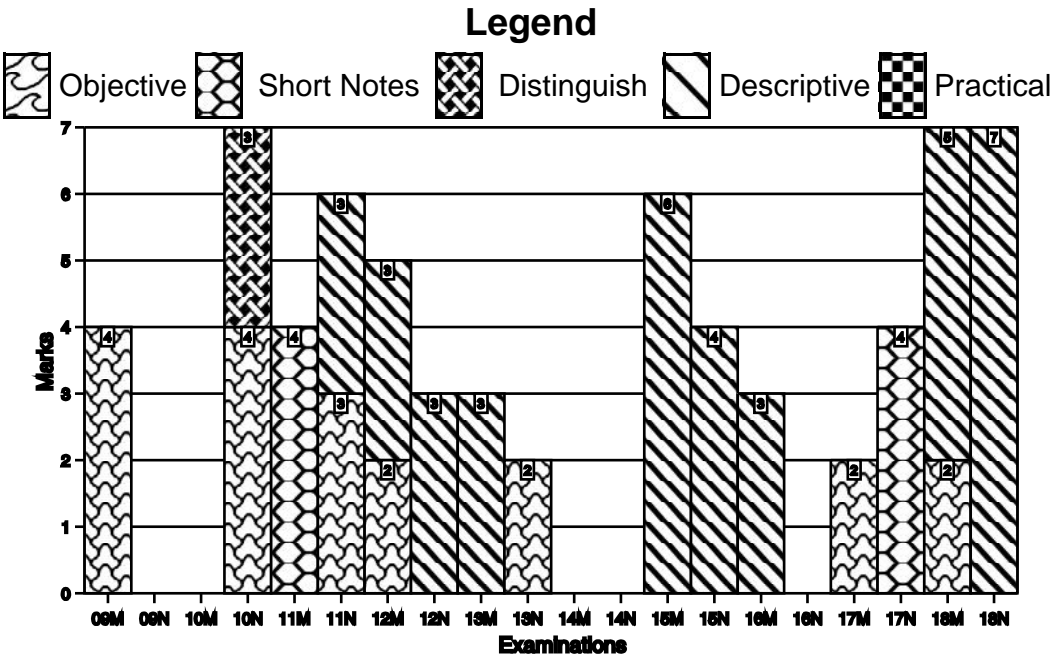


CHAPTER	<h1>Introduction to Strategic Management</h1>
1	
This Chapter Covers : Study's Chapter: 1	
Chapter Comprises: ✎ Business Policy ✎ Concept of Management ✎ Concept of Strategy ✎ Importance of Strategic Management ✎ Limitations of Strategic Management ✎ Strategic Levels in Organisations ✎ Strategic Management in Government and Not-for-profit Organisations.	

THE GRAPH *Trend Analysis*

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



For detailed analysis Login at www.scannerclasses.com for registration and password see first page of this book.

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TIME MANAGER	 <i>Plan and Manage your Time</i>						
Time	<i>First In-depth learning</i>	<i>Instant Revision (in hours)</i>		<i>Periodic Revision (in hours)</i>				
	i.e.....	Next day i.e....	After 7 days i.e. on	After 30 days i.e. on	After 60 days i.e. on	After 90 days i.e. on	Fix as per your need.	
 Day 1 Day 2 Day 8 Day 30 Day 60 Day 90		
1. Budgeted	16	4.00	3.12	2.20	1.35	1.35		
2. Actual								
3. Variance (1-2)								

QUICK LOOK	 <i>Weightage Analysis</i>	
Repeatedly Asked Questions	Common Answered Questions	Must Try Question	
1.5, 2.3, 2.5	2.5	1.5, 3.1, 4.4	

1 *Concept of Strategy*

Q.1.1	2008 - Nov [6] (a)	Objective
State with reasons which of the following statement is correct/incorrect: Strategy is a substitute for Sound, Alert and Responsible management.		(2 marks)

Answer:

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.

— Space to write important points for revision —

Q.1.2	2008 - Nov [6] (d)	Objective
State with reasons which of the following statement is correct/incorrect: A company's strategy has always to be pro-active in nature. (2 marks)		

Answer:

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 manoeuvre 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.

— Space to write important points for revision —

Q.1.3	2011 - Nov [9] (a) (i)	Objective
State with reason which of the following statement is correct or incorrect: 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.

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Q.1.4	2012 - May [9] (a) (i)	Objective
State with reasons which of the following statement is correct or incorrect: 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.

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Q.1.5	2012 - Nov [8] {C} (b), 2016 - May [14] (Or) (b), RTP	Descriptive
"Strategy is partly proactive and partly reactive." Do you agree? Give reasons for your answer. (3 marks each)		

Answer:

A Company's Strategy is basically a combination of

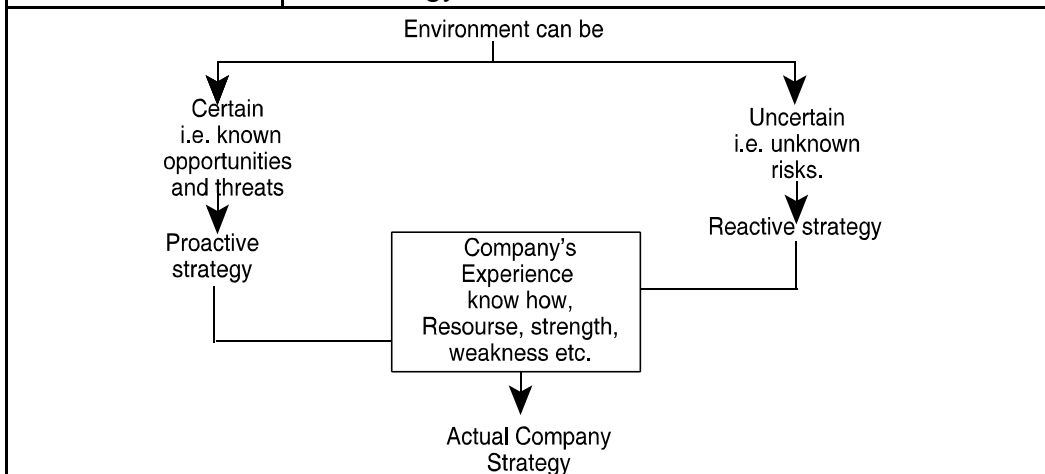
1. Pro-active actions of the managers and
2. Re-active actions.

Proactive Actions	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.
Reactive Actions	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.



Conclusion:

Thus, we can conclude that strategy is partly proactive and partly reactive. Under proactive strategy organisations will analyse possible environmental scenarios and create strategic framework after proper planning and set procedures and work on these strategies in a predetermined manner. However there can be significant deviations between what was visualised and what actually happens. These deviations are then handled through reactive strategy. Reactive strategy is triggered by the changes in the environment and provides ways and means to cope with the competitive factors or threat factors and take advantage of emerging opportunities.

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Q.1.6	2013 - Nov [9] (a) (i)	Objective
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State with reasons which of the following statement is correct or incorrect:
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.

_____ Space to write important points for revision _____

Q.1.7	2015 - May [12] (b)	Descriptive
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.

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Q.1.8	2018 - Nov [11] (b)	Descriptive
"Strategy is partly proactive and partly reactive". Elaborate. (5 marks)		

Q.1.9	RTP	Descriptive
<p>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.</p> <p>Discuss the strategic approach of the two companies. Which is superior?</p>		

Answer:

Yummy foods is proactive in its approach.

On the other hand **Tasty Food is reactive.**

Proactive strategy is planned strategy whereas reactive strategy is adaptive reaction to changing circumstances. 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 reactions to unanticipated developments and fresh market conditions.

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.

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2

Strategic Management

Q.2.1	2007 - Nov [8], RTP	Descriptive
What is Strategic Management? What benefits accrue by following a strategic approach to managing?		(10 marks)

Answer :

Strategic Management:

Meaning	<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>
Objectives	<ol style="list-style-type: none">1. To Create a competitive advantage over the other competitor.2. To Meet the opportunities and threats with challenge.

Process

1. Developing mission.
2. Defining objective and goal.
3. Structuring business portfolio.
4. Incorporating functional plans.

Benefits	<ol style="list-style-type: none"><li data-bbox="578 443 1323 758">1. Financial benefits On the basis of empirical studies and logical analysis it may be claimed that the impact of strategic management is primarily that of improved 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.<li data-bbox="578 768 1323 1041">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.<li data-bbox="578 1052 1323 1356">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.<li data-bbox="578 1367 1323 1732">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.
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	<p>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.</p>
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— Space to write important points for revision —

Q.2.2	2008 - May [6] (e)	Objective
State with reason which of the following statement is correct/incorrect: “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.

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Q.2.3	2009 - May [6] (a), 2017 - May [9] (a) (ii), RTP	Objective
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State with reason which of the following statement is correct or incorrect:
 Strategic management is a bundle of tricks and magic. (2 marks each)

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.

— Space to write important points for revision —

Q.2.4	2009 - May [6] (e)	Objective
State with reason which of the following statements are correct or incorrect : The rate and magnitude of changes that can affect organisations are decreasing dramatically. (2 marks)		

Answer:

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.

— Space to write important points for revision —

Q.2.5	2011 - May [14] (a), 2013 - May [6] (e)	Short Notes
Write short note on the following : Importance of Strategic Management. (4 marks)		
OR	2012 - May [8] {C} (b)	Descriptive
Briefly explain the importance of Strategic Management. (3 marks)		

Answer :

Importance of Strategic Management		
1.	Financial benefits	On the basis of empirical studies and logical analysis it may be claimed that the impact of strategic management is primarily that of improved 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.

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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.
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Q.2.6	2011 - Nov [9] (b) (i)	Objective
Fill in the blanks in the following statement with the most appropriate word: 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

_____ Space to write important points for revision _____

Q.2.7	2017 - Nov [14] (a)	Short Notes
Write a Short note on the following : Family Managed Enterprises - Challenges & issues. (4 marks)		

Answer :

Cooperation on account of family ownership:

Theoretically, cooperation generates automatically in businesses owned by a same family. The ownership, groups are engaged in the management of their enterprised in a direct manner. Commonly, the ownership group is nothing but a family and its Kith and Kin. In India, a very large number of business enterprises, big, medium and small are family managed enterprises. These include large business houses such as Tata, Birla, Godrej Reliance, Modi, Escorts and etc. Major decisions and sometimes even minor decisions are made by members of the family who manage the enterprise. The interest of the family largely influence the managerial decisions and

activities of the enterprise. There is a total identity between the needs and goals of the family and of the enterprise.

Sometimes, quarrels and conflicts among the managing members of the family on family matters tend to distort their behaviour in managing the enterprise also and thereby damage its functioning. Succession remains a tricky and conflicting issue in businesses. Be it the Ambanis of Reliance Industries, the Bajajs or Bajaj Auto, the Nandas of Escorts, or the Modis of Modi Rubber- each family has, in the recent past, faced succession and ownership issues and found them tough resolve. However, one can count several counter examples of family- run businesses that have resolved these issue amicably. The Muruguppa group in the south, the Burmans of Dabur India and the Thapars have settled succession issues without coming into the public eye.

— Space to write important points for revision —

Q.2.8	2018 - May [8] (a)	Objective
Which of the following statement is 'correct' and which is 'incorrect'? Give reason, in brief, for your answer: Non-profit organizations do not require Strategic Management. (2 marks)		

Answer:

Incorrect

- Strategic Management applies equally to profit as well as non-profit organizations. Though non-profit organizations are not working for the profit, they have to purpose, vision and mission. They also work within the environmental forces and need to manage strategically to stay afloat to accomplish their objectives. For the purpose of continuity and meeting their goals, they also need to have and manage funds and other resources just like any other for profit organization.

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Q.2.9	2018 - May [10] (a)	Descriptive
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Define Strategic Management. Also discuss the limitations of Strategic Management. (5 marks)

Answer:

Meaning of Strategic Management:

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.”

Objectives of Strategic Management:

1. To Create a competitive advantage over the other competitor.
2. To Meet the opportunities and threats with challenge.

● **Limitations of Strategic Management :**

- 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 organizational estimate about its future shape may awfully go wrong and jeopardise all strategic plans. The environment affects, as the organization has to deal with suppliers, customers, governments and other external factors.
- Strategic management is a time - consuming process. Organizations spend a lot of time in preparing, communicating the strategies that may impede daily operations and negatively impact the routine business.
- Strategic management is a costly process. Strategic management adds a lot of expenses to an organization. Expert strategic planners need to be engaged, efforts are made for analysis of external and internal environments devise strategies and properly implement. These can be really costly for organizations with limited resources

particularly when small and medium organization create strategies to compete.

- In a competitive scenario, where all organizations are trying to move strategically, it is difficult to clearly estimate the competitive responses to a firm's strategies.

— Space to write important points for revision —

3

Strategic Levels in an organisation

Q.3.1	2010 - Nov [9] (a) (ii), RTP	Objective
State with reasons which of the following statements are correct or incorrect. Control systems run parallel with strategic levels.		(2 marks)

Answer :

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.

— Space to write important points for revision —

Q.3.2	2010 - Nov [13] (b)	Distinguish Between
Distinguish between the following : The Three Levels of Strategy Formulation.		(3 marks)

Answer:

In case of multidivisional and multilocational 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.

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Corporate level of management	<ul style="list-style-type: none">• It consists of the chief executive officer and other top level executives.• These individuals occupy the apex of decision making within the organization.• The role of corporate-level managers is to oversee the development of strategies for the whole organization.• 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.
Business Level	<ul style="list-style-type: none">• Development of strategies for an individual business areas is the responsibility of the general managers in these different businesses or business level managers.• A business unit is a self-contained division with its own functions - e.g. finance, production, and marketing.• 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.
Functional Level	<ul style="list-style-type: none">• Managers are responsible for the specific functions or operations such as human resources, purchasing, product development, customer service, and so on.• 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.

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Q.3.3	2015 - May [8] {C} (b)	Descriptive
In your view, what is the role of Corporate level managers in Strategic management? (3 marks)		

Answer:

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

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Q.3.4	2018 - Nov [7] {C} (a)	Descriptive
List the different strategic levels in an organization. (2 marks)		

4

Strategic Management in Government Organisation and Not for Profit Organisation

Q.4.1	2008 - Nov [6] (b)	Objective
State with reasons which of the following statement is correct/incorrect: Strategic management is not needed in non-profit Organisations. (2 marks)		

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Answer :

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.

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Q.4.2	2010 - Nov [9] (a) (i)	Objective
State with reasons which of the following statement is correct or incorrect. Not-for-profit organizations are not required to have a strategy. (2 marks)		

Answer :

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.

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Q.4.3	2011 - Nov [8] {C} (e)	Descriptive
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.

— Space to write important points for revision —

Q.4.4	2013 - May [11] (b)	Descriptive
Explain the role of Strategic Management in non-profit organisations.		(3 marks)

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Answer:

Meaning of Strategic Management	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.
Role of Strategic Management in Non Profit Organisation	<ol style="list-style-type: none">1. Developing mission of the organisation2. Strategic Management then helps in defining objectives and goals.3. Strategic Management structures the business portfolio and incorporates the functional goals.4. Helps meet opportunities and threats with challenge.
Conclusion	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.

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5

Miscellaneous: Business Environment

Q.5.1	2008 - May [6] (a)	Objective
State with reason which of the following statement is correct/incorrect: "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.

Q.5.2	2015 - Nov [12] (a)	Descriptive
Can a business succeed in the long run by focusing only on profit as its primary objective? What are other objectives of a business? (4 marks)		

Answer:

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.

Thus, the business organization cannot succeed in long run by focusing only on profit as a primary objective. It has to consider all other **objectives which are as follows:**

1. Survival	Survival is the will and anxiety to perpetuate in future as long as possible. It is a basic, implicit objective of most organization. The ability to survive is the function of the nature of ownership, nature of business, competencies of management, general and industry conditions, financial strength of organization and so on.
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2. Stability	It is least expensive and risky objective in terms of managerial time and talent and other resources. A stable and steady enterprises minimises managerial tension and demands less dynamism.
3. Growth	It is very promising and popular objective which with dynamism, vigour, promise and success. Enterprise growth may take into one or more forms like increase in assets, manufacturing facilities, increase in sales volume in existing products or through new products, improvement in profit and market share, increase in manpower employment, acquisition of other firm and so on.
4. Efficiency	Business organization seek efficiency in rationally choosing appropriate means to achieve their goals, doing the thing in best possible manner, utilizing the resources in most suitable combination to get highest productivity.
5. Profitability	Profit is sole motive of all business. All other objective are facilitative objective but business should also concentrate on other objective to prosper in long run.

Space to write important points for revision