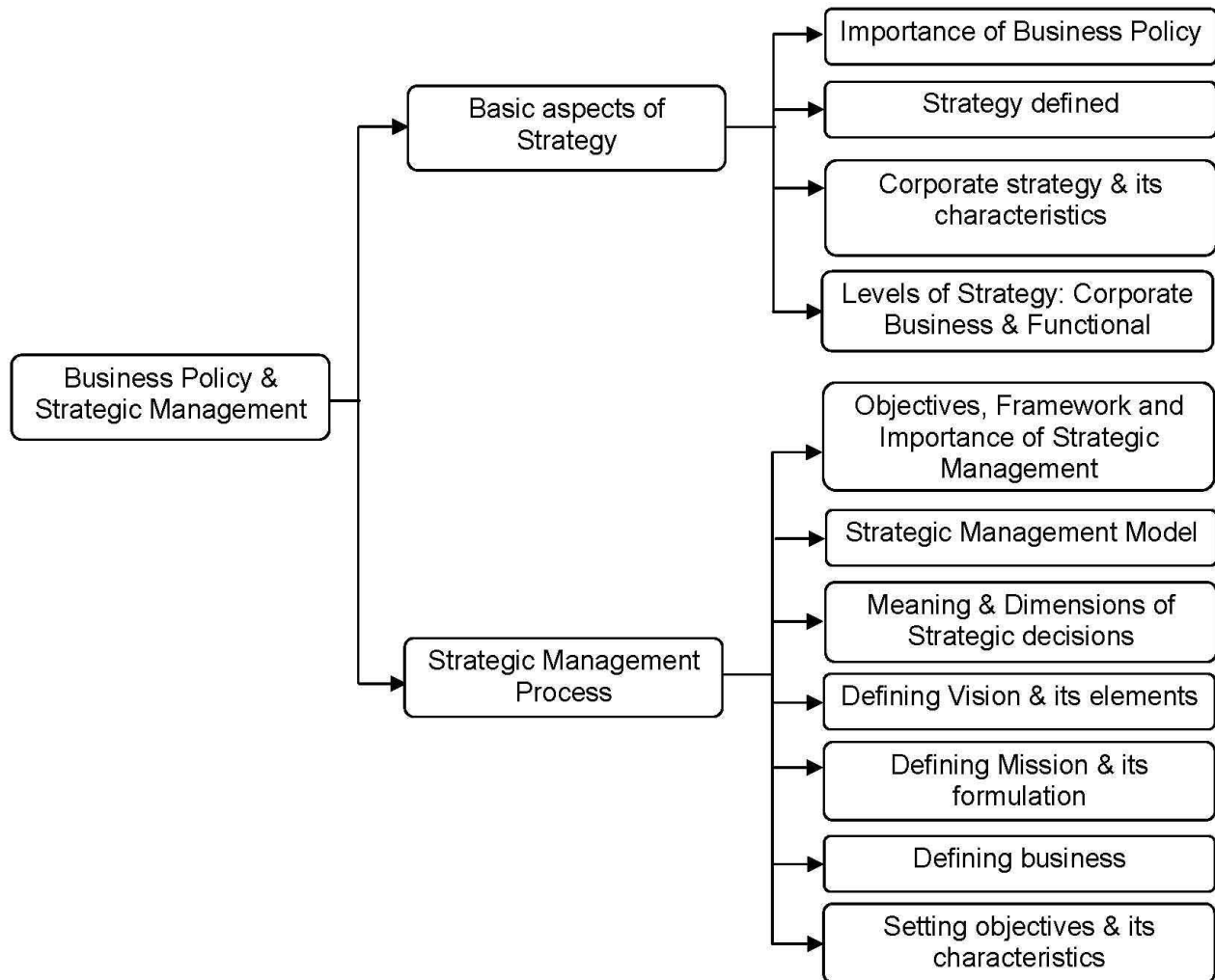


2. BUSINESS POLICY & STRATEGIC MANAGEMENT



Alfred D. Chandler
(1918-2007)



Igor Ansoff
(1918-2002)



Peter F. Drucker
(1909-2005)



C.K. Prahalad
(1941- 2010)



Michael Porter
(1947)

Major Contributors to the Strategic Management subject

BASICS OF STRATEGY

Q.No.1. Explain the Evolution and Importance of Business Policy? (C)

(PM)

1. EVOLUTION OF BUSINESS POLICY:

- a) The origins of business policy can be traced back to 1911, when Harvard Business School introduced an integrative course in management aimed at the creation of general management capability. This course was based on interactive case studies which had been in use at the school for instructional purposes since 1908. The course was intended to enhance general managerial capability of students.

b) However, the introduction of business policy in the curriculum of business schools/management institutes came much later.

2. **DEFINITION:** According to Christensen, Business Policy is the study of:

- a) The functions and responsibilities of senior management,
- b) The crucial problems that affect the success of the total enterprise, and
- c) The decisions that determine the direction of the organisation and shape its future.

3. **IMPORTANCE:**

- a) Business policy emphasizes on the rational and analytical aspects of strategic management and strategic decision-making.
- b) Business policy presents a framework for understanding strategic decision-making.
- c) This framework enables in handling general management responsibilities.

SIMILAR QUESTIONS:

1. Explain the business policy as a discipline.
 - A. Refer 2 & 3 points in the above answer.
2. Explain the evolution and importance of business policy and strategic management.
 - A. Evolution & importance of business policy – refer above question

Importance of strategic management: Strategic Management enables an organisation to develop and maintain competitive advantage so that it can outperform its competitors and to have dominant role in the market. Strategic Management guides the company successfully through all changes in the environment.

Q.No.2. Define the term Strategy. (C)

The dictionary meaning of the word strategy is something that has to do with war and ways to win over enemy. In business organizational context the term is not much different. Businesses have to respond to dynamic and hostile external forces for pursuit of their mission and vision.

MEANING OF STRATEGY:

1. Strategy is a long range blueprint of an organization's desired image, direction and destination what it wants to be, what it wants to do and where it wants to go.
2. "Strategy is the Unified, Comprehensive, and Integrated Plan designed to assure that the basic objectives of the enterprise are achieved."

- **William F. Glueck**
3. "*Strategy is the determination of basic long term goals and objectives of an enterprise, adoption of courses of action and the allocation of resources for various activities that are necessary for carrying out those goals and objectives*". – **Alfred D. Chandler**
4. Strategy is a game plan used by the Management to achieve the desired market position, conduct operations, attract and satisfy customers, compete successfully and achieve organizational objectives.
5. Strategy is a consciously chosen and flexibly designed scheme of corporate intent and action:
 - a) To achieve effectiveness
 - b) To mobilise resources
 - c) To direct efforts and behaviour



Alfred D. Chandler was one of the earliest contributors to the field of Strategic Management. His 'Strategy and Structure' concept has been very popular.

- d) To handle events and problems
- e) To perceive and utilise opportunities, and
- f) To meet challenges and threats to corporate survival and success.

SIMILAR QUESTIONS:

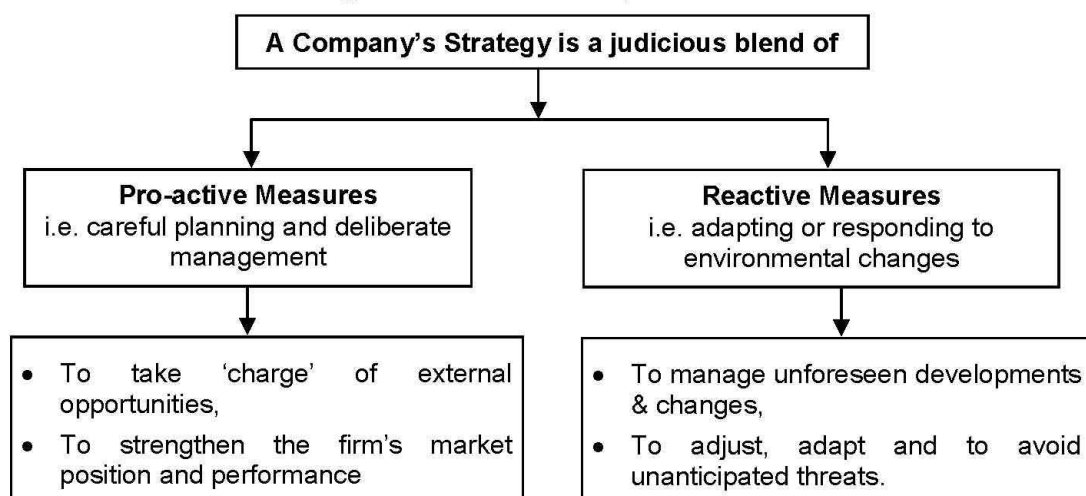
1. What do you understand by the term 'strategy'? (RTP - N16)
- A. Strategies provide an integral framework for management and negotiate their way through a complex and turbulent external environment. Strategy seeks to relate the goals of the organisation to the means of achieving them + write 1st point of the above answer.

Q.No.3. Strategy of a company is partly Pro-active and partly Re-active. Explain (A)
(PM, RTP - M14, M16, N12 - 3M)

1. Yes, the given statement is true. A company's strategy is an effective combination of
(a) Pro-active actions of the firm to improve its market position and financial performance, and
(b) Re-active measures to face unanticipated developments and new environmental conditions.
2. 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.
3. However, in reality no company can forecast both internal and external environment exactly. Everything cannot be planned in advance.
4. It is not possible to anticipate moves of rival firms, consumer behaviour, evolving technologies and so on.
5. There can be significant deviations between what was visualized and what actually happens.
6. Strategies need to be modified in light of possible environmental changes. Reactive strategy is triggered by the changes in the environment.



Strategy in a war should be both pro-active and reactive.

**SIMILAR QUESTIONS:**

1. A Company's strategy has always to be proactive in nature. (T/F)
- A. Refer fast track material. (N 08 - 2M)

2. "Strategy is partly proactive and partly reactive." Do you agree? Give reasons for your answer.
- A. Same as above. No need to present the diagram. (PM, RTP - M16)
3. Quite often strategies of most business organizations are a combination of planned strategies and reactive strategies. Explain with reasons. (PM)
- A. Same as above. No need to present the diagram.

Q.No.4. Define the term Corporate Strategy. State the Characteristics of a Corporate Strategy. (A) (PM, RTP N14, N17 MTP)

MEANING OF CORPORATE STRATEGY:

- 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.

FOLLOWING ARE THE CHARACTERISTICS OF A CORPORATE STRATEGY:

- Corporate strategy is generally long-range in nature, though it is valid for short-range situations also.
- It is action-oriented and is more specific than objectives.
- It is multi-pronged and integrated.
- It is flexible and dynamic.
- Corporate strategy is formulated by the top level management. Middle and operational level managers are associated in their formulation and in designing sub-strategies.
- It is generally designed to cope up with a competitive and complex setting.
- It flows out of the goals and objectives of the enterprise and is meant to translate them into realities.
- Corporate strategy is concerned with efficiency i.e. deployment of limited organisational resources in the best possible manner.
- It gives importance to combination, sequence, timing, direction and depth of various moves and action initiatives taken by managers to handle environmental uncertainties and complexities.
- It provides unified criteria for managers in function of decision making.

LEVELS OF STRATEGY

Q.No.5. Write about various Strategic Levels in an organization? (A)

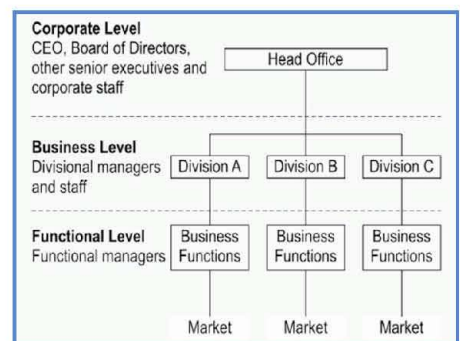
(PM, N10 - 3M)

An organization is divided into several functions and departments that work together to bring a particular product or service to the market.

FOLLOWING ARE THE THREE MAIN LEVELS OF MANAGEMENT:

1. Corporate Level Management:

- It consists of Chief Executive Officer (CEO), other senior executives, Board of Directors and Corporate staff.



- b) Their role is to oversee the development of strategies for the whole organization.
- c) Their role **includes** defining the mission, vision and goals of the organization, determining what businesses it should be in, allocating resources among different businesses, formulating and implementing strategies that span individual businesses, and providing leadership for the organization.
2. **Business Level General Managers:** The development of strategies for individual business areas is the responsibility of the general managers in these different businesses or business level managers. They are concerned with strategies that are specific to a particular business. Their role is to translate the general statements of direction and intent of corporate level management into concrete strategies for individual businesses.
3. **Functional Level Managers:** They are responsible for the specific business functions or operations (human resources, purchasing, product development, customer service, etc.) that constitute a company or one of its divisions.

SIMILAR QUESTIONS:

1. Distinguish between the three levels of strategy formulation. (PM, RTP- N15, N10- 3M)
- A. Same as above.

Q.No.6. Write short notes on Corporate Level Management (A)**(M15 - 3M, PM)**

1. Corporate level of management consists of Chief Executive Officer (CEO), other Senior Executives, the Board of Directors and Corporate Staff.
2. The role of Corporate-Level Managers is to oversee the development of strategies for the whole organisation in consultation with other Senior Executives.
3. These individuals occupy the apex role in decision making within the organisation and **broadly have following roles:**
- Oversee the development of strategies for the whole organization.
 - Defining the mission, vision 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.
4. Some of the major corporate level strategies formulated by the top management include determination of the business lines, expansion and growth, vertical and horizontal integration, diversification, takeovers and mergers, new investment and divestment areas, R & D projects, etc.

SIMILAR QUESTIONS:

1. In your view, what is the role of corporate level managers in strategic management?
- A. Same as above. (PM, M15 - 3M)
2. You are appointed as a strategic manager by XYZ Co. Ltd. being a strategic manager what should be your tasks to perform? (PM , N11- 3M)
- A. The primary task of the strategic manager is conceptualizing, designing and executing company strategies. + Refer 3rd point in the above answer.

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Q.No.7. Write short notes on Business Level Managers (C)

- a) A business unit is an independent division (with its own functions like Finance, Purchasing, Production and Marketing departments) that provides a product or service for a particular market.
- b) The principal general manager at the business level, or the business-level manager, is the head of the division.
- c) The business-level managers design and implement robust strategies that will contribute towards the maximization of long-run profitability.
- d) The strategic role of these managers is to translate the general statements of direction and intent from the corporate level into concrete strategies for individual businesses. They are held responsible for the performance.
- e) Corporate-level general managers are concerned with taking decisions concerning all businesses of the company, whereas business-level general managers are concerned with developing strategies that are specific to a particular business.

Q.No.8. What are the activities performed by Functional Level Managers? (B)

1. Functional-Level Managers are responsible for the specific business functions/ tasks/ operations (e.g. Human Resources, Purchasing, Product Development, Customer Service, etc.) that constitute a Company or one of its divisions.
2. They have a major strategic role to develop functional strategies in their area that help to fulfill the strategic objectives set by Business-Level and Corporate-Level General Managers.
3. They provide most of the information that makes it possible for Business-Level and Corporate-Level General Managers to formulate realistic and achievable strategies because they are closer to the customer.
4. Thus, it is important for corporate and business level general managers to listen closely to the ideas of their functional managers.

STRATEGIC MANAGEMENT PROCESS**Q.No.9. What is Strategic Management? What are its Objectives? (A)**

(PM, N 07 - 5M, RTP- N11, M12, M14, M15)

INTRODUCTION: *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.*

MEANING: Strategic Management refers to the Managerial process of:

- a) Forming a Strategic Vision and Mission,
- b) Setting Objectives,
- c) Crafting a strategy,
- d) Implementing and Executing the Strategy, and
- e) Making necessary corrective adjustments in the vision, objectives, strategy and execution, which are deemed appropriate, over a period of time.

OBJECTIVES: The objectives of Strategic Management are -

- a) To create Competitive Advantage so that the Company can gain advantage over competitors and dominate the market.
- b) To guide the Company through all changes in the environment.



SIMILAR QUESTIONS:

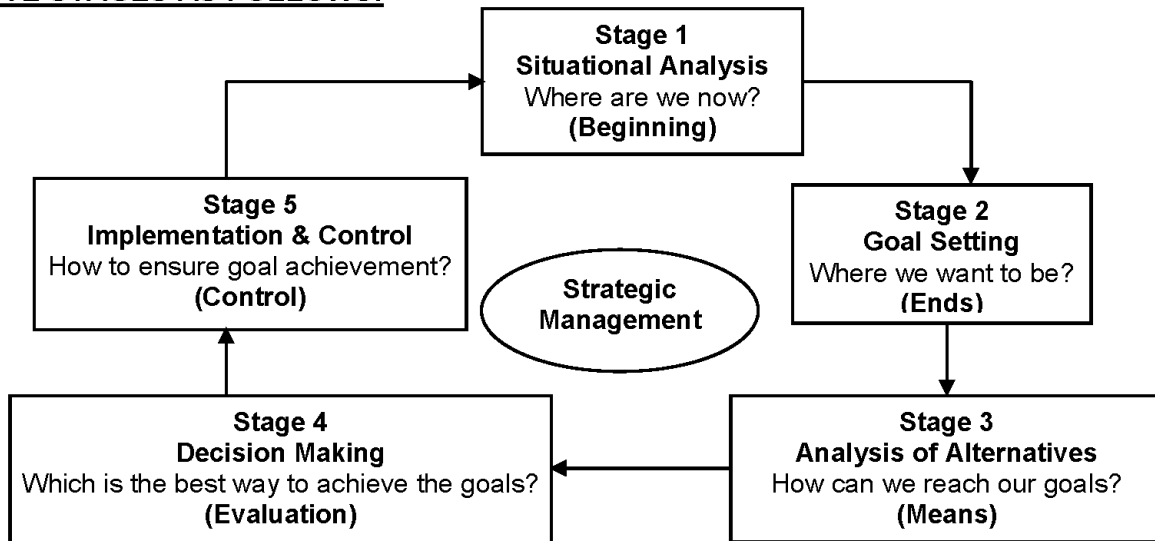
1. What is Strategic Management? (N 07)

A. Refer meaning in the above answer

Q.No.10. Explain the Framework of Strategic Management (A)

(PM, RTP- M12, M14)

THE BASIC FRAMEWORK OF STRATEGIC PROCESS CAN BE DESCRIBED IN A SEQUENCE OF FIVE STAGES AS FOLLOWS:



1. STAGE 1- WHERE ARE WE NOW? (BEGINNING):

- The initial stage consists of doing a situational analysis of the firm in the environmental context.
- The firm must find out its relative market position, corporate image, its strengths and weaknesses, and also environmental threats and opportunities.
- This is also known as SWOT Analysis.

2. STAGE 2 – WHERE WE WANT TO BE? (ENDS):

- After finalising its vision and mission, goals should be set for the organisation.
- A strategic vision is a roadmap of the 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.
- An Organisation's Mission states what customers it serves, what needs it satisfies and what type of product it offers.

3. STAGE 3 – HOW MIGHT WE GET THERE? (MEANS): At this stage, various alternatives for achieving the goals are considered. The long-term and short-term effects of each alternative are evaluated.

4. STAGE 4 – WHICH WAY IS THE BEST? (EVALUATION): Out of all the alternatives generated in the previous stage, the firm should select the best suitable alternative, in line with its SWOT analysis.

5. STAGE 5 – HOW CAN WE ENSURE ARRIVAL? (CONTROL): During the implementation and control stage of the appropriate strategy, the organisation should continuously perform the situational analysis (Stage 1) and repeat the stages again.

Thus, Strategic Management is a continuous on-going process and is not a one-time activity.

SIMILAR QUESTIONS:

1. What do you understand by strategic management? Discuss its frame work?

A. Refer meaning in the 10th question + side headings in the above question.

Q.No.11. Explain the Importance or Benefits of Strategic Management. Do you think that companies should be managed strategically? Discuss. (A)

(PM, RTP - M12, M15, N 07 - 5M, M11 - 4M, M 12, 13 - 3M)

Strategic planning and implementation have become must for all organizations for their survival and growth in the present turbulent business environment. Companies should be managed strategically, because the success of the efforts and activities of the enterprise depends heavily on the quality of Strategic Management.

THE IMPORTANCE OF STRATEGIC MANAGEMENT IS HIGHLIGHTED AS UNDER:

1. **Helps an organisation to be more proactive instead of reactive in shaping its future:** Strategic Management plays a vital role in influencing the environmental forces in its favour, working into the environs and shaping it, instead of getting carried away by its turbulence or uncertainties.
2. **Framework for decision-making:** Strategic Management provides the framework for all major business decisions of an organization such as decisions on businesses, products and markets, manufacturing facilities, investments and organisational structure.
3. **Makes the company future-driven:** Strategic Management is concerned with ensuring a good future for the firm. It tries to prepare the Firm to face the future and acts as pathfinder to various business opportunities.
4. **Defence mechanism:** 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.
5. **Helps in building core competencies & competitive advantages:** Strategic Management provides a firm with certain core competencies and competitive advantages in its fight for survival and growth.

SIMILAR QUESTIONS:

1. 'Organisations sustain superior performance over a long period of time, inspite of the rapid changes taking place continually in its competitive environment if they implement strategic management successfully.' Explain. (N15 - 3M, PM)
- A. Business organizations function within dynamic environment. The environment may vary from being conducive to hostile. Whatever be the conditions, implementation of strategic management is very important for the survival and growth of business organizations. Strategic management helps organizations to sustain superior performance in the following manner: + explain the above 5 points briefly.
2. List some of the major reasons due to which all types firms should engage in 'strategic management.
3. What are the benefits accrue by following a strategic approach to managing?
A. Same as above. (PM, RTP- M15, N07 – 6M)
4. Write short notes on importance of strategic management (PM)
A. Same as above.

Q.No.12. Explain the Strategic Management Model. (A)

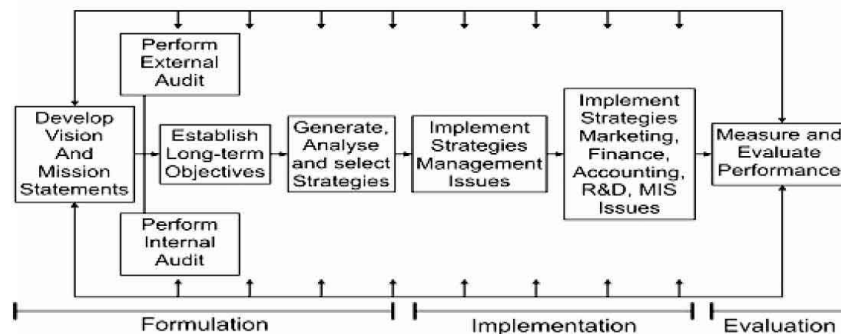
(For student self study)

1. The Strategic Management Model consists of 3 broad phases: Strategy Formulation, Strategy Implementation and Strategy Control.
2. The process of formulating, implementing and controlling a strategy or strategies is a continuous and an ongoing process. A change in any one of the major components in the model can necessitate a change in any or all of the other components.

For e.g., a shift in the economy could represent a major opportunity and require a change in long-term objectives and strategies; a failure to accomplish annual objectives could require a change in policy; or a major competitor's change in strategy could require a change in the firm's mission.

3. THE MAJOR STAGES IN THE STRATEGIC MANAGEMENT PROCESS ARE:

- a) Develop vision and mission statements
- b) Perform internal and external audit (environmental scanning)
- c) Establish long-term objectives
- d) Generate, evaluate, and select strategies
- e) Implement strategies considering management issues
- f) Implement strategies marketing, finance, accounting, R&D, MIS issues
- g) Measure and evaluate performance.



CONCLUSION: The Strategic Management process is dynamic and continuous. Strategy Formulation, Implementation and Evaluation activities should be performed on a continuous basis, not just at the end of the year or semi-annually.

SIMILAR QUESTIONS:

1. What are the major stages in the strategic management process? (PM, M14 - 3M)
- A. Refer 3rd point in the above answer.
2. The first step in strategic management model is developing a strategic vision and mission. Explain. (N17 - 3M)
- A. Identifying an organisation's existing vision, mission, objectives are the starting point for any strategic management process. Determining vision and mission provides long-term direction, delineate what kind of enterprise the company is trying to become and infuse the organisation with a sense of purposeful action.

Q.No.13. What is strategic decision making? Briefly explain the Features/ Major Dimensions of Strategic Decision Making. (A)
(PM, RTP – M13, N14, M15, N15, N16 - 3M, N 11,13 – 3M, N15 - 4M, N17 RTP)

DECISION MAKING: It is a managerial process and a 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 FEATURES / MAJOR DIMENSIONS OF STRATEGIC DECISIONS ARE:

1. **Strategic issues require top-management decisions:** Problems calling for strategic decisions should be considered by top management due to
 - a) Co-ordinated / Harmonised thinking,
 - b) Effect on various sub-systems in the organisation, and
 - c) Risk involved.

2. **Strategic issues involve the allocation of large amounts of company resources:** Strategic issues require large amounts of Company's financial investment, to venture into new areas of business, employing more people with new set of skills in them, take-over of another enterprise, etc.
3. **Strategic issues are likely to have a significant impact on long term prosperity of the firm:** The results of strategy implementation should be analysed and reviewed on a long term basis and not immediately.
4. **Strategic issues are future oriented:** Strategic thinking involves predicting the future environmental conditions and how to orient for the changed conditions.
5. **Strategic issues have major multi-functional/ multi- business effects:** Strategic decision making involves an organisation in its totality. They affect different sections of the organisation with varying degrees.
6. **Strategic issues require the analysis of external environmental factors:** Strategic decision-making in organisation involves orienting its internal environment to the changes of external environment.

SIMILAR QUESTIONS:

1. How strategic decisions differ in nature from other decisions taken in the day-to-day working of an organisation? Explain. (PM, N14 - 3M)
- A. Write Meaning and side headings of the above answer.
2. Decision making is an important managerial function in strategic management. Discuss. What are the major dimensions of strategic decisions? (RTP - M16)
- A. Same as above.

Q.No.14. What do you mean by Strategic Vision? What are its Elements? (A)
(PM, RTP - M12, N11 - 3M, N12 - 3M, N14, N15, N17 – 3M)

Vision is what a firm or a person would ultimately like to become. Therefore, a vision, expresses the position that a firm would like to attain or achieve in the distant future.

MEANING:

- a) 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, and
 - the Capabilities it plans to develop and the kind of company that the management is trying to create.
- b) A strategic vision describes management's aspirations for the business, providing a view of the "where we are going" and a convincing rationale for why this makes good business sense for the company.
- c) A clearly stated strategic vision communicates management's aspirations to stakeholders and helps steer the energies of company personnel in a common direction.

ELEMENTS OF STRATEGIC VISION:

- a) Through vision statement, a firm defines 'what business the company is presently in and conveys "Who we are and where we are now?"
- b) The organisation's Vision statement should provide long - term direction to employees about "Where we are going?"
- c) The organisation's vision must be clear, inspiring and stated in exciting terms to obtain commitment of all employees.

EXAMPLES:

1. **The vision of ICAI** – To be the World's leading accounting body, a regulator and developer of trusted and independent professionals with world class competencies in accounting, assurance, taxation, finance and business advisory services.
2. **Reliance Industries:** *Through sustainable measures, create value for the nation, enhance quality of life across the entire socio-economic spectrum and help spearhead India as a global leader in the domains where we operate.*
3. **TATA Power:** *To be the most admired and responsible Integrated Power Company with international footprint, delivering sustainable value to all stakeholder.*
4. *For instance, Henry Ford's vision of a 'car in every garage' had power because it captured the imagination of others, aided internal efforts to mobilize the Ford Motor Company's resources, and served as a reference point for gauging the merits of the company's strategic actions.*

**SIMILAR QUESTIONS:**

1. What do you mean by Strategic Vision?
 - A. Refer 'Meaning' in the above answer.
2. State the elements of a Strategic Vision? **(PM, N 12 - 3M, M 13 - 3M)**
 - A. Refer the points under the sub – heading 'Elements of Strategic Vision' above.
3. "A strategic vision is a roadmap of a company's future". Comment. Draft a strategic vision statement of any well- known national level educational institution you are familiar with?
 - A. Refer point 'a' under meaning and write example of ICAI. **(PM, N14 - 3M)**

Q.No.15. How to develop Strategic Vision? (C)

Visionary Leaders: Can you identify them?

- a) The Entrepreneurial Challenge in developing strategic vision is to think creatively about how to prepare a company for the future.
- b) Forming a Strategic Vision is an exercise in Intelligent Entrepreneurship.
- c) A well articulated strategic vision creates enthusiasm for the course management has chartered and engages members of the organisation.
- d) The best worded vision statement clearly and crisply illuminate the direction in which organisation is headed.
- e) *Many successful organizations need to change their direction in order to maintain their success.*

Q.No.16. What do you mean by Mission? (A)**(PM, RTP - N11, N14, N17 – 3M)****MEANING OF MISSION STATEMENT:**

- a) Mission statement of a company is focused on its present business scope- "Who we are and what we do" and it broadly describes an organisation's present capabilities, customers focus, present activities and business makeup.

- b) An organisation's mission states what customers it serves, what need it satisfies, and what type of product it offers.
- c) Mission is the Purpose or reason for an organisation's existence.
- d) Mission is defined as "an Enduring Statement of Purpose that distinguishes one organisation from other similar organisations".
- e) It is an expression of the growth ambition of the organisation.



The mission is a firm's guiding principle, common purpose which the entire firm shares and pursues.

SOME MORE POINTS TO PROVIDE CLARITY ABOUT MISSION:

- a) Mission clarifies why the firm is there, what existence it seeks and what purpose it seeks to achieve as a business firm.
- b) Mission serves as a justification for the firm's presence and existence;
- c) Mission is also an expression of the vision of the corporation, its founder/ leader. It is through the mission that the firm spells out its vision.
- d) It represents the common purpose, which the entire firm shares and pursues.
- e) Mission is not a confidential affair and confined at the top. It has to be open to the entire company.
- f) Mission is the foundation from which the networks of corporate aims are built.
- g) The mission serves as a proclamation to insiders and outsiders on what the corporation stands for.
- h) It tries to establish a link between its internal and external environment. It creates closer linkages and better communication with consumers, suppliers & alliance partners.

EXAMPLES:

1. *"To refresh the world.... To inspire the moments of optimism and happiness.... and to create value and make a difference." – Coca Cola*
2. *"To deliver superior value to our customers, shareholders, employees and society at large. Our core values are integrity, commitment, passion, seamlessness, and speed."- Aditya Birla Group*
3. *ICAI will leverage technology and infrastructure and partner with its stakeholders to:*
 - a) *Impart world class education, training and professional development opportunities to create global professionals*
 - b) *Develop an independent and transparent regulatory mechanism that keeps pace with the changing times*
 - c) *Ensure adherence to highest ethical standards.*
 - d) *Conduct cutting edge research and development in the areas of accounting, assurance, taxation, finance and business advisory services*
 - e) *Establish ICAI members and firms as Indian multi-national service providers.*



SIMILAR QUESTIONS:

1. What is a Mission Statement? (M 07 - 2M)
- A. Refer meaning of mission statement in above answer
2. Mission statement of a company focuses on the question: 'who we are' and 'what we do'. Explain briefly. (PM, M14 - 3M)
- A. Refer meaning of mission statement in above answer

Q.No.17. State the points that may be considered while writing a mission statement of a company. (A) (PM, RTP- N11, N 09 - 2M, M10 - 4M)

Mission statement broadly describes 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.

1. To establish special identity of the business - one that differentiates it from other similarly positioned companies.
2. Needs which business tries to satisfy, customer groups it wishes to target and the technologies and competencies it uses and the activities it performs.
3. Good mission statements should be personalised and unique to the organisation for which they are developed.
4. The mission of a company should not be to make profit. Surpluses may be required for survival and growth, but cannot be the mission of a company.
5. *Mission statements should be precise, clear, feasible, distinctive and motivating.*
6. *Mission statements should serve as justification for the presence and existence of the firm.*

SIMILAR QUESTIONS:

1. State the points that may be considered while writing a mission statement of a Company.
 - A. Same as above. (N 09 - 2M)
2. You are asked to draft a mission statement of a company. What is a mission statement? Give any two characteristics of a good mission statement. (N 16- 3M)
 - A. Refer Q. No. 17 for mission statement and write any two points in Q. No. 18.
3. What tips can you offer to write a 'right' Mission Statement? (M10 - 4M)
 - A. Same as above

Q.No.18. Define the Term Objectives (A)

(RTP- N16, M16 - 3M)

OBJECTIVES:

- a) Objectives are organisation's performance targets i.e. the results and outcomes it wants to achieve. They function as yardstick for tracking an organizations performance and progress.
- b) They provide meaning and sense of direction to organizational endeavour.
- c) Organizational structure and activities are designed and resources are allocated around the objectives to facilitate their achievement.
- d) They also act as benchmarks for guiding organizational activity and for evaluating how the organization is performing.
- e) All organizations have objectives and the pursuit of objectives is an unending process.
- f) Today, organizations are capable of achieving multiple objectives. In general, we may identify a set of business objectives being pursued by the business. For example, profitability, productive efficiency, growth, technological dynamism, stability, self-reliance, survival, competitive strength, customer service, financial solvency, product quality, diversification, employee satisfaction and welfare, and so on.
- g) Organizations need to balance these objectives in an appropriate manner.

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Q.No.19. State the Characteristics of Objectives? (A)

(RTP - N16)

Objectives should define the organization's relationship with its environment.

- a) They should be facilitative towards achievement of mission and purpose.
- b) They should provide the basis for strategic decision-making.
- c) They should provide standards for performance appraisal.
- d) Objectives should be understandable.
- e) Objectives should be concrete and specific
- f) Objectives should be related to a time frame
- g) Objectives should be measurable and controllable
- h) Objectives should be challenging
- i) Different objectives should correlate with each other
- j) Objectives should be set within constraints

An objective should satisfy the SMART principle.

S - Specific

M - Measurable

A - Achievable or Attainable

R - Realistic

T - Time bound



SIMILAR QUESTIONS:

1. What is meant by organizational objectives? Explain the six characteristics of organizational objectives. (RTP- N16)
- A. Write 'a' & 'b' points of Q. No. 20 + write the answer of Q. No. 21.

APPLICATION ORIENTED QUESTIONS

Q.No.20. What do you understand by 'shared vision' and 'vision shared'? (A)

(PM, RTP- M16, M10 – 2M)

1. Individuals in organisations relate themselves with the vision of their organisations in different manner.
2. **SHARED VISION:** 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 spreads throughout the organization and gives coherence to diverse activities.
3. **VISION SHARED:** 'Vision shared' shows imposition of vision from the top management. It may demand compliance rather than commitment.
4. For success of organisations having shared vision is better than vision shared.

Q.No.21. What is Corporate Strategy? How would you argue that 'corporate strategy' ensures the correct alignment of the firm with its strategy? (A) (PM, RTP- M16, N17 RTP)

MEANING OF CORPORATE STRATEGY: 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.

1. Corporate strategy ensures the growth of the firm and the right fit between the external environment and its internal environment.
2. 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 with those businesses. They set the overall direction the organization will follow.
3. Corporate strategy helps to build the relevant competitive advantages.
4. Corporate strategy helps in exploiting the opportunities available in the environment and avoiding the threats.
5. With the help of corporate strategy, organizations match their unique capabilities with the external environment so as to achieve its vision and mission.

SIMILAR QUESTIONS:

1. What does Corporate Strategy ensure? Explain.
- A. Same as above

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To **MASTER MINDS**, Guntur

Q.No.22. "A company should focus on external perspective to define its mission". Support this statement with reasons. (B) (PM)

1. A business organization is a part of overall structure of society and functions within wide external environmental factors. It draws its resources from its external environment, processes them and provides output in the form of goods and services. Therefore, it is correct to say that a business enterprise should focus on external perspective to define its mission.
2. Bringing an external perspective justifies the purpose/ existence of the company.
3. The mission statement is a message designed to be inclusive of the expectations of all stakeholders for the performance of an enterprise / company over the long run.
4. **Some of the questions addressed by mission statement are:**
 - a) Why is the firm in business?
 - b) What are the its economic goals?
 - c) What is the operating philosophy in terms of quality, firm's image and self- concept?
 - d) What are its core competencies and competitive advantages?
 - e) What customers it serves/ wants to serve?
 - f) How does the company view its responsibilities to stockholders, employees, communities, environment and social issues?

ACADEMIC INTEREST QUESTIONS

Q.No.23. Compare the features of strategic management decisions at different levels of management. (C)

FOLLOWING ARE THE CHARACTERISTICS OF STRATEGIC MANAGEMENT DECISIONS AT DIFFERENT LEVELS:

Feature	Corporate Level	Business Level	Functional Level
Type	Conceptual	Mixed	Operational
Frequency	Periodic or sporadic	Periodic or sporadic	Periodic
Relation to present activities	Innovative	Mixed	Supplementary
Risk	Wide range	Moderate	Low

Profit potential	Large	Medium	Small
Cost	Major	Medium	Modest
Time horizon	Long range	Medium range	Short range
Flexibility	High	Medium	Low
Co-operation required	Considerable	Moderate	Little
Impact	Significant	Medium	Low

Q.No.24. According to Peter F. Drucker every organisation must ask an important question "What Business are We in?" – Elucidate. (C)

To ensure continued evolution of growth, an organization must define their business in a broader sense to take advantage of the growth opportunities that emerge over time. They must continuously understand and act on their customers' needs and desires. A company should define the purpose of its business in 3 dimensions.






"In the factory we make cosmetics. In the drug store we sell hope." – Charles Revson.

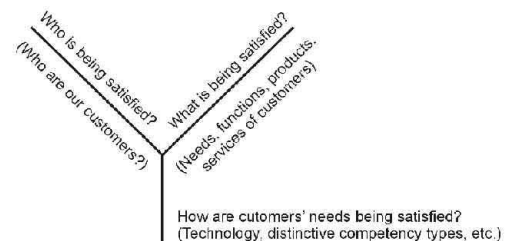
E.g.1: A company like Intel, the makers of microprocessors, may define their business like this: "We are in the business of computing technology and to consistently develop the building blocks of computing technology for the entire computer industry of the world is our business."

E.g.2: Ford motor company would say: "We are in the business of automotive and auto-related products and services."

E.g.3:

Organisation	Production - Oriented Answer (Internal Perspective)	Marketing - Oriented Perspective (External Perspective)
	We run a railroad system	We offer a public transportation and material-handling system.
	We produce oil and gasoline products.	We provide various types of safe and cost-effective energy.
	We make cameras and film.	We help people to preserve beautiful memories.

Pitfalls of narrowly defining a business: Traditionally, firms viewed their businesses as one of producing some goods. They used to set their future plans around the production of more of those goods. Organisations that define their businesses too narrowly dig their own graves. They develop short sightedness over a period of time and get unrecognised in the market in the long run.



TEST YOUR KNOWLEDGE

1. What was the need to introduce 'Business Policy' as a subject in Harvard Business School in 1911?
2. List out some major contributors to the 'Strategic Management' subject and their contributions.
3. List out the various strategic decisions that a CA educational institution should take in the present cut-throat competitive market.

4. List out the various operational and strategic decisions to be taken from the point of view of an educational institution.
5. Mention the various strategic levels in Tata Group along with diagrammatic representation.
6. Differentiate between a 'Generalist and 'Journalist'. In terms of organisational hierarchy where will you put them?
7. If you are the CEO of a group of hotels, what are your major strategic responsibilities?
8. What are the steps you follow as an entrepreneur to implement strategic management in your company?
9. 'Strategic Management' is a one-time activity and is not a continuous process. Comment.
10. Will a company's mission statement be changed frequently? Under what situations a company's mission statement may change?
11. Motorola was the first company to introduce mobile handsets worldwide. But, Motorola today is far behind its competitors like Nokia, Samsung etc. in mobile handsets market. What are the various reasons for Motorola's reduced hold on the market?
12. As a CA student, write down your short term, midterm and long term objectives, keeping in mind the 'SMART' principle.
13. A CA student says "I want to be a successful Chartered Accountant." Is this an objective or a goal and give proper reasons for your answer.
14. "If you do not know where you want to go, any path will take you there." In which context, can we discuss this statement and what is the meaning of this statement?
15. Do single business firms or focused firms need to formulate strategies at multiple levels or is a single level strategy enough to them?
16. Imagine you are presently manufacturing and marketing a fairness cream brand. How do you define your business in a broader sense?

THE END