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Business Policy and Strategic Management

Syllabus Covered

Meaning and nature; Strategic management imperative; Vision, Mission and Objectives; Strategic levels in organizations.

Question 1

State with reasons which of the following statements is correct / incorrect:

- (a) *Strategy is a substitute for Sound, Alert and Responsible management.* (2 Marks, Nov., 2008)
- (b) *Strategic management is not needed in non-profit Organisations.* (2 Marks, Nov., 2008)
- (c) *All strategies emerge from Corporate vision.* (2 Marks, Nov., 2008)
- (d) *Strategic management is a bundle of tricks and magic.* (2 Marks, June, 2009)
- (e) *Developing annual objectives & short-term strategies that are compatible with the selected set of long-term objectives are one of the major task of strategic management.*
(2 Marks, May 2012)
- (f) *A company's strategy has always to be proactive in nature.* (2 Marks, Nov., 2013)
- (g) *Strategic vision and mission statements are needed only by large business houses.*
(2 Marks, Nov., 2014)

Answer

- (a) **Incorrect** – Strategy is not substitute for sound, alert and responsible management. Strategy can never be perfect, flawless and optimal. Strategies are goal-directed decision and actions in which capabilities and resources are matched with the opportunities and threats in the environment. A good management at the top can steer the organizations by adjusting its path on the basis of the changes in the environment.
- (b) **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 have purpose, vision and mission. They also work within the environmental forces and need to manage strategically to stay afloat to accomplish their objectives.

- (c) **Correct** – Vision explains where the organization is headed, so as to provide long-term direction, delineate what kind of enterprise the company is trying to become and infuse the organization with a sense of purpose. All strategies need to be drawn in the light of corporate vision, which is what the firm ultimately wants to become.
- (d) **Incorrect:** No, Strategic management is not a bundle of tricks and magic. It involves systematic and analytical thinking and action. Although, the success or failure of a strategy is dependent on several extraneous factors, it can not be stated that a strategy is a trick or magic. Formation of strategy requires careful planning and requires strong conceptual, analytical, and visionary skills.
- (e) **Correct:** A strategic manager has to set the long term objectives, future oriented plans by appreciating the competitive environment. Without bifurcating grand strategies and long-term objectives into annual objectives and short-term strategies, implementation of the strategies is not possible. Dividing objectives, into annual plans help to move forward in a systematic manner.
- (f) **Incorrect:** A company's strategy is a blend of proactive actions and reactive actions by the management. Reactive actions are required to address unanticipated developments and environmental conditions. Thus, not every strategic move is the result of proactive and deliberate management actions. At times, some kind of strategic reaction or adjustments are also required.
- (g) **Incorrect:** Every organization whether it is large or small requires strategic vision and mission statements. Organisations irrespective of their size face similar business environment and have to sail through competition. Small organizations have to plan strategies for their survival in the market where large organizations are also present.

Question 2

- (a) *Fill in the blanks in the following statements with the most appropriate word:*
 - (i) "In the factory, we make cosmetics. In the drugstore, we sell _____. (1 Mark Nov., 2010)
 - (ii) Vision is always _____ oriented. (1 Mark, Nov., 2010)
 - (iii) The corporate mission is an expression of the _____ of the firm. (1 Mark, May, 2011)
 - (iv) Strategic Management is not a box of tricks or a bundle of techniques. It is analytical thinking and _____ of resources to action. (1 Mark, Nov., 2011)
- (b) *Explain the meaning of the following concepts:*
 - (i) Corporate Strategy (1 Mark, May, 2011)
 - (ii) Strategic Vision (1 Mark, Nov., 2011)

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Answer

- (a) (i) Hopes.
(ii) Future.
(iii) Growth ambition.
(iv) Commitment.
- (b) (i) **Corporate strategy** is basically the growth design of the firm; it spells out the growth objective - the direction, extent, pace and timing of the firm's growth. It also spells out the strategy for achieving the growth. It serves as the design for filling the strategic planning gap. It also helps build the relevant competitive advantages.
- (ii) A **Strategic vision** is a road map of a company's future – providing specifics about technology and customer focus, the geographic and product markets to be pursued, the capabilities it plans to develop, and the kind of company that management is trying to create.

Question 3

Briefly answer the following questions in 2-3 sentences each:

- (a) *What is a mission statement?* (2 Marks, May, 2007)
- (b) *State the points that may be considered while writing a mission statement of a Company.* (2 Marks, Nov., 2009)
- (c) *State the points that may be considered while writing a mission statement of a Company.* (2 Marks, Nov., 2009)
- (d) *'Shared Vision and 'Vision Shared'.* (2 Marks, May, 2010)

Answer

- (a) Mission statement is an answer to the question "Who we are and what we do" and hence has to focus on the organisation's present capabilities, focus activities and business makeup. An organisation's mission states what customers it serves, what need it satisfies, and what type of product it offers. It is an expression of the growth ambition of the organisation.
- (b) A company's mission statement is typically focused on its present business scope—"who we are and what we do"; mission statements broadly describe an organization's present capabilities, customer focus activities and business makeup.

The following points must be considered while writing a mission statement of a company.

- (i) To establish the special identity of the business - one that typically distinguishes it from other similarly situated companies.

- (ii) Needs which business tries to satisfy, customer groups it wishes to target and the technologies and competencies it uses and the activities it performs.
 - (iii) Good mission statements should be unique to the organisation for which they are developed.
 - (iv) The mission of a company should not be to make profit surpluses may be required for survival and growth, but can not be mission of company.
- (c) A company's mission statement is typically focused on its present business scope—"who we are and what we do"; mission statements broadly describe an organization's present capabilities, customer focus activities and business makeup.
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- (d) Individuals in organisations relate themselves with the vision of their organisations in different manner. When the individuals are able to bring organisational vision close to their hearts and minds they have "shared vision". Shared vision is a force that creates a sense of commonality that permeates the organization and gives coherence to diverse activities. However, 'vision shared' shows imposition of vision from the top management. It may demand compliance rather than commitment. For success of organisations having shared vision is better than vision shared.

Question 4

What is Strategic Management? What benefits accrue by following a strategic approach to managing? (5 + 5 = 10 Marks, Nov., 2007)

Answer

In a highly competitive marketplace, companies can operate successfully by creating and delivering superior value to target customers and also learning how to adapt to a continuously changing business environment. So to meet changing conditions in their industries, companies need to be farsighted and visionary, and must have a system of managing strategically.

Strategic management starts with developing a company mission (to give it direction), objectives and goals (to give it means and methods for accomplishing its mission), business

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portfolio (to allow management to utilise all facets of the organisation), and functional plans (plans to carry out daily operations from the different functional disciplines).

The overall objective of strategic management is two fold:

- ◆ To create competitive advantage, so that the company can outperform the competitors in order to have dominance over the market.
- ◆ To guide the company successfully through all changes in the environment.

The following are the benefits of strategic approach to managing:

- ◆ Strategic management helps organisations to be more proactive instead of reactive in shaping its future. Organisations are able to analyse and take actions instead of being mere spectators. Thereby they are able to control their own destiny in a better manner. It helps them in working within vagaries of environment and shaping it, instead of getting carried away by its turbulence or uncertainties.
- ◆ Strategic management provides framework for all the major business decisions of an enterprise such as decisions on businesses, products, markets, manufacturing facilities, investments and organisational structure. It provides better guidance to entire organisation on the crucial point - what it is trying to do.
- ◆ Strategic management is concerned with ensuring a good future for the firm. It seeks to prepare the corporation to face the future and act as pathfinder to various business opportunities. Organisations are able to identify the available opportunities and identify ways and means as how to reach them.
- ◆ Strategic management serves as a corporate defence mechanism against mistakes and pitfalls. It helps organisations to avoid costly mistakes in product market choices or investments. Over a period of time strategic management helps organisation to evolve certain core competencies and competitive advantages that assist in its fight for survival and growth.

Question 5

Write short note on Importance of Strategic Management.

(4 Marks, May, 2011 & 3 Marks, May, 2013)

Briefly explain the importance of Strategic Management.

(3 Marks, May, 2012)

Answer

Importance of Strategic Management: Strategic Management is very important for the survival and growth of business organizations in dynamic business environment. Other major benefits of strategic management are as follows:

- Strategic management helps organizations to be more proactive rather than reactive in dealing with its future. It facilitates to work within vagaries of environment and remains

adaptable with the turbulence or uncertain future. Therefore, they are able to control their own destiny in a better way.

- It provides better guidance to entire organization on the crucial point – what it is trying to do. Also provides framework for all major business decisions of an enterprise such a decision on businesses, products, markets, organization structures, etc.
- It facilitates to prepare the organization to face the future and act as pathfinder to various business opportunities. Organizations are able to identify the available opportunities and identify ways and means as how to reach them.
- It serves as a corporate defence mechanism against mistakes and pitfalls. It helps organizations to avoid costly mistakes in product market choices or investments.
- Over a period of time strategic management helps organization to evolve certain core competencies and competitive advantages that assist in the fight for survival and growth.

Question 6

"Strategy is partly proactive and partly reactive." Do you agree? Give reasons for your answer.

(3 Marks, Nov., 2012)

Answer

Yes, 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. It is not possible to anticipate moves of rival firms, consumer behaviour, evolving technologies and so on. There can be significant deviations between what was visualized and what actually happens. 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.

Question 7

What is Corporate Strategy? How would you argue that 'corporate strategy ensures the correct alignment of the firm with its environment'?

(4 Marks, Nov., 2012)

Answer

Corporate strategy helps an organisation to achieve and sustain success. It is basically concerned with the choice of businesses, products and markets. It is often correlated with the growth of the firm.

Corporate strategy in the first place ensures the growth of the firm and its correct alignment with the environment. Corporate strategies are concerned with the broad and long-term questions of what businesses the organization is in or wants to be in, and what it wants to do

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with those businesses. They set the overall direction the organization will follow. It serves as the design for filling the strategic planning gap. It also helps to build the relevant competitive advantages. A right fit between the firm and its external environment is the primary contribution of corporate strategy. Basically the purpose of corporate strategy is to harness the opportunities available in the environment and countering the threats embedded therein. With the help of corporate strategy, organizations match their unique capabilities with the external environment so as to achieve its vision and mission.

Question 8

What does corporate strategy ensure? Explain.

(3 Marks, May, 2014)

Answer

Corporate strategy in the first place ensures the growth of the firm and ensures the correct alignment of the firm with its environment. It serves as the design for filling the strategic planning gap. It also helps build the relevant competitive advantages. It works out the right fit between the firm and its external environment. Basically the purpose of corporate strategy is to harness the opportunities available in the environment, countering the threats embedded therein.

Corporate strategy brings methodical responses to the environment. Strategy is the opposite of adhoc responses to the changes in the environment in competition, consumer tastes, technology and other variables. It amounts to long-term, well thought-out and prepared responses to the various environment forces.

Question 9

Distinguish between The Three Levels of Strategy Formulation.

(3 Marks, Nov., 2010)

Answer

A typical large organization is a multidivisional 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.

The corporate level of management 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.

The development of strategies for 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 - for example, 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 managers are responsible for the specific business functions or operations such as human resources, purchasing, product development, customer service, and so on. Thus, 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.

Question 10

What are the major stages in the strategic management process? (3 Marks, May, 2014)

Answer

The major stages in the strategic management process are:

- (i) Develop vision and mission statements
- (ii) Perform internal and external audit
- (iii) Establish long-term objectives
- (iv) Generate, evaluate, and select strategies
- (v) Implement strategies considering management issues
- (vi) Implement strategies marketing, finance, accounting, R&D, MIS issues
- (vii) Measure and evaluate performance

Question 11

You are appointed as a Strategic Manager by XYZ Co. Ltd. Being a Strategic Manager what should be your tasks to perform? (3 Marks, Nov., 2011)

Answer

The primary task of the strategic manager is conceptualizing, designing and executing company strategies.

For this purpose, his tasks will include:

- Defining the mission and goals of the organization.
- Determining what businesses it should be in.
- Allocating resources among the different businesses.
- Formulating and implementing strategies that span individual businesses.
- Providing leadership for the organization.

Question 12

What is Strategic Decision Making? Briefly explain the major dimensions of strategic decisions. (1 + 3 =4 Marks, Nov., 2011)

Discuss the major dimensions of strategic decisions. (3 Marks, Nov., 2013)

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Answer

Decision making is a managerial process and function of choosing a particular course of action out of several alternative courses for the purpose of accomplishment of the organizational goals. Strategic decisions are different in nature than all other decisions which are taken at various levels of the organization during their day-to-day working. The major dimensions of strategic decisions are given below:

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- ◆ **Strategic issues require top-management decisions:** Strategic issues involve thinking in totality of the organizations and also there is lot of risk involved and hence required to be considered by the top management.
- ◆ **Strategic issues involve the allocation of large amounts of company resources:** They may require huge financial investment to venture into a new area of business or the organization may require huge number of manpower with new set of skills in them.
- ◆ **Strategic issues are likely to have a significant impact on the long term prosperity of the firm:** Generally the results of strategic implementation are seen on a long term basis and not immediately.
- ◆ **Strategic issues are future oriented:** Strategic thinking involves predicting the future environmental conditions and how to orient for the changed conditions.
- ◆ **Strategic issues usually have major multifunctional or multi-business consequences:** As they involve organization in totality they affect different sections of the organization with varying degree.
- ◆ **Strategic issues necessitate consideration of factors in the firm's external environment:** Strategic focus in organization involves orienting its internal environment to the changes of external environment.

Question 13

How strategic decisions differ in nature from other routine decisions taken in day-to-day working of an organization? Explain. (3 Marks, Nov., 2014)

Answer

Strategic decisions are different in nature than all other decisions which are taken at various levels of the organization during day-to-day working of the organizations. The major dimensions of strategic decisions are given below:

- ◆ Strategic issues require top management decisions.
- ◆ Strategic issues involve the allocation of large amounts of company resources.
- ◆ Strategic issues are likely to have a significant impact on the long term prosperity of the firm.

- ◆ Strategic issues are future oriented.
- ◆ Strategic issues usually have major multifunctional or multi-business consequences.
- ◆ Strategic issues necessitate consideration of factors in the firm's external environment.

Question 14

What tips can you offer to write a 'right' Mission Statements? (4 Marks, May, 2010)

Answer

Mission statements broadly describe an organization's present capabilities, customer focus, activities, and business makeup. Following points are useful while writing mission of a company:

- ◆ Good mission statements are highly personalized – unique to the organization for which they are developed.
- ◆ One of the roles of a mission statement is to give the organization its own special identity, business emphasis and path for development.
- ◆ A company's business is defined by what needs it is trying to satisfy, customer groups it is targeting, technologies and competencies it uses and the activities it performs.
- ◆ Technology, competencies and activities are important in defining a company's business because they indicate the boundaries of its operation.
- ◆ The mission should not be to make profit.

Question 15

Mission statement of a company focuses on the question:

'Who we are' and 'What we do'. Explain briefly. (3 Marks, May, 2014)

Answer

A company's mission statement is typically focused on its present business scope — "who we are and what we do"; mission statements broadly describe an organization's present capabilities, customer focus, activities and business makeup. An organization's mission states what customers it serves, what need it satisfies, and what type of product it offers. It is an expression of the growth ambition of the organization. It helps the organization to set its own special identity, business emphasis and path for development. Mission amplifies what brings the firm to this business or why it is there, what existence it seeks and what purpose it seeks to achieve as a business firm.

In other words, the mission serves as a justification for the firm's very presence and existence; it legitimizes the firm's presence.

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Question 16

State the three elements of a strategic vision. (3 Marks, Nov., 2012)

Explain the elements of strategic vision. (3 Marks, May, 2013)

Answer

A strategic vision steers an organization in a particular direction, charts a strategic path for it to follow in preparing for the future, and moulds organizational identity. The three elements of a strategic vision are:

1. Coming up with a mission statement that defines what business the company is presently in and conveys the essence of "Who we are and where we are now?"
2. Using the mission statement as basis for deciding on a long-term course making choices about "Where we are going?"
3. Communicating the strategic vision in clear, exciting terms that arouse organization wide commitment.

Question 17

"A strategic vision is a road map of a company's future." Comment. Draft a strategic vision statement of any well known national level Educational Institution you are familiar with.

(3 Marks, Nov., 2014)

Answer

A Strategic vision is a roadmap of a company's future – providing specifics about technology and customer focus, the geographic and product markets to be pursued, the capabilities it plans to develop, and the kind of company that management is trying to create.

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