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CA Inter
Strategic Management
Version 5

JAN/MAY/SEPT 27

Ready To Go
Question Bank

CA
Amit Sharma

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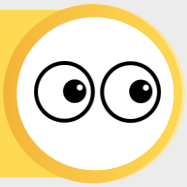
INDEX

CHAPTER	01	Introduction to Strategic Management	01
CHAPTER	02	Strategic Analysis: External Analysis	17
CHAPTER	03	Strategic Analysis: Internal Analysis	31
CHAPTER	04	Strategic Choices	51
CHAPTER	05	Strategy Implementation and Evaluation	73
Case Scenario MCQ			94



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Let's open our hearts for this book in a new way."

CA AMIT SHARMA

1 CHAPTER — INTRODUCTION TO STRATEGIC MANAGEMENT

ICAI MCQs

Q.N.	Questions
1.	**Read the following three statements:** **(i) Strategies have short-range implications.** **(ii) Strategies are action oriented.** **(iii) Strategies are rigidly defined.** **From the combinations given below select an alternative that represents statements that are true:**
	(a) (i) and (ii) (b) (i) and (iii) (c) (ii) and (iii) (d) (i), (ii) and (iii)
2.	**Kanchan is the finance head for marketing strategies of a company. Which level of management is she working at?**
	(a) Corporate Level (b) Functional Level (c) Shopfloor Level (d) Consultant Level
3.	**Which one of the following, focuses on present business scope- 'who we are and what we do'?**
	(a) Mission Statement (b) Vision Statement (c) Goals and objectives (d) Purpose
4.	**BBL Bank had strategically decided to setup a separate office in Mumbai back in 2016, specifically to invest in crypto currencies and in development of robust blockchain facilities. Which importance of strategic management did BBL Bank made use of?**
	(a) Gives direction to the management of the company. (b) Helps to be proactive instead of being reactive. (c) Provides a framework for all major future decisions. (d) Supports development of new SBUs like in this case separate office for Blockchain.
5.	**Strategy is-**
	(a) Proactive in action (b) Reactive in action (c) A blend of proactive and reactive actions (d) None of the above

6. Drishti Care is a not-for profit eye hospital and research center. Which one of the following statements is likely to relate to Drishti Care's vision, rather than its mission statement?

(a) Drishti Care places patient care before all else
(b) Drishti Care will be the global leader in cutting edge eye surgery
(c) Drishti Care offers the highest level of patient care throughout country
(d) Drishti Care consultants strive to continually improve surgical techniques

7. Imagine you are part of a strategic planning team for a company. As you work on defining the company's identity and its current business scope, which of the following elements primarily concentrates on answering the question, "Who we are and what we do?"

(a) Mission statement
(b) Vision statement
(c) Goals and Objectives
(d) Purpose

8. Which statement should be created first and foremost?

(a) Strategy
(b) Vision
(c) Objectives
(d) Missionu

9. Mr. Prakash and Mr. Pal are partners in a thriving business venture. Recently, they have become aware of their employees' dissatisfaction with their working conditions. Mr. Prakash believes that the situation should be dealt with before the employees explode. Mr. Pal, on the other hand, believes that if the employees have an outburst, then they will handle it. Mr. Prakash and Mr. Pal business philosophy is:

(a) Reactive, Proactive
(b) Reactive, Reactive
(c) Proactive, Proactive
(d) Proactive, Reactive

10. Strategic management enables an organization to _____ instead of companies just responding to threats in their business environment.

(a) be proactive
(b) determine when the threat will subside
(c) avoid the threats
(d) defeat their competitors

11. Formulation of strategies and their implementation in a strategic management process is undertaken by_____

(a) Top level executives
(b) Middle level executives
(c) Lower-level executives
(d) All of the above

12. Members of Infinite Care, an NGO, have met and determined that they need to formulate a philosophical basis for their activities. Thereby they have come up with a statement: -
"Provide children till age 12, living in homeless or low-income situations, with the essential items they need to thrive - at home, at school and at play."
Identify the area of strategic intent, which the members have stated?

(a) Vision
(b) Business definition
(c) Goal and Objective
(d) Mission

13. Functional level managers are concerned with_____

(a) Strategies that are responsible for the operations of specific business
(b) Strategies that span multiple businesses
(c) Strategies that are specific to particular country
(d) Strategies that encourage a favourable attitude toward change

14. Which of the following managers' role is to translate the general statements/ strategies into concrete strategies of their individual businesses-

(a) Supervisor
(b) Functional Manager
(c) CEO of the company
(d) All of the above

15. Velvet Limited is a full-service airline. The company is making the following decisions:
(i) Should a 'no-frills', 'low-fare' subsidiary be set-up?
(ii) If it is set up, how should the cabin staff be recruited?
Which of the above decisions will be taken by corporate level managers?

(a) Only {i)
(b) Only (ii)
(c) (i) & (ii)
(d) Neither (i) nor (ii)

16. The philosophical base of strategic management falls within the concept of_____

(a) Strategic Intent
(b) Portfolio Analysis
(c) Globalisation
(d) Vision Statement

17. Greg was heading the Global Biscuits SBU for Jonky's Ltd. and he got an email congratulating him for being promoted as the head of entire business of Jonky's in India. Which of the following statements is true about Greg's position?
(i) Greg was a business level manager but now he is a corporate level manager
(ii) Greg was a functional level manager but now he is a corporate level manager
(iii) Greg was a business level manager and now also he is a business level manager
Greg was a corporate level manager and now also he is a corporate level manager

(a) Greg was a business level manager but now he is a corporate level manager
(b) Greg was a functional level manager but now he is a corporate level manager
(c) Greg was a business level manager and now also he is a business level manager

(d) Greg was a corporate level manager and now also he is a corporate level manager

18. An organisation during its strategy planning envisaged entire situation and created a strategy framework. But in mean time after implementation, it realised that its framework is not effective in certain unique unplanned situations. What could be the reason for such ineffectiveness?

(a) Strategy is partly proactive and partly reactive.
(b) Lack of analysis and proper planning.
(c) Strategy is highly reactive and highly proactive.
(d) Improper creation of strategic framework.

19. Mr. Parek sharing with his friend in an informal discussion that he has to move very cautiously in his organization as the decisions taken by him have organisation wide impact and involve large commitments of resources. He also said that his decisions decide the future of his organisation. Where will you place Mr. Parek in the organizational hierarchy?

(a) Middle Level
(b) Low Level
(c) Top Level
(d) None of the above

20. Dee Limited is an international clothing retailer. The company is making the following decisions:
(i) Should another range of shops be established?
(ii) Should the company float more share capital?
(iii) How will the premises be fitted out for the new range of shops?
Which of the above decisions will be taken by corporate level managers?

(a) Only (i)
(b) Only (ii)
(c) (i) & (ii)
(d) (ii) & (iii)

1.	(a)	**2.**	(b)	**3.**	(a)	**4.**	(b)	**5.**	(c)
6.	(b)	**7.**	(a)	**8.**	(b)	**9.**	(d)	**10.**	(a)
11.	(d)	**12.**	(d)	**13.**	(a)	**14.**	(d)	**15.**	(a)
16.	(a)	**17.**	(a)	**18.**	(a)	**19.**	(c)	**20.**	(c)

Descriptive Questions

Q.N.	Questions
1.	**"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.**

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:

- 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.
- 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.
- 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.
- 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.

2.	**"Strategic intent provides the framework within which the firm would adopt a predetermined direction and would operate to achieve strategic objectives." In the light of this statement, discuss the elements of strategic intent.**

Strategic intent can be understood as the philosophical base of strategic management. It implies the purposes, which an organization endeavours to achieve. It is a statement that provides a perspective. Strategic intent gives an idea of what the organization desires to attain in future. Strategic intent provides the framework within which the firm would adopt a predetermined direction and would operate to achieve strategic objectives.

Elements of strategic management are as follows:

(i) Vision: Vision implies the blueprint of the company's future position. It describes where the organisation wants to land. It depicts the organisation's aspirations and provides a glimpse of what the organization would like to become in future. Every sub system of the organization is required to follow its vision.

(ii) Mission: Mission delineates the firm's business, its goals and ways to reach the goals. It explains the reason for the existence of the firm in the society. A mission statement helps to identify, 'what business the company undertakes.' It defines the present capabilities, activities, customer focus and role in society.

(iii) Business Definition: It seeks to explain the business undertaken by the firm, with respect to the customer needs, target markets, and alternative technologies. With the help of business definition, one can ascertain the strategic business choices.

(iv) Business Model: Business model, as the name implies is a strategy for the effective operation of the business, ascertaining sources of income, desired customer base, and financial details. Rival firms, operating in the same industry rely on the different business model due to their strategic choice.

(v) Goals and Objectives: These are the base of measurement. Goals are the end results, that the organization attempts to achieve. On the other hand, objectives are time-based measurable targets, which help in the accomplishment of goals. These are the end results which are to be attained with the help of an overall plan. However, in practice, no distinction is made between goals and objectives and both the terms are used interchangeably.

3. "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.

Each organization has to build its competitive advantage over the competitors in the business warfare in order to win. This can be done only by following the process 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 frameworks for all major business decisions of an enterprise such as on businesses, products, markets, organizational 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.

4. Why an organisation should have a mission? What considerations are to be kept in mind while writing a good mission statement of a company?

Organization should have a mission on account of the following reasons:

- To ensure unanimity of purpose within the organization.
- To develop a basis, or standard, for allocating organizational resources.
- To provide a basis for motivating the use of the organization's resources.
- To establish a general tone or organizational climate.

• To serve as a focal point for those who can identify with the organization's purpose and direction.
• To facilitate the translation of objective and goals into a work structure involving the assignment of tasks to responsible elements within the organization.
• To specify organizational purposes and the translation of these purposes into goals in such a way that cost, time, and performance parameters can be assessed and controlled.

The following points must be considered while writing a good mission statement of a company:
(i) To establish the special identity of the business - one that typically distinct it from other similarly positioned companies.
(ii) Good mission statements should be unique to the organisation for which they are developed.
(iii) Needs which business tries to satisfy, customer groups it wishes to target and the technologies and competencies it uses and the activities it performs.

5. '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'.

It is true that the strategic management is not a panacea for all corporate ills. This is on account of complex multiple forces acting on business organization and limiting its success.
These limitations are on account of following factors:
• 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.
• 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.
• 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.
• 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.

6. What are the characteristics which must be possess by objectives, to be meaningful to serve the intended role?

Objectives with strategic focus relate to outcomes that strengthen an organization's overall business position and competitive vitality. Objectives, to be meaningful to serve the intended role, must possess the following characteristics:
• Objectives should define the organization's relationship with its environment.
• Objectives should be facilitative towards achievement of mission and purpose.
• Objectives should provide the basis for strategic decision-making.
• Objectives should provide standards for performance appraisal.
• Objectives should be understandable.
• Objectives should be concrete and specific.

• Objectives should be related to a time frame.
• Objectives should be measurable and controllable.
• Objectives should be challenging.
• Different objectives should correlate with each other.
• Objectives should be set within constraints.

7. What is strategic vision?

A strategic vision delineates organisation's aspirations for the business, providing a panoram ic view of the position where the organisation is going. A strategic visi n p ints an organization in a particular direction, charts a strategic path for it to follow in preparing for the future, and moulds organizational identity. A Strategiccastudynotesvisionisroadmapofacompany'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 hat management is trying to create.

8. Briefly explain the 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:

• It helps organizations to be more proactive rather than reactive in dealing with its future. It facilitates the organisations 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 organizations to evolve certain core competencies and competitive advantages that assist in the fight for survival and growth.

9. Can Marketers alone can deliver superior value to customers.

Incorrect: A marketer alone cannot deliver superior value to the customers. It needs to work in coordination with other departments to accomplish this. It is important to be part of organization chain and marketer needs to work in coordination with other departments in the search for competitive advantages. Organisations need to look at the value chain network along with its own chain of activities and the chain of suppliers, distributors and ultimately customers.

10. Mathew & Sons Ltd. is a diversified business entity having business operations across the globe. Presently, Mr. Mathew is the CEO of Mathew & Sons Ltd. He is going to retire in next 4 months, so he has decided to change the company's leadership and hand over the pedals to his elder son

Marshal. Marshal is a highly educated with an engineering degree from USA. However, being very young he is not clear about his role and responsibilities. In your view, what are the responsibilities of Marshal as CEO of Mathew & Sons Ltd.

Marshal, to be an effective strategic leader of Mathew & Sons Ltd. must be able to deal with the diverse and cognitively complex competitive situations that are characteristic of today's competitive landscape. He has several responsibilities, including the following:

• Making strategic decisions.
•Formulating policies and action plans to implement strategic decision. Ensuring effective communication in the organisation.
• Managing human capital (perhaps the most critical of the strategic leader's skills).
• Managing change in the organisation.
• Creating and sustaining strong corporate culture.
• Sustaining high performance over time.

11. Distinguish between vision and mission statement.

A Mission statement tells you the fundamental purpose of the organization. It concentrates on the present. It defines the customer and the critical processes. It informs you of the desi red level of performance. On the other hand, a vision statement outlines what the organization wants to be. It concentrates on the future. It is a source of inspiration. It provides clear decision -making criteria.

A mission statement can resemble a vision statement in a few companies, but that can be a grave mistake. It can confuse people. Following are the major differences between vision and mission:
1. The vision states the future direction while the mission states the ongoing activities of the organisation.
2. The vision statement can galvanize the people to achieve defined objectives, even if they are stretch objectives, provided the vision is specific, measurable, achievable, relevant and time bound. A mission statement provides a path to realize the vision in line with its values. These statements have a direct bearing on the bottom line and success of the organization.
3. A vision statement defines the purpose or broader goal for being in existence or in the business and can remain the same for decades if crafted well while a mission statement is more specific in terms of both the future state and the time frame. Mission describes what will be achieved if the organization is successful.

12. Mission statement of a company focuses on the question: 'who we are' and 'what we do'. Explain briefly.

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 organizations present capability, customer 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. It helps organisation to set its own special identity, business emphasis and path for

development. Mission amplifies what brings the organization to this business or why it is there, what existence it seeks and what purpose it seeks to achieve as a business organisation.

13. Explain the difference between three levels of strategy formulation.

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.

14. What is Strategic management and what are overall objectives of Strategic Management

The term 'strategic management' refers to the managerial process of developing a strategic vision, setting objectives, crafting a strategy, implementing and evaluating the strategy, and initiating corrective adjustments were deemed appropriate.

The overall objectives of strategic management are two-fold:
♦ To create competitive advantage (something unique and valued by the customer), so that the company can outperform the competitors in all aspects of organisational performance.
♦ To guide the company successfully through all changes in the environment. That is to react in the right manner.

15. What do you understand by the term "Management"?

The term 'management' is used in two senses, such as:
(a) It is used with reference to a key group in an organisation in-charge of its affairs. In relation to an organisation, management is the chief organ entrusted with the task of making it a purposeful and productive entity, by undertaking the task of bringing together and integrating the disorganised resources of manpower, money, material, and technology, which are then combined into a functioning whole.

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