

CA Inter Strategic Management

Version 4

**Jan 26
& Onwards**

Ready To Go
**Question
Bank**

CA
Amit Sharma



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

“

Let's fall in love..

With every chapter, With every page, With every concept.

Let's make it more interesting & fun in our own ways.

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) Mission
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.	<p>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."</p> <p>Identify the area of strategic intent, which the members have stated?</p>
	<p>(a) Vision (b) Business definition</p> <p>(c) Goal and Objective (d) Mission</p>
13.	<p>Functional level managers are concerned with_____</p>
	<p>(a) Strategies that are responsible for the operations of specific business</p> <p>(b) Strategies that span multiple businesses</p> <p>(c) Strategies that are specific to particular country</p> <p>(d) Strategies that encourage a favourable attitude toward change</p>
14.	<p>Which of the following managers' role is to translate the general statements/ strategies into concrete strategies of their individual businesses-</p>
	<p>(a) Supervisor (b) Functional Manager</p> <p>(c) CEO of the company (d) All of the above</p>
15.	<p>Velvet Limited is a full-service airline. The company is making the following decisions:</p> <p>(i) Should a 'no-frills', 'low-fare' subsidiary be set-up?</p> <p>(ii) If it is set up, how should the cabin staff be recruited?</p> <p>Which of the above decisions will be taken by corporate level managers?</p>
	<p>(a) Only (i) (b) Only (ii)</p> <p>(c) (i) & (ii) (d) Neither (i) nor (ii)</p>
16.	<p>The philosophical base of strategic management falls within the concept of_____</p>
	<p>(a) Strategic Intent (b) Portfolio Analysis</p> <p>(c) Globalisation (d) Vision Statement</p>
17.	<p>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?</p> <p>(i) Greg was a business level manager but now he is a corporate level manager</p> <p>(ii) Greg was a functional level manager but now he is a corporate level manager</p> <p>(iii) Greg was a business level manager and now also he is a business level manager</p> <p>Greg was a corporate level manager and now also he is a corporate level manager</p>
	<p>(a) Greg was a business level manager but now he is a corporate level manager</p> <p>(b) Greg was a functional level manager but now he is a corporate level manager</p> <p>(c) Greg was a business level manager and now also he is a business level manager</p>

(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.	<p>"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.</p> <p>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.</p> <p>These limitations are on account of following factors:</p> <ul style="list-style-type: none"> • 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.	<p>"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.</p> <p>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.</p> <p>Elements of strategic management are as follows:</p> <p>(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.</p> <p>(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.</p>

- (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 panoramic view of the position where the organisation is going. A strategic vision paints an organization in a particular direction, charts a strategic path for it to follow in preparing for the future, and moulds organizational identity. 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.

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 desired 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 organization's 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.



(b) The term 'Management' is also used with reference to a set of interrelated functions and processes carried out by the management of an organization (the key group of individuals mentioned in point (a) to attain its objectives). These functions include Planning, Organising, Directing, Staffing and Control.

The functions or sub-processes of management are wide-ranging but closely interrelated. They range all the way from determination of the goals, design of the organisation, mobilisation and acquisition of resources, allocation of tasks and resources among the personnel and activity units and installation of control system to ensure that what is planned is achieved.

Management is an influence process to make things happen, to gain command over phenomena, to induce and direct events and people in a particular manner. Influence is backed by power, competence, knowledge and resources. Managers formulate organisational goals, values and strategies, to cope with, to adapt and to adjust themselves with the behaviour and changes in the environment.



CASE STUDIES

16. 'ALBELA' Foods and 'JustBE' Foods are successfully competing chain of restaurants in India. ALBELA's are known for their innovative approach, which has resulted in good revenues. On the other hand, JustBE is slow in responding to environmental change. The initial stages of Covid-19 pandemic and the ensuing strict lockdown had an adverse impact on both the companies. Realizing its severity and future consequences, ALBELA, foods immediately chalked out its post lockdown strategies, which include initiatives like:
- (a) Contactless dinning
 - (b) New category of foods in the menu for boosting immunity
 - (c) Improving safety measures and hygiene standards
 - (d) Introducing online food delivery app
- Seeing the positive buzz around these measures taken by ALBELA Food, JustBE Foods also thinks to introduce these measures.
- (i) Identify the strategic approach taken by 'ALBELA' Foods and 'JustBE' Foods.
 - (ii) Discuss these strategic approach.
 - (iii) Which strategic approach is better and why?

(i) 'ALBELA' foods is proactive in its approach. On the other hand, 'JustBE' foods is reactive in its approach.

(ii) • Proactive strategy is planned strategy. While continuing with the previously initiated business approaches that are working well, the newly launched managerial initiatives aim to strengthen the company's overall position and performance. These are outcomes of management's analysis and strategic thinking about the company's situation and its conclusions about the positioning of the company in the marketplace. If done well, it helps the company to effectively compete for buyer patronage.

• Reactive strategy is an adaptive reaction to changing circumstances. It is not always possible for a company to fully anticipate or plan for changes in the market. There is also a need to adapt strategy as new learnings emerge about which pieces of strategy are working well and which aren't. By itself also, the management may hit upon new ideas for improving the current strategy.

(iii) In reference to the given case, proactive strategy seems to be better because ALBELA foods had been able to utilise available opportunities, reduce adverse impact, enhance the demand for product and is also able to avail the first mover advantage.

17. ABC Limited is in a wide range of businesses which include apparels, lifestyle products, furniture, real estate and electrical products. The company is looking to hire a suitable Chief Executive Officer. Consider yourself as the HR consultant for ABC limited. You have been assigned the task to enlist the activities involved with the role of the Chief Executive Officer. Name the strategic level that this role belongs to and enlist the activities associated with it.

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

1. oversee the development of strategies for the whole organization;
2. defining the mission and goals of the organization;
3. determining what businesses, it should be in;
4. allocating resources among the different businesses;
5. formulating, and implementing strategies that span individual businesses;
6. providing leadership for the organization;

7. ensuring that the corporate and business level strategies which company pursues are consistent with maximizing shareholders wealth; and
8. managing the divestment and acquisition process.

- 18. A owner of medium size factory in Aligarh manufacturing hardware consisting handles, hinges, tower bolts and so on has a staff of about 200 in his organisation. One of the leading brand of Hardware seller in India is rebranding and selling the material from his factory. The owner believes in close supervision and takes all major and minor decisions in the organisation. Do you think the owner should take all decisions himself? What kind of decisions should be taken by person at the level of owner of a medium size factory .**

Decision making is a managerial process of selecting the best course of action out of several alternative courses for the purpose of accomplishment of the organizational goals. Decisions may be operational, i.e., which relate to general day -to-day operations. They may also be strategic in nature.

A owner manager at the top level should concentrate on strategic decisions. These are higher level decisions having organisation wide implications. The major dimensions of strategic decisions are as follows:

- Strategic decisions require top-management involvement as they involve thinking in totality of the organization.
- Strategic decisions involve significant commitment of organisational resources.
- Strategic decisions necessitate consideration of factors in the firm's external environment.
- Strategic decisions are likely to have a significant impact on the long-term prosperity of the firm. Strategic decisions are future oriented.
- Strategic decisions usually have major multifunctional or multi-business consequences.

- 19. Kamal Sweets Corner, a very popular sweets shop in Ranchi, was facing tough competition from branded stores of packaged sweets and imported goods. The owners realised that their business reduced by 50% in the last six months, and this created a stressful business environment for them. To find a solution, they consulted a business consultant to help them develop a strategy to fight competition and sustain their century old family business. The business consultant advised them to innovate a new snack for the public and market it as a traditional snack of the region. The owners liked the idea and developed a new snack called Dahi Samosa, which very quickly became popular amongst the public and it helped regain the lost business of Kamal Sweets Corner.**

One of the very crucial importance of strategic management was used by the business consultant to help the owners of Kamal Sweets Corner. Which one could it be? Also, was this strategy Reactive or

Proactive? According to you who are more beneficial in general parlance?

The strategy used here was of developing a competitive advantage via product which helped Kamal Sweets Corner regain their lost business. This is also one of the major importance cum advantage of strategic management, that is helps to develop core competencies and competitive advantages to overcome competition.

This strategy was a Reactive strategy. Wherein, the owners saw their business fall to 50% of revenue and then seeking a strategic advisory. They did not plan proactively as to when the new shops were already opening. They reacted only when the business started to lose up.

Generally, it is always beneficial to develop strategies proactively, so that the dip in businesses is small and manageable, and even if they are huge, the management has ample time to fix it.

20. **Yummy Foods and Tasty Foods are successfully competing in the business of ready to eat snacks in Patna. Yummy has been pioneer in introducing innovative products. These products will give them good sale. However, Tasty Foods will introduce similar products in reaction to the products introduced by the Yummy Foods taking away the advantage gained by the former**

Yummy foods are proactive in its approach. On the other hand, Tasty Food is reactive. Proactive strategy is planned strategy whereas reactive strategy is adaptive reaction to changing circumstances. A company's strategy is typically a blend of proactive actions on the part of managers to improve the company's market position and financial performance and reactions to unanticipated developments and fresh market conditions.

If organisational resources permit, it is better to be proactive rather than reactive. Being proactive in aspects such as introducing new products will give you advantage in the mind of customers. At the same time, crafting a strategy involves stitching together a proactive/intended strategy and then adapting first one piece and then another as circumstances surrounding the company's situation change or better options emerge -a reactive/adaptive strategy. This aspect can be accomplished by Yummy Foods.

21. **"A business organization cannot always plan all their strategies in advance and often need to blend planned strategies with reactive strategies." Do you agree with the statement? Give reasons.**

Yes, a business organization cannot always plan all their strategies in advance and often need to blend planned strategies with reactive strategies.

In planned strategy, organisations will analyse possible environmental scenarios and create strategic framework after proper planning and set procedures and work on these strategies in a pre-determined 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 visualised and what actually happens. 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.

22. **Mr. Raj has been hired as a CEO by XYZ Ltd a FMCG company that has diversified into affordable cosmetics. The company intends to launch Feelgood brand of cosmetics. XYZ wishes to enrich the lives of people with its products that are good for skin and are produced in ecologically beneficial manner using herbal ingredients. Draft vision and mission statement that may be formulated by Raj.**

Feelgood brand of cosmetics may have following vision and mission:

Vision: Vision implies the blueprint of the company's future position. It describes where the organisation wants to land. Mr. Raj should aim to position "Feelgood cosmetics" as India's beauty care company. It may have vision to be India's largest beauty care company that improves looks, give extraordinary feeling and bring happiness to people.

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. It is designed to help potential shareholders and investors understand the purpose of the company:

Mr. Raj may identify mission in the following lines:

- ◆ To be in the business of cosmetics to enhance the lives of people, give them confidence to lead.
- ◆ To protect skin from harmful elements in environment and sun rays.
- ◆ To produce herbal cosmetics using natural ingredients.

23. **Ramesh Sharma has fifteen stores selling consumer durables in Delhi Region. Four of these stores were opened in last three years. He believes in managing strategically and enjoyed significant sales of refrigerator, televisions, washing machines, air conditioners and like till four years back. With shift to the purchases to online stores, the sales of his stores came down to about seventy per cent in last four years. Analyse the position of Ramesh Sharma in light of limitations of strategic management.**

Ramesh Sharma is facing declining sales on account of large-scale shift of customers to online stores. While he is using the tools of strategic management, they cannot counter all hindrances and always achieve success.

There are limitations attached to strategic management as follows:

- ◆ Environment under which strategies are made is highly complex and turbulent. Entry of online stores, a new kind of competitor brought a different dimension to selling consumer durables. Online stores with their size power could control the market and offer stiff competition to traditional stores.
- ◆ Another limitation of strategic management is that it is difficult to predict how things will shape-up in future. Ramesh Sharma, although managing strategically failed to see how online stores will impact the sales.
- ◆ Although, strategic management is a time-consuming process, he should continue to manage strategically. The challenging times require more efforts on his part.
- ◆ Strategic management is costly. Ramesh Sharma may consider engaging experts to find out preferences of the customers and attune his strategies to better serve them in a customized manner. Such customized offerings may be difficult to match by the online stores.
- ◆ The stores owned by Ramesh Sharma are much smaller than online stores. It is very difficult for him to visualize how online stores will be moving strategically.

24. **Dharam Singh, the procurement department head of Cyclix, a mountain biking equipment company, was recently promoted to look after sales department along with procurement department. His seniors at the corporate level have always liked his way of leadership and are assured that he would ensure the implementation of policies and strategies to the best of his capacity but have never involved him in decision making for the company. Do you think this is the right approach? Validate your answer with logical reasoning around management levels and decision making.**

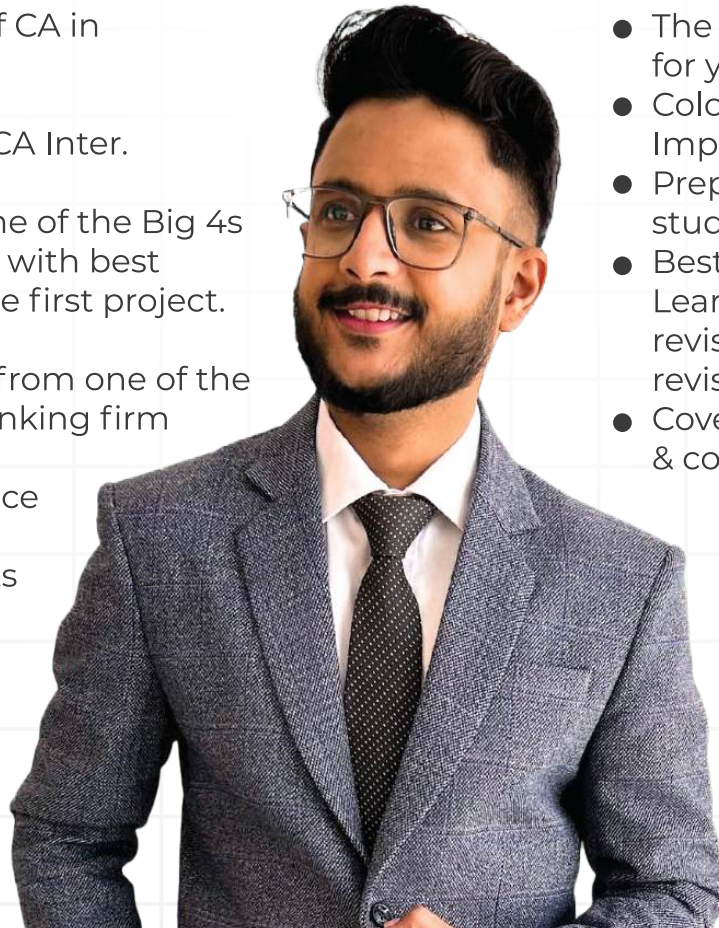
Functional managers provide most of the information that makes it possible for business and corporate level managers to formulate realistic and attainable strategies.



CA Inter Strategic Management Question Bank

Clear COST-FM-SM with Amit Sharma

- ◆ Cleared All levels of CA in First Attempt.
- ◆ Secured AIR 30 in CA Inter.
- ◆ Articleship from one of the Big 4s (KPMG) & awarded with best performance on the first project.
- ◆ Industrial training from one of the top Investment Banking firm (Goldman Sach) in FPnA domain. Hence implementing practicing concepts of Cost FM & SM.



Book Highlights:

- The only single material for your exemption
- Color coded book covering all Imp Questions.
- Prepared in most concise & student friendly manner
- Best Material for First Time Learner - subsequent revision-Final 1.5 Days revision
- Covering all the amendments & concepts for the new course

