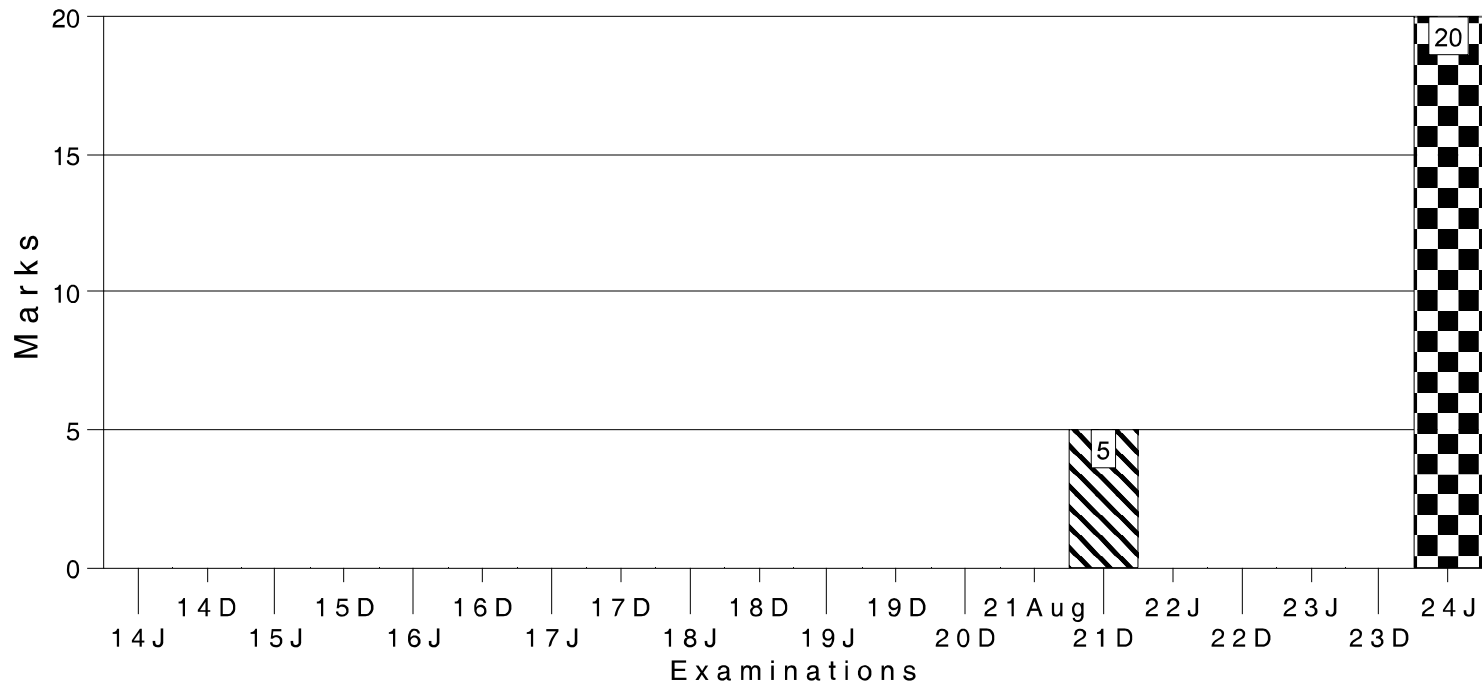


Marks of Objective, Short Notes, Distinguish Between, Descriptive & Practical Questions

Legend



1 **INTRODUCTION TO STRATEGIC MANAGEMENT**

THIS CHAPTER INCLUDES

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| 1. Strategic Management: Meaning & Process | 6. Definition of CSR under Companies Act, 2013 |
| 2. Strategic Leadership | 7. Benefits of CSR |
| 3. Functions and Importance for Professionals like Company Secretaries | 8. Factors influencing CSR |
| 4. Strategic Planning | 9. Role of Board of Directors in CSR related activities of a Company |
| 5. Board of Directors and Corporate Social Responsibility | 10. CSR & Corporate Governance |
| | 11. Corporate Governance |
| | 12. Corporate Governance & Role Company Secretary |

CHAPTER AT A GLANCE

Strategic Management

Meaning

Strategic Management is a discipline that deals with long-term development of an organisation with a clear-cut vision about organisational purpose, scope of activities and objectives.

Strategic Management: Process

The strategic management process is defined as the process by which the managers'/decision makers' are able to make a choice of a set of strategies for the organization that will enable it to accomplish improved performance.

Four Phases of Strategic Management Process
<ol style="list-style-type: none"> 1. Environment Scanning 2. Strategy Formulation 3. Strategic Implementation 4. Strategy Evaluation
Strategic Leadership
Strategic leadership refers to a manager's potential to articulate the strategic vision for the organization, and to motivate, guide and influence his subordinates to attain the objectives of that vision.
Strategic Planning
"Strategic planning is an organization's process of defining its strategy, or direction, and making decisions on allocating its resources to pursue this strategy. It may also extend to control mechanisms for guiding the implementation of the strategy."
Corporate Social Responsibility (CSR)
CSR is understood to be the way by which firms integrate social, environmental and economic concerns into their values, culture, decision making, strategy and operations in a transparent and accountable manner and thereby establish better practices within the firm, create wealth and improve society.
Corporate Governance
Corporate governance is the broad term used to describe the processes, customs, policies, laws and institutions that direct the organizations and corporations in the way they act or administer and control their operations. It works to achieve the goal of the organization and manages the relationship with the stakeholders including the board of directors and the shareholders.

Objective of Corporate Governance

The objectives of Corporate Governance is to ensure the following:

1. Properly constituted Board capable of taking independent and objective decisions.
2. Board is independent in terms of Non-Executive and Independent Directors.
3. Board adopts transparent procedures and practices.
4. Board has an effective machinery to serve the concerns of the Stakeholders.
5. Board to monitor the functioning of the Management Team.
6. Properly constituted Board capable of taking independent and objective decisions.
7. Board remains in effective control of the affairs of the Company.

DESCRIPTIVE QUESTION

2007 - Nov [8] What is Strategic Management? What benefits accrue by following a strategic approach to managing ? [CA Inter Gr. II] (10 marks)

Answer:

Strategic Management is the art and science of formulating, implementing and evaluating cross-functional decision that will enable an organisation to achieve its objectives. Strategic management, therefore combines the activities of the various functional areas of a business to achieve organizational objectives. Strategic Management provides overall direction to the enterprise. Strategic Management does not replace traditional management activities such as budgeting, planning, monitoring, marketing, reporting and controlling. Rather, it integrates them into a broader context, taking into account the external environment, internal organizational capabilities, and organizations overall purpose and direction.

Thus, strategic management is an ongoing process that assesses the business environment and the industries in which the company is involved assesses its competitors and set goals and strategies to meet all existing and potential competitors and then reassesses each strategy annually or quarterly.

Benefits of Strategic Management:

- (a) It allows for identification, prioritization and exploitation of opportunities;
- (b) It provides an objective views of management problems;
- (c) It represents a framework for improved co-ordination and control of activities;
- (d) It minimizes the effects of adverse conditions and changes;
- (e) It allows major decisions to support established objectives;
- (f) It allows more effective allocation of time and resources to identified opportunities;
- (g) It allows fewer resources and less time to be devoted to correcting erroneous or ad- hoc decisions;
- (h) It creates a framework for internal communication among personnel;
- (i) It helps to integrate the behaviour of individuals into a total effort,
- (j) It provides a basis for clarifying individual responsibilities;
- (k) It encourages forward thinking.
- (l) It provides a cooperative, integrated and enthusiastic approach to tackling problems and opportunities;
- (m) It encourages a favourable attitude toward change;
- (n) It gives a degree of discipline and formality to the management of a business.

2010 - Dec [1] (a) In the context of strategic management, discuss, with reasons in brief, **any five** of the following statements:

- (i) Napoleon used to say, “It is all in the execution”.
- (ii) There is often a fight to finish in the modern business world. Individual units and companies either die (fold up) or get ‘eaten up’ (acquired, etc.); while in animal world, once a contestant accepts defeat, he is left to lick his wounds alone.

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- (iii) Strategic management is a term broader than strategy itself.
- (iv) There are no foreign lands. It is the traveler only who is foreign.
- (v) A company faced with decline in fortunes has only one option of adopting liquidation strategy.
- (vi) Bench marking is the break-in-process of measuring products, services and practices against the competitors and companies recognised as industry leaders. **(2 marks each)**

Answer:

- (i) The statement is correct in the context of strategic management, execution or implementation is really important, strategies, by themselves, do not lead to action. It is implementation that translate intents into action. In other words, one can have a great plan, but unless it's implemented properly, it won't lead to the desired result. Thus, in order to achieve the desired objectives, execution is everything.
- (ii) Firms competent not merely because they have to survive, but because they wish to acquire good things such as money, wealth, and power which are well beyond that what they need for survival and provisioning.
- (iii) The statement is correct, strategic management is the art and science of formulating, implementing and evaluating cross-function decisions that will enable an organization to achieve its objectives. Strategy is defined as a long term course of action through which an organization relates itself the environment so as to achieve its objectives whereas strategic management combines the activities of the various functional areas of against the competitors and those companies recognized as industry leaders. It is based on the concept that it makes no benefit to reinvest something that someone else is already using. It involves open learning how others do something better than one's own company so that one not only can intimate, but perhaps even improve on their current technique.
- (iv) Every country has its own cultural, administrative (political), geographical and economic (CAGE) environments. And, a foreigner, brought up in a different CAGE feels stranger to the values and the practices of the land.

- (v) If the organization chooses to focus on ways and means to reverse the process of decline, it adopts turnaround strategy. If it cuts off the loss-making units, divisions or Strategic Business Units, curtails its product line or reduces the functions performed, it adopts a divestment strategy. If none of these actions work, then it may choose to abandon the activities totally, resulting a liquidation strategy.
- (vi) Benchmarking is the continuous process of measuring products, services and practices against the competitors and those companies recognized as industry leaders. It is based on the concept that it makes no benefit to reinvent something that someone else is already using. It involves open learning how others do something better than one's own company so that one not only can intimate, but perhaps even improve on their current technique.

2014 - May [9] (b) What are the major stages in the strategic management process?
[CA Inter Gr. II] (3 marks)

Answer:

1.	Where are we now - Beginning	This is the starting point of strategic planning and consists of doing a situational analysis of the firm in the environmental context. Here the firm must find out its relative market position, corporate image, its strength and weakness and also environmental threats and opportunities.
2.	Where we want to be?	This is a process of goal setting for the organisation after it has finalised its vision and mission.
3.	How might we get there?	Means - Here organisation deals with the various strategic alternatives it has.
4.	Which way is best? Evaluation	Out of all the alternatives generated in the earlier stage the organisation selects the best suitable alternative in line with its SWOT Analysis.

5.	How can we ensure survival implementation & control?	Control - This is a implementation and control stage of a suitable strategy. Here an organisation continuously does situational analysis and repeats the stage again.
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2017 - May [8] {C} (d) Briefly discuss the framework of strategic management. *[CA Inter Gr. II] (3 marks)*

Answer:

The term strategic management refers to the managerial process of forming a strategic vision, setting objectives, crafting a strategy, implementing and executing the strategy, and then initiating whatever corrective adjustments in the vision, objectives strategy, and execution are deemed appropriate.

The basic framework of strategic process can be described in a sequence of five stages as follows:

Stage one – Beginning: Where are we now?

Stage two – End: Where we want to be?

Stage three – Means: How might we get there?

Stage four – Evaluation: Which way is best?

Stage five – Control: How can we ensure survival?

2017 - Nov [11] (b) The strategic management process encompasses three phases. Explain. *[CA Inter Gr. II] (3 marks)*

Answer:

Strategy Formulation	Laying down the firm's vision, mission and objective Swot Analysis (1) Environmental scanning (2) Organizational appraisal Identification and Evaluation of Strategic Alternative
Strategy Implementation	Decision making, i.e, choice of strategy Implementation of strategy <ul style="list-style-type: none"> • Design of organisational structure • Definition of organisational systems & procedures • Resource Allocation Decisions • Management of behavioural Issues

Strategy Control	Evaluation of Strategy <ul style="list-style-type: none"> • Process of evaluation • Criterium for evaluation • Techniques of evaluation.
<p>However, before these three phases, Strategic Management involves the following two stages, namely :</p> <ul style="list-style-type: none"> (i) Developing a strategic vision and formulation of statement of mission, goals and objectives. (ii) Environmental and organisational analysis. 	

2018 - May [10] (a) Define Strategic Management. Also discuss the limitations of Strategic Management. *[CA Inter Gr. II] (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:**

1. 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.

2. 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.
3. 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.
4. 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.

2019 - May [7] (a) 'Strategic Management is not a panacea for all the corporate ills, it has its own pitfalls which can't counter all hindrances and always achieve success'.

Do you agree with this statement? Discuss. *[CA Inter Gr. II]* **(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:

1.	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 organisational 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.
2.	Strategic management is a time-consuming process	Organizations spend a lot of time preparing, communicating the strategies that may impede daily operations and negatively impact the routine business.

3.	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 organisations with limited resources particularly when small and medium organisation create strategies to complete.
4.	Competition is unpredictable	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.

2021 - Dec [10] (a) "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. **(5 marks)**

Answer:

Strategic Management:

Meaning	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	<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	<ol style="list-style-type: none"> 1. Developing mission. 2. Defining objective and goal. 3. Structuring business portfolio. 4. Incorporating functional plans.
Benefits	<ol style="list-style-type: none"> 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.

	<p>5. Reduction of gaps and overlaps in activities</p> <p>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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2022 - Nov [7] (a) “The strategic management cannot counter all hindrances and always achieve success for an organization.” Do you agree with this statement? Give arguments in support of your answer.

[CA Inter Gr. II] (5 marks)

Answer:

Yes, it is true that the presence of strategic management cannot counter all hindrances and always achieve success for an organization. This is on account of complex multiple forces acting on business organization and limiting its success.

These limitations are on account of following factors:

1. **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 organisational estimate about its future shape may awfully go wrong and jeopardise all strategic plans.
2. **Strategic management is a time-consuming process:** Organisations spend a lot of time in preparing, communicating the strategies that may impede daily operations and negatively impact the routine business.
3. **Strategic management is a costly process:** Strategic management adds a lot of expenses to an organization – particularly to small and medium organisations. Expert strategic planners need to be engaged, efforts are made for analysis of external and internal environments devise strategies and properly implement.
4. **Competition is unpredictable:** In a competitive scenario, where all organisations are trying to move strategically, it is difficult to clearly estimate the competitive responses to the strategies.

2023 - May [9] (a) Strategic planning is an important constituent of strategic management. In the light of the same explain the meaning of strategic planning. Also outline the characteristics of strategic planning.

[CA Inter Gr. II] (1 + 4 = 5 marks)

Answer:

Yes, strategic planning is an important constituent of strategic management. It is a process of determining organizational strategy. It gives directions to the organization and involves making decisions and allocating resources to pursue the strategy. It is the formal blueprint of future course of an organization.

Strategic plans are made by the senior management for the entire organization after taking into account the organization strength and weaknesses in the light of opportunities and threats in the external environment. They involve acquisition and allocation of resources for the attainment of organizational objectives.

Strategic planning deals with one or more of three key questions:

- (a) What are we doing?
- (b) For whom do we do it?
- (c) How to improve and excel?

Following are the characteristics of strategic planning:

1. Strategic planning shapes the organisation and its resources.
2. Strategic planning assesses the impact of environmental variables.
3. Strategic planning takes a holistic view of the organisation.
4. Strategic planning develops overall objectives and strategies.
5. Strategic planning is concerned with the long-term success of the organisation.
6. Strategic planning is a senior management responsibility.

PRACTICAL QUESTION

2024 - June [1] Case Study:

Supreme Group of Industries (SGI) has invested in diverse projects which impact the lives of people in many ways and create value by helping in overall and holistic development of communities across multiple

geographies. Through its various initiatives, the group endeavours to play a pivotal role in serving communities and projects which address the basic societal requirements. SGI has been involved in various Social Responsibility initiatives over last many years. These efforts have substantially improved the standard of living of the people through health care, education, livelihood and community development initiatives, making their living experience dramatically better. These activities impacting the lives of marginalized communities are spread across the globe reaching regions beyond SGI's business locations. The key philosophy of all CSR initiatives of SGI is guided by three core commitments of Social Responsibility Initiatives:

- (a) S – SCALE
- (b) I – IMPACT
- (c) S – SUSTAINABILITY

For the fiscal year 2025, SGI seeks to strategically consolidate the company's CSR initiatives to focus on discrete social problems, all aimed at enabling lives, living and livelihoods of marginalized communities. SGI has identified the following focus areas:

- Community Infrastructure & Environment
- Community Health care
- Education and Skills enhancement

With the endeavour to restructure its CSR initiatives, the Board of SGI in its recent board meeting, approved the following proposals:

- (1) Formation of Corporate Social Responsibility & Governance (CSRG) committee to finalise the CSR policy in light of the Group's CSR plans for the fiscal year 2025.
- (2) Appointment of a management consultant, to provide professional help to the CSRG committee on the factors influencing the proposed CSR initiatives of the group.
- (3) Appointment of a practising company secretary, to advice on the role of board of directors with regards to the CSR related activities.

Mrs. Meena, an executive director, who was a qualified management graduate from a premier management institute, shared the emerging significance of corporate governance with the Board members during the board meeting. All the directors were eager to assess its applicability to the SGI group in light of the new CSR initiatives proposed by the Board. Mr.

Pratyush, the company secretary who was present at the board meeting, also enlightened the board on the emerging concept of corporate governance. Board asked Mr. Pratyush to table in the next Board meeting the objectives of corporate governance and the role of company secretary in light of corporate governance framework.

Next day morning, Mr. Pratyush came to his office and briefed his team on the expectations of the board from the corporate secretarial team and asked them to compile a note for the board on the objectives of corporate governance and the role of company secretary in the corporate governance. To aid them with the preparation of the note, he recapitulated his team on the recent developments of corporate governance framework.

Based on the facts mentioned in the above case study:

- (a) Assume yourself as a Chairperson of the CSRG committee and prepare a report addressed to the Board explaining the Meaning and Benefits of Corporate Social Responsibility. The report should also include a section on the factors influencing Board's CSR initiative based on the inputs received from the management consultant. **(5 marks)**
- (b) Assume yourself as the Practising Company Secretary appointed by the Board and provide a write-up to the Board on their role in CSR related activities of the company, in light of the recent case law pertaining to Board's compliance responsibility of implementing and reporting. **(5 marks)**
- (c) Assume yourself as a young qualified Company Secretary in the corporate secretarial team led by Mr. Pratyush and compile a note to the Board based on Mr. Pratyush's briefing on:
 - (i) Objectives of corporate governance.
 - (ii) Role of Company Secretary in the implementation of corporate governance framework in SGI group. **(5 marks each)**