

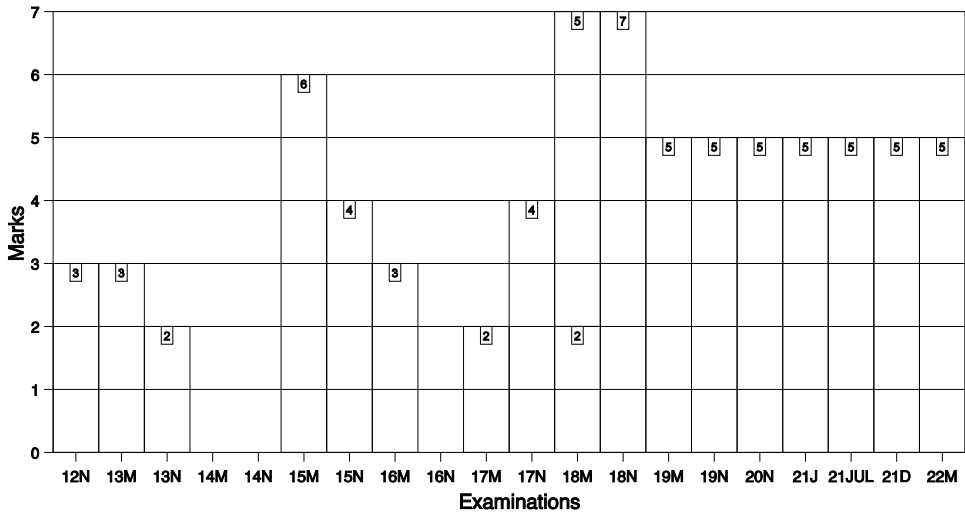
<b>CHAPTER</b>	<h1>Introduction to Strategic Management</h1>
<h1>1</h1>	
<b>This Chapter Covers :</b> Study's Chapter: 1	
<b>Chapter Comprises:</b> ➤ Business Policy ➤ Concept of Management ➤ Concept of Strategy ➤ Importance of Strategic Management ➤ Limitations of Strategic Management ➤ Strategic Levels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

**THE GRAPH** ..... *Trend Analysis*

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

**Legend**

Objective  
 Short Notes  
 Distinguish  
 Descriptive  
 Practical



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<b>TIME MANAGER</b>		..... <i>Plan and Manage your Time</i>						
<b>Time</b>	<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)								

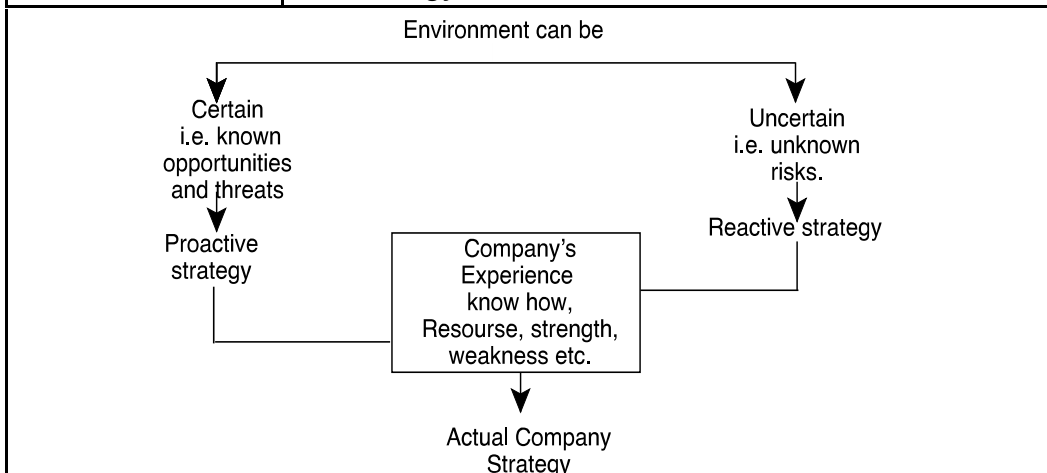
<b>QUICK LOOK</b>		..... <i>Weightage Analysis</i>	
<b>Repeatedly Asked Questions</b>	<b>Common Answered Questions</b>	<b>Must Try Question</b>	
1.1	1.3	1.3, 1.5, 2.2	

**1** *Concept of Strategy*

<b>Q.1.1</b>	<b>2012 - Nov [8] {C} (b), 2016 - May [14] (Or) (b), RTP</b>	<b>Descriptive</b>
“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.

<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 :</p> <ul style="list-style-type: none"> <li>(i) improve the company's market position.</li> <li>(ii) improve the company's financial performance.</li> </ul>
<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 :</p> <ul style="list-style-type: none"> <li>(i) face unforeseen developments and changes.</li> <li>(ii) adjust and adapt to unanticipated risks.</li> </ul> <p>Environment also plays an important role in strategy formulation.</p>



**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

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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.

\_\_\_\_\_ Space to write important points for revision \_\_\_\_\_

<b>Q.1.2</b>	<b>2013 - Nov [9] (a) (i)</b>	<b>Objective</b>
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.

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<b>Q.1.3</b>	<b>2015 - May [12] (b)</b>	<b>Descriptive</b>
Quite often strategies of most business organizations are a combination of planned strategies and reactive strategies. Explain with reasons. (3 marks)		
<b>OR</b>	<b>2018 - Nov [11] (b)</b>	<b>Descriptive</b>
"Strategy is partly proactive and partly reactive". Elaborate. (5 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.

**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.

— Space to write important points for revision —

Q.1.4	2021 - July [6] {C}	Practical
<p>'ALBELA' Foods and 'JustBE' Foods are successfully competing chain of restaurants in India. ALBELA's are known for their innovative approach, which has resulted in good revenues. On the other hand, JustBE is slow in responding to environmental change. The initial stages of Covid-19 pandemic and the ensuring strict lockdown had an adverse impact on both the companies. Realizing its severity and future consequences. ALBELA foods immediately chalked out its post lockdown strategies, which include initiatives like :</p> <p>(a) Contact less dining</p> <p>(b) New category of foods in the menu for boosting immunity</p> <p>(c) Improving safety measures and hygiene standards</p> <p>(d) Introducing online food delivery app</p> <p>Seeing the positive buzz around these measures taken by ALBELA Food, JustBE Foods also thinks to introduce these measures.</p>		

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- (i) Identify the strategic approach taken by 'ALBELA' Foods and 'JustBE' Foods.
- (ii) Discuss these strategic approach
- (iii) Which strategic approach is better and why ? (5 marks)

**Answer:**

- (i) Strategic approach taken by ALBELA Foods - Proactive Approach.  
Strategic approach taken by Just BE Foods - Reactive approach.
- (ii) A Company's strategy is a blend of:
  1. Proactive actions on the part of managers to improve the company's market position and financial performance and
  2. Reactions to unanticipated developments and fresh market conditions.
- (iii) Proactive strategy is planned strategy whereas reactive strategy is adaptive reaction to changing circumstances.  
When market and competitive conditions take an unexpected turn or company's strategy hits a stone wall, some kind of strategic reaction or adjustment is required. Hence, a portion of a company's strategy is always developed as a response to unforeseen developments.  
But apart from adapting strategy to changes in the market there is also a need to adapt strategy as new learning emerges about which pieces of the strategy are working well and which aren't and as management hits upon new ideas for improving the strategy. Crafting a strategy involves stitching together a proactive strategy and adapting it first and then a reactive/ adaptive strategy as circumstances surrounding the company's situation change or better options emerge.

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Q.1.5	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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Q.2.1	2013 - May [6] (e)	Short Notes
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7.322

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

Write short note on the following :

Importance of Strategic Management.

(4 marks)

**Answer :**

<b>Importance of Strategic Management</b>		
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 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.	<b>Enhanced capability of problem prevention</b>	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.	<b>Improved quality strategic decisions through group interaction</b>	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.	<b>Greater employee motivation</b>	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.	<b>Reduction of gaps and overlaps in activities</b>	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.

— Space to write important points for revision —

<b>Q.2.2</b>	<b>2017 - May [9] (a) (ii), RTP</b>	<b>Objective</b>
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.

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<b>Q.2.3</b>	<b>2017 - Nov [14] (a)</b>	<b>Short Notes</b>
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**7.324** ■ **Scanner CA Inter Gr.II Paper - 7B (New Syllabus)**

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.

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Q.2.4	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.2.5	2018 - May [10] (a)	Descriptive
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

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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.

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<b>Q.2.6</b>	<b>2019 - May [7] (a)</b>	<b>Descriptive</b>
	<p>'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'.</p> <p>Do you agree with this statement? Discuss.</p>	(5 marks)

**Answer:**

- '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' This Statement is correct and can be agreed because there are limitations attached to strategic management and can be explained as follows:

<b>1.</b>	<b>Environment is highly complex and turbulent</b>	It is difficult to understand the complex environment and exactly pinpoint how it will shape-up in future. The organisational estimate about its future shape may awfully
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		go wrong and jeopardise all strategic plans. The environment affects as the organization has to deal with Suppliers, customers, governments and other external factors.
2.	<b>Strategic management is a time-consuming process</b>	Organizations spend a lot of time preparing, communicating the strategies that may impede daily operations and negatively impact the routine business.
3.	<b>Strategic management is a costly process</b>	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 organisations with limited resources particularly when small and medium organisation create strategies to complete.
4.	<b>Competition is unpredictable</b>	In a competitive scenario, where all organisations are trying to move strategically, it is difficult to clearly estimate the competitive responses to a firm's strategies.

Space to write important points for revision

Q.2.7	2021 - Dec [10] (a)	Descriptive
<p>“Each organization must build its competitive advantage keeping in mind the business warfare. This can be done by following the process of strategic management.” Considering this statement, explain major benefits of strategic management.</p>		(5 marks)

**Answer :**

**Strategic Management:**

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<b>Meaning</b>	<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>
<b>Objectives</b>	<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>
<b>Process</b>	<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>
<b>Benefits</b>	<ol style="list-style-type: none"><li><b>1. 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 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><li><b>2. Enhanced capability of problem prevention</b> 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</li></ol>

	<p>needs of strategic planning.</p> <p><b>3. Improved quality strategic decisions through group interaction</b> 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.</p> <p><b>4. Greater employee motivation</b> 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.</p> <p><b>5. Reduction of gaps and overlaps in activities</b> 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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**3**

***Strategic Levels in an organisation***

<b>Q.3.1</b>	<b>2018 - Nov [7] {C} (a)</b>	<b>Descriptive</b>
List the different strategic levels in an organization.		(2 marks)

**Answer:**

**Strategic Level in an Organisation :**

**7.330**■ *Scanner* **CA Inter Gr.II Paper - 7B (New Syllabus)**

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.

<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>
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Q.3.2	2015 - May [8] {C} (b)	Descriptive
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>

— Space to write important points for revision —

<b>Q.3.3</b>	<b>2021 - Jan [8] (a)</b>	<b>Practical</b>
<p>ABC Limited is in a wide range of businesses which include apparels, lifestyle products, furniture, real estate and electrical products. The company is looking to hire a suitable Chief Executive Officer. Consider yourself as the HR consultant for ABC limited. You have been assigned the task to enlist the activities involved with the role of the Chief Executive Officer. Name the strategic level that this role belongs to and enlist the activities associated with it. (5 marks)</p>		

**Answer:**  
**The role of Chief Executive Officer pertains to Corporate level:**  
 The corporate level of management consists of the Chief Executive Officer (CEO) and other top-level executives. These individuals occupy the apex of decision making within the organization.

- The role of Chief Executive Officer is to:**
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.

— Space to write important points for revision —

**Strategic Management in Government Organisation and Not for Profit Organisation**

<b>Q.4.1</b>	<b>2013 - May [11] (b)</b>	<b>Descriptive</b>
Explain the role of Strategic Management in non-profit organisations. (3 marks)		

**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.

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<b>Q.4.2</b>	<b>2019 - Nov [7] (a)</b>	<b>Descriptive</b>
<p>“Strategic Management concepts are useful for educational institutions.” Explain with reasons.</p>		(5 marks)

**Answer:**

Educational institutions are using strategic management techniques and concepts more frequently. Richard Cyert, President of Carnegie - Mellon university says, “I believe we do a far better job of strategic management than any company I know”. The significant change in the competitive climate has taken place in the educational environment. The significant change in the competitive climate, and hence they are adopting different strategies for attracting best students.

The academic institutions have also joined hands with industries in order to deliver education to make graduates more employable. The educational delivery system has also undergone considerable changes with the introduction of computers and internet technologies. The first all - Internet law school, Concord University School of law, boasts nearly two hundred students who can access lectures anytime and chat at fixed times with professors. Online college degrees are becoming common and represent a threat to traditional colleges and universities.

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<b>Q.4.3</b>	<b>2020 - Nov [10] (a)</b>	<b>Descriptive</b>
<p>“There is a need for Strategic Management for government and medical organization too.” Comments.</p>		(5 marks)

**Answer:**

**Strategic Management for Government:**

All departments are using strategy of how to use tax payers money in most cost effective way to provide services and programs.

But they do not have complete autonomy like private companies.

They are using techniques to develop and substantive formal requests for additional funding.

**Medical Organizations:** Modern hospitals quite often are using strategic management for creating new strategy and implementing properly for diagnosis and treatment of different diseases at lower price. Forward and Backward integration strategies are also required in hospitals for providing better services at lower cost.

— Space to write important points for revision —

Q.4.4	2022 - May [7] (a)	Descriptive
<p>Good Health is an Association of Persons (AOP), providing awareness to downtrodden on immunization, vaccination, sanitation and other health and hygiene issues. It is a not-for-profit organization, working in coordination with hospitals, medical support centers and local administration.</p> <p>You are asked to take over the organization and manage it in a better way. Identify whether the concept of strategic management is relevant in this connection? And if so, what basic activities you would perform in order to manage it efficiently? (5 marks)</p>		

**5**

***Miscellaneous: Business Environment***

Q.5.1	2015 - Nov [12] (a)	Descriptive
<p>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)</p>		

**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**

**7.336****Scanner CA Inter Gr.II Paper - 7B (New Syllabus)****which are as follows:**

<b>1. Survival</b>	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.
<b>2. Stability</b>	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.
<b>3. Growth</b>	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.
<b>4. Efficiency</b>	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.
<b>5. Profitability</b>	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

**MULTIPLE CHOICE QUESTIONS**

**1*****Business Policy***

1. "Evaluation of business policy arose from the developments in the use of planning techniques by managers" defines by.
  - (a) Christensen
  - (b) William F. Glueck
  - (c) Harvard S. Smith
  - (d) Igor H. Ansoff
2. Business policy tends to emphasise on the rational analytical aspect of \_\_\_\_\_.
  - (a) Management
  - (b) Human Resource Management
  - (c) Strategic Management
  - (d) All of the above.

**2*****Concept of Management***

3. Management is a/an \_\_\_\_\_ to make things happen, to gain command over phenomena, to induce and direct events and people in a particular manner.
  - (a) Planning process
  - (b) Organisation process
  - (c) Influence process
  - (d) Strategic process
4. Influence process is backed by \_\_\_\_\_.
  - (a) Power
  - (b) Competence
  - (c) Knowledge and resources
  - (d) All of the above

**3*****Concept of Strategy***

5. Strategy is define as “A unified, comprehensive and integrated plan designed to assure that the basic objectives of the enterprise are achieved ,” by \_\_\_\_\_.
- (a) William F. Glueck
  - (b) Ignor H. Ansoff
  - (c) Christensen
  - (d) Harvard S. Smith
6. In large organisations strategies are formulated at the \_\_\_\_\_.
- (a) Corporate Level
  - (b) Divisional Level
  - (c) Functional Level
  - (d) All of the above
7. Company’s strategy is \_\_\_\_\_ action
- (a) Proactive
  - (b) Reactive
  - (c) Subjective
  - (d) Partly proactive and partly reactive

8. Objectives of strategic management are:
- (a) To guide the company successfully through all changes in the environment.
  - (b) To create competitive advantage, so that the company can out perform the competitors in order to have dominance over the market
  - (c) Changes in the environment and strategy to relate the goals of the organisation to the means of achieving them.
  - (d) Both (a) and (b)



9. Strategic management involves developing the company's vision \_\_\_\_\_.  
(a) Environmental scanning  
(b) Strategy formulation  
(c) Strategy implementation  
(d) All of the above

**5*****Strategic Levels In Organisations***

10. Strategic Levels involves in a business organisation.  
(a) Corporate Level  
(b) Business Level  
(c) Functional Level  
(d) All of the above
11. Functional managers provides most of the information that makes it possible for business and corporate level general manager to formulate \_\_\_\_\_.  
(a) Overall strategies  
(b) Comprehensive Functional strategies  
(c) Realistic Strategies  
(d) Realistic and attainable strategies

**6*****Strategic Management in Government And Not For Profit Organisations***

12. "Strategic management is not needed in non-profit organisations" statement is \_\_\_\_\_.  
(a) Correct  
(b) In correct  
(c) Partially correct  
(d) None
13. "I believe we do a far better job of strategic management than any company I kwon" said by \_\_\_\_\_.  
(a) Richard Cyert

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- (b) Christensen
- (c) William F. Glueck
- (d) Igor H. Ansoff

**ANSWER**

1.	(b)	2.	(c)	3.	(c)	4.	(d)	5.	(a)
6.	(d)	7.	(d)	8.	(d)	9.	(d)	10.	(d)
11.	(d)	12.	(b)	13.	(a)				

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