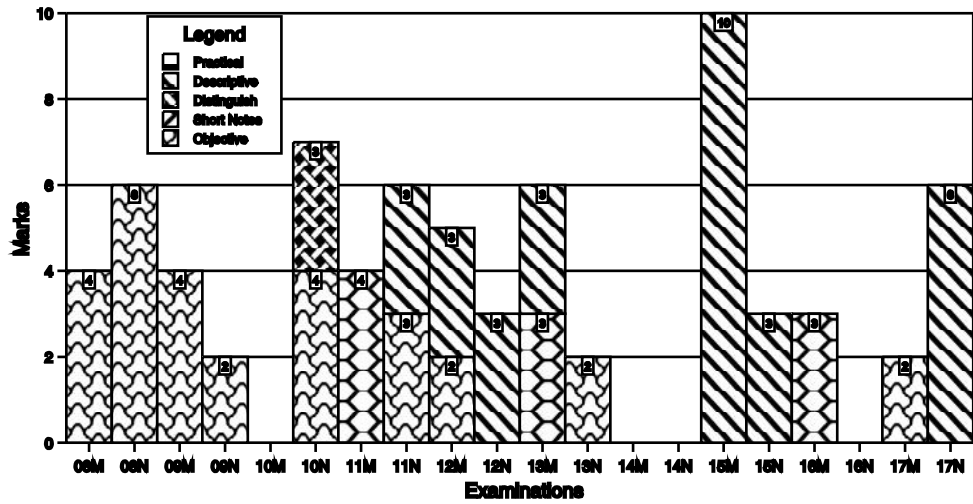


CHAPTER	
<b>1</b>	<b>Introduction to Strategic Management</b>
<b>THIS CHAPTER COMPRISES OF</b>	
☞ Business Policy    ☞ Concept of Management    ☞ Concept of Strategy ☞ Importance of Strategic Management    ☞ Limitations of Strategic Management ☞ Strategic Levels in Organisations    ☞ Strategic Management in Government and Not-for-profit Organisations.	

Marks of Objective, Short Notes, Distinguish Between, Descriptive & Practical Questions



**▶ OBJECTIVE QUESTIONS**

**2007 - Nov [6]** State with reason which of the following statement is correct/incorrect:

- (a) Environmental constituents exist in isolation and do not interact with each other. (2 marks)

**Answer :**

**Incorrect :** Business environment consists of number of factors events, influences etc. which arise from different sources and interact with each other continuously to create new sets of complex influences.

**2008 - May [6]** State with reason which of the following statement is correct/incorrect:

- (a) "Profit may not be a universal objective but business efficiency is definitely an objective common to all business." (2 marks)

**Answer :**

**Correct:** The primary objective of business is to earn adequate profit but not maximum profit. Profit serves as a yardstick to measure the success of the business. To facilitate and sustain profit earning, certain other objectives are also pursued by business and efficiency is one of them.

**2008 - May [6]** State with reason which of the following statement is correct/incorrect:

- (e) "Efficiency and effectiveness mean the same in strategic management." (2 marks)

**Answer :**

**Incorrect:**

The two terms 'Effectiveness' and 'Efficiency' mean different but they are related to each other.

- '*Effectiveness*' aims to achieve the goals within time.
- '*Efficiency*' focuses on optimum use of resources to achieve the goals.

Management is concerned not only with achieving goals effectively but also attaining them as efficiently as possible. For instance, it is easier to be effective if one ignores efficiency. For example, some government organizations get their jobs done but at a very high cost.

Usually, high efficiency is associated with high effectiveness, which is the aim of all managers. However, undue emphasis on high efficiency without

being effective is also not desirable. Poor management is due to both inefficiency and ineffectiveness. So, management should be both effective and efficient.

**2008 - Nov [6]** State with reasons which of the following statements are correct/incorrect:

- (a) Strategy is a substitute for Sound, Alert and Responsible management. (2 marks)
- (b) Strategic management is not needed in non-profit Organisations. (2 marks)
- (d) A company's strategy has always to be pro-active in nature. (2 marks)

**Answer:**

**(a) Incorrect:** Strategy is no substitute for sound, alert and responsible management. 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. However, in a sound strategy, allowances are made for possible miscalculations and unanticipated events.

**Answer:**

**(b) Incorrect:** Strategic management refers to the managerial process of forming a strategic vision, setting objectives, crafting a strategy implementing and executing the strategy, and then overtimes initiating whatever corrective adjustments in the vision, objectives, strategy and execution are deemed appropriate therefore, the steps are required in all types of organisation whether profit oriented or not as profit is not the sole motive of strategic management.

**Answer:**

**(d) Incorrect:** Strategy is partly proactive and partly reactive. A company's strategy is typically a blend of proactive actions on the part of managers to improve the company's market position and financial performance and as needed reactions to unanticipated developments and fresh market conditions. Hence a portion of a company's strategy is always developed on the fly, coming as a

reasoned response to unforeseen developments-fresh strategic manoeuver on the part of rival firms, shifting customer requirements and expectations, new technologies and market opportunities, a changing political or economic climate in the surrounding environment.

**2009 - May [6]** State with reason which of the following statements are correct or incorrect :

- (a) Strategic management is a bundle of tricks and magic. (2 marks)  
(e) The rate and magnitude of changes that can affect organisations are decreasing dramatically. (2 marks)

**Answer:**

**(a) Incorrect:** Strategic Management, is not a bundle of tricks and magic. Strategic management mainly deals with the fundamental organisational renewal and growth with the development of the strategies, structures and systems. Determining strategy is the most important area of management, decision making and the most important one to make the right decision. It requires a careful planning and strong conceptual, analytical and visionary skills.

**Answer:**

**(e) Incorrect:** The rate and magnitude of changes that can affect organisations are increasing day by day because of change in business environment due to globalisation and liberalization that are fast-paced and have far-reaching implications for business, as most of the organisation are dependant on the environmental factors.

**2009 - Nov [6]** State with reason which of the following statement is correct or incorrect:

- (a) A business, even if it continually remains passive to the relevant changes in the environment, would still grow and flourish. (2 marks)

**Answer:**

**Incorrect:** All living things live within an environment. Similarly business also dwells within an environment. The success of business is known to have been determined by the constant changes taking place in the social, economic, political and other conditions of the environment. A business

just cannot remain passive to these changes. It is from the analysis of these changes that management can make decisions on whether to react, to ignore, or to try to influence, anticipate future opportunities or threats.

**2010 - Nov [9]** (a) State with reasons which of the following statements are correct or incorrect.

- (i) Not-for-profit organizations are not required to have a strategy. (2 marks)
- (ii) Control systems run parallel with strategic levels. (2 marks)

**Answer:**

- (i) **Incorrect:** Strategic management refers to the managerial process of forming a strategic vision, setting objectives, crafting a strategy implementing and executing the strategy, and then overtimes initiating whatever corrective adjustments in the vision, objectives, strategy and execution are deemed appropriate therefore, the steps are required in all types of organisation whether profit oriented or not as profit is not the sole motive of strategic management. Similar to commercial organizations, 'not-for-profit' organizations must also have a strategy. It is required to give it direction, focus and efficient utilization of resources. In many 'not-for-profit' organizations surpluses are important for their survival and growth.

**Answer:**

- (ii) **Correct:** There are three strategic levels – corporate, business and functional. Control systems are required at all the three levels. At the top level, strategic controls are built to check whether the strategy is being implemented as planned and the results produced by the strategy are those intended. Down the hierarchy management controls and operational controls are built in the systems. Operational controls are required for day-to-day management of business.

**2011 - Nov [9]** (a) State with reason which of the following statement is correct or incorrect:

- (i) The process of strategy avoids matching potential of the organization with the environment opportunities. (2 marks)

**Answer:**

**Incorrect:** In the process of strategic management an organisation continuously scans its relevant environment to identify various opportunities and threats. Organisations keen to grow and expand often look for promising opportunities that match their potential. Such opportunities become a good stepping stone for achieving the goals of the organisation.

**2011 - Nov [9]** (b) Fill in the blanks in the following statement with the most appropriate word:

- (i) Strategic Management is not a box of tricks or a bundle of techniques. It is analytical thinking and \_\_\_\_\_ of resources to action.

(1 mark)

**Answer:**

- (i) Commitment

**2012 - May [9]** (a) State with reasons which of the following statement is correct or incorrect:

- (i) Developing annual objectives & short-term strategies that are compatible with the selected set of long-term objectives are one of the major tasks of strategic management. (2 marks)

**Answer:**

**Correct:** A Company's set of strategic objectives should include both short term and long terms performance target. Short term objectives help to focus attention on delivering immediate performance improvements. While long term objectives represent the results expected from pursuing certain strategies.

**2013 - Nov [9]** (a) State with reasons which of the following statement is correct or incorrect:

- (i) A company's strategy has always to be proactive in nature. (2 marks)

**Answer:**

**Incorrect-** Strategic analysis seeks to determine alternative course of action that could best enable the firm to achieve its mission and objectives in light of impact and influence of competitive environment.

**2017 - May [9]** (a) State with reason which of the following statement is correct or incorrect:

(ii) Strategic management is a bundle of tricks and magic. (2 marks)

**Answer:**

**Incorrect:** No, strategic management is not a bundle of tricks and magic. It is much more serious affair. It involves systematic and analytical thinking and action. Although, the success or failure of a strategy is dependent on several extraneous factors, it cannot be stated that a strategy is a trick or magic. Formation of strategy requires careful planning and requires strong conceptual, analytical and visionary skills.

### SHORT NOTES

**2011 - May [14]** Write short note on the following :

(a) Importance of Strategic Management. (4 marks)

**Answer :**

*Please refer 2007 - Nov [8] on page no. 223*

**2013 - May [14]** Write short note on the following:

(b) Importance of Strategic Management. (3 marks)

**Answer:**

*Please refer 2007 - Nov [8] on page no. 223*

**2016 - May [14] (Or)** Write short note on the following:

(b) Strategy is partly proactive and partly reactive. (3 marks)

**7.210** ■ **Solved Scanner CA Inter Gr. II Paper - 7B (New)**

**Answer:**

<b>Strategy is Partly Proactive and Partly Reactive</b>	
<b>Proactive Strategy</b>	<ul style="list-style-type: none"><li>• It is an approach where organization takes the initiative or acts as first mover.</li><li>• It is an approach to a business situation that involves anticipating market and competition changes in advance of their actual occurrence and making appropriate organizational shifts in response.</li><li>• Many high technology business operators need to take a more proactive strategy to deal with the rapidly changing market place for their company's aspects.</li></ul>
<b>Reactive Strategy</b>	<ul style="list-style-type: none"><li>• It is an approach where organizations react to their competitors actions.</li><li>• It is a slow response to changes in a firm's environment and undertaken only when management is forced to take rear guard action.</li><li>• So that strategic is both proactive and reactive in nature.</li></ul>

**► DISTINGUISH BETWEEN**

**2010 - Nov [13]** Distinguish between the following:  
(b) The Three Levels of Strategy Formulation. (3 marks)

**Answer:**  
In case of multidivisional and multilocalational organisation that competes in several different businesses, it has separate self-contained divisions to manage each of these. There are three levels of strategy in management of business - corporate, business, and functional.



<b>Corporate level of management</b>	<ul style="list-style-type: none"><li>• It consists of the chief executive officer and other top level executives.</li><li>• These individuals occupy the apex of decision making within the organization.</li><li>• The role of corporate-level managers is to oversee the development of strategies for the whole organization.</li><li>• This role includes defining the mission and goals of the organization, determining what businesses it should be in, allocating resources among the different businesses and so on rests at the Corporate Level.</li></ul>
<b>Business Level</b>	<ul style="list-style-type: none"><li>• Development of strategies for an individual business areas is the responsibility of the general managers in these different businesses or business level managers.</li><li>• A business unit is a self-contained division with its own functions - e.g. finance, production, and marketing.</li><li>• The strategic role of business-level manager, head of the division, is to translate the general statements of direction and intent that come from the corporate level into concrete strategies for individual businesses.</li></ul>
<b>Functional Level</b>	<ul style="list-style-type: none"><li>• Managers are responsible for the specific functions or operations such as human resources, purchasing, product development, customer service, and so on.</li><li>• Therefore a functional manager's sphere of responsibility is generally confined to one organizational activity, whereas general managers oversee the operation of a whole company or division.</li></ul>

7.212

■ Solved Scanner CA Inter Gr. II Paper - 7B (New)

<p>► <b>DESCRIPTIVE QUESTIONS</b></p>
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**2007 - Nov [8]** What is Strategic Management? What benefits accrue by following a strategic approach to managing? (10 marks)

**Answer :**

<p><b>Meaning of Strategic Management</b></p>	<p>Strategic Management is multi-dimensional function. As a broad overall process it is defined as the set of decisions and actions resulting in formulation and implementation of strategies designed to achieve the objectives of an organisation.</p> <p>Strategic management is interpreted in a wider sense as “the process which deals with fundamental organisational renewal and growth with the development of the strategies, structures and systems necessary to achieve such renewal and growth, and with the organisational systems needed to effectively manage the strategy formulation and implementation processes.”</p>
<p><b>Objectives of Strategic Management</b></p>	<ol style="list-style-type: none"> <li>1. To create a competitive advantage over the other competitor.</li> <li>2. To meet the opportunities and threats with challenge.</li> </ol>
<p><b>Process of Strategic Management</b></p>	<ol style="list-style-type: none"> <li>1. Developing mission.</li> <li>2. Defining objective and goal.</li> <li>3. Structuring business portfolio.</li> <li>4. Incorporating functional plans.</li> </ol>
<p><b>Benefits of Strategic Management</b></p>	<ol style="list-style-type: none"> <li>1. <b>Financial benefits</b> On the basis of empirical studies and logical analysis it may be claimed that the impact of strategic management is primarily that of improved</li> </ol>

financial performance in terms of profit and growth of firms with a developed strategic management system having major impact on both planning and implementation of strategies.

**2. Enhanced capability of problem prevention**

This is likely to result from encouraging and rewarding subordinate attention to planning considerations, and managers being assisted in their monitoring and forecasting role by employees who are alerted to the needs of strategic planning.

**3. Improved quality strategic decisions through group interaction**

The process of group interaction for decision-making facilitates generation of alternative strategies and better screening of options due to specialised perspectives of group members. The best alternatives are thus likely to be chosen and acted upon.

**4. Greater employee motivation**

Participation of employees or their representatives in strategy formulation leads to a better understanding of the priorities and operation of the reward system. Also there is better appreciation on their part of the productivity-reward linkage inherent in the strategic plan. Hence goal-directed behaviour is likely to follow the incentives.

**5. Reduction of gaps and overlaps in activities**

With strategy formulation undertaken through the participative process, there is better understanding of the responsibilities of individuals and groups. Role differentiation which is thereby clarified should reduce the gaps and overlaps in the activities of groups and individuals.

7.214

■ **Solved Scanner CA Inter Gr. II Paper - 7B (New**

**2011 - Nov [8] {C}** (e) Describe briefly the use of Strategic Management techniques in Educational Institutions. (3 marks)

**Answer :**

Education is considered to be a noble profession. An educational institution often functions as a not-for-profit organization managed by trusts and societies. They include schools, colleges and universities. Being inherently non-commercial in nature, educational organisations do not have cut-throat competition as in case of their commercial counterparts. However, as the number of institutions belonging to both public and private sector are increasing, the competition is gradually rising. Through the use of strategic management techniques such institutions are expected to concentrate attention towards:

- Appointing and retaining quality faculty for teaching.
- Getting better name and recognition.
- Designing the curriculum in such a way to provide better citizenry and employability.
- Attracting talented students.
- Preparing students for the future challenges by capacity building.

**2012 - May [8] {C}** (b) Briefly explain the importance of Strategic Management. (3 marks)

**Answer:**

*Please refer 2007 - Nov [8] on page no. 223*

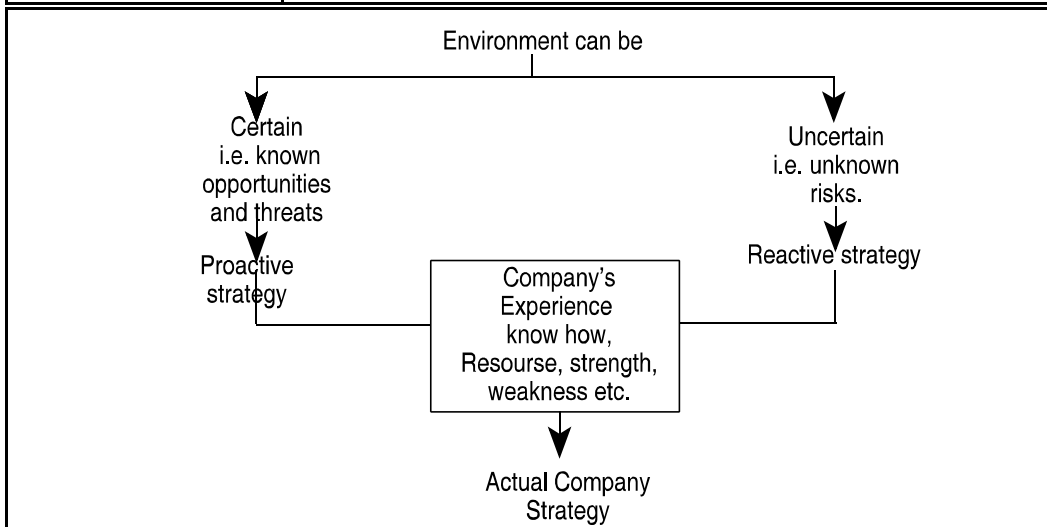
**2012 - Nov [8] {C}** (b) "Strategy is partly proactive and partly reactive." Do you agree? Give reasons for your answer. (3 marks)

**Answer:**

**A Company's strategy is basically a combination of**

1. Pro-active actions of the managers and
2. Re-active actions.

<p><b>Proactive actions</b></p>	<p>In proactive strategy, organizations will analyze possible environmental scenarios and create strategic framework after proper planning and set procedures and work on these strategies in a predetermined manner.                  Proactive actions are the efficient planning to :                  (i) improve the company's market position.                  (ii) improve the company's financial performance.</p>
<p><b>Reactive actions</b></p>	<p>Reactive strategy is triggered by the changes in the environment and provides ways and means to cope with the negative factors or take advantage of emerging opportunities.                  Reactive actions are the responses to the environmental changes in order to :                  (i) face unforeseen developments and changes.                  (ii) adjust and adapt to unanticipated risks.                  Environment also plays an important role in strategy formulation.</p>



2013 - May [11] (b) Explain the role of Strategic Management in non-profit organisations. (3 marks)

**7.216 ■ Solved Scanner CA Inter Gr. II Paper - 7B (New)**

**Answer:**

<b>Meaning of Strategic Management</b>	Strategic management refers to the managerial process of forming a strategic vision, setting objectives, crafting a strategy implementing and executing the strategy, and then overtimes initiating whatever corrective adjustments in the vision, objectives, strategy and execution are deemed appropriate therefore, the steps are required in all types of organisation whether profit oriented or not as profit is not the sole motive of strategic management.
<b>Role of Strategic Management in Non Profit Organisation</b>	<ol style="list-style-type: none"> <li>1. Developing mission of the organisation</li> <li>2. Strategic Management then helps in defining objectives and goals.</li> <li>3. Strategic Management structures the business portfolio and incorporates the functional goals.</li> <li>4. Helps meet opportunities and threats with challenge.</li> </ol>
<b>Conclusion</b>	Thus strategic management is the process which helps Not for Profit Organisation to deal with fundamental organisational renewal and growth with the development of the strategies, structures and systems necessary to achieve such renewal and growth, and with the organisational systems needed to effectively manage the strategy formulation and implementation processes.

**2015 - May [8] {C}** (b) In your view, what is the role of Corporate level managers in Strategic management? (3 marks)

**Answer:**

<b>Corporate level</b>	<ul style="list-style-type: none"> <li>• The corporate level of management consists of the Chief Executive Officer (CEO), other Senior Executives, the Board of Directors and Corporate Staff.</li> <li>• These individuals are the main decision making body within the organization.</li> </ul>
<b>The role of Corporate Level Manager includes</b>	<ul style="list-style-type: none"> <li>• Defining the corporate vision, mission and goals.</li> <li>• Determining what business it should be in.</li> <li>• Allocating resources among the different businesses.</li> <li>• Formulating and implementing strategies that span individual businesses.</li> <li>• Providing leadership for the organization.</li> </ul>

**2015 - May [12]** (a) Do you agree with the statement that “Strategic Management concepts are of no use to Government organizations and Medical organizations”? Explain with reasons. (4 marks)

**Answer:**

- No, we do not agree with the statement that “Strategic Management Concepts are of no use to Government organizations and Medical organizations.”
- Government organizations operate with less strategic autonomy than their counterparts in private organizations.
- But, recently, Governments (Central and State) have started providing more and more autonomy to their employees and departments heads to quickly employ their strategic decisions for betterment of services and society.
- Medical organizations are getting more and more privatized, but it still remains the main focus of government to provide affordable Medical services to masses.
- Non-profit Medical institutes formulate the strategy to provide their services reach to every corner of the city and country.

7.218

■ **Solved Scanner CA Inter Gr. II Paper - 7B (New**

**2015 - May [12]** (b) Quite often strategies of most business organizations are a combination of planned strategies and reactive strategies. Explain with reasons. (3 marks)

**Answer:**

- Strategy is partly proactive and partly reactive.
- In proactive strategy, organizations will analyze possible environmental scenarios and create strategic framework after proper planning and set procedures and work on these strategies in a predetermined manner.
- However, in reality no company can forecast both internal and external environment exactly.
- Everything cannot be planned in advance.
- Strategies need to be attuned or modified in light of possible environmental changes.
- There can be significant or major strategic changes when the environment demands.
- Reactive strategy is triggered by the changes in the environment and provides ways and means to cope with the negative factors or take advantage of emerging opportunities.
- Reactive actions are the responses to the environmental changes in order to :
  1. face unforeseen developments and changes.
  2. adjust and adapt to unanticipated risks.Environment also plays an important role in strategy formulation.

**2015 - Nov [12]** (b) 'Organizations sustain superior performance over a long period of time, inspite of the rapid changes taking place continually in its competitive environment if they implement strategic management successfully.' Discuss. (3 marks)

**Answer:**

- Strategic Management is multi-dimensional function. As a broad overall process it is defined as the set of decisions and actions resulting in formulation and implementation of strategies designed to achieve the objectives of an organisation.



Strategic management is interpreted in a wider sense as “the process which deals with fundamental organisational renewal and growth with the development of the strategies, structures and systems necessary to achieve such renewal and growth, and with the organisational systems needed to effectively manage the strategy formulation and implementation processes.”

- If the organization implements strategic management in the management it will create good strength in internal forces and also create opportunities in the market. Strategic Management enables an organization to gain competitive advantage over competitors. Strategic management create strength organization so that in long run even due to rapid changes taking place, the organization can perform superior performance.

**2017 - Nov [8] {C}** (a) Explain the need of environmental scanning for a business organization. (3 marks)

**2017 - Nov [9]** (b) The Government as a segment of environment may be regarded both as an aid and as an impediment to business. Discuss. (3 marks)

**7.220** ■ **Solved Scanner CA Inter Gr. II Paper - 7B (New**

<b>Similarly Asked Questions*</b>				
No.	Category	Question	Marks	Frequency
1.	Short Notes/ Descriptive	Write short note on Importance of Strategic Management. 07 - Nov [8], 11 - May [14] (a), 12 - May [8] (b), 13 - May [14] (b)	10, 4, 3, 3	4 Times
2.	Short Notes/ Descriptive	Write short note on Strategy is partly proactive and partly reactive. 12 - Nov [8] (b), 16 - May [14] (Or) (b)	3, 3	2 Times

<b>Table Showing Marks of Compulsory Questions</b>										
Year	13 M	13 N	14 M	14 N	15 M	15 N	16 M	16 N	17 M	17 N
Descriptive					3					3
Total					3					3

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\* This table contains the Similarly Asked Questions. Please pay more attention to such questions.