NEERAJ®

ADVANCED STRATEGIC MANAGEMENT

M.S.-91

Chapter Wise Reference Book Including Solved Sample Papers

By: *Divya Chawla,* M.B.A., (Finance)

Based on

I.G.N.O.U.

& Various Central, State & Other Open Universities

Serving Education for Last 40 Years

NEERAJ PUBLICATIONS
(Publishers of Educational Books)

Retail Sales Office:
1507, 1st Floor, Nai Sarak, Delhi - 6
Mob.: 8510009872, 8510009878
E-mail: info@neerajbooks.com
Website: www.neerajbooks.com

MRP ₹ 240/-

Published by:

NEERAJ
PUBLICATIONS

(Publishers of Educational Books)

Retail Sales Office : 1507, 1st Floor, Nai Sarak, Delhi-110 006
E-mail: info@neerajbooks.com | Website: www.neerajbooks.com

Reprint Edition with Updation of Sample Question Paper Only

Typesetting by: Competent Computers, Printed at: Novelty Printing Press

Disclaimer/T&C

1. *For the best & up-to-date study & results, please prefer the recommended textbooks/study material only.*
2. *This book is just a Guide Book/Reference Book published by NEERAJ PUBLICATIONS based on the suggested syllabus by a particular Board/University.*
3. *These books are prepared by the author for the help, guidance and reference of the student to get an idea of how he/she can study easily in a short time duration. Content matter & Sample answers given in this Book may be Seen as the Guide/Reference Material only. Neither the publisher nor the author or seller will be responsible for any damage or loss due to any mistake, error or discrepancy as we do not claim the Accuracy of these Solutions/Answers. Any Omission or Error is highly regretted though every care has been taken while preparing, printing, composing and proofreading of these Books. As all the Composing, Printing, Publishing and Proof Reading, etc., are done by Human only and chances of Human Error could not be denied. Any mistake, error or discrepancy noted may be brought to the publishers notice which shall be taken care of in the next edition and thereafter as a good gesture by our company he/she would be provided the rectified Book free of cost. Please consult your Teacher/Tutor or refer to the prescribed & recommended study material of the university/board/institute/ Govt. of India Publication or notification if you have any doubts or confusions regarding any information, data, concept, results, etc. before you appear in the exam or Prepare your Assignments before submitting to the University/Board/Institute.*
4. *In case of any dispute whatsoever the maximum anybody can claim against NEERAJ PUBLICATIONS is just for the price of the Book.*
5. *The number of questions in NEERAJ study materials are indicative of general scope and design of the question paper.*
6. *Any type of ONLINE Sale/Resale of "NEERAJ BOOKS" published by "NEERAJ PUBLICATIONS" on Websites, Web Portals, Online Shopping Sites, like Amazon, Flipkart, Ebay, Snapdeal, etc., is strictly not permitted without prior written permission from NEERAJ PUBLICATIONS. Any such online sale activity by an Individual, Company, Dealer, Bookseller, Book Trader or Distributor will be termed as ILLEGAL SALE of NEERAJ BOOKS and will invite legal action against the offenders.*
7. *The User agrees Not to reproduce, duplicate, copy, sell, resell or exploit for any commercial purposes, any portion of these Books without the written permission of the publisher. This book or part thereof cannot be translated or reproduced in any form (except for review or criticism) without the written permission of the publishers.*
8. *All material prewritten or custom written is intended for the sole purpose of research and exemplary purposes only. We encourage you to use our material as a research and study aid only. Plagiarism is a crime, and we condone such behaviour. Please use our material responsibly.*
9. *All matters, terms & disputes are subject to Delhi Jurisdiction only.*

CONTENTS

ADVANCED STRATEGIC MANAGEMENT

Question Bank – (Previous Year Solved Question Papers)

S.No.	***Chapterwise Reference Book***	*Page*

Issues in Corporate Management

■■

Sample Preview
of the
Solved
Sample Question
Papers

Published by:

NEERAJ PUBLICATIONS

www.neerajbooks.com

QUESTION PAPER

Exam Held in

February – 2021

(Solved)

ADVANCED STRATEGIC MANAGEMENT

M.S.-91

Time: 3 Hours] *[Maximum Marks: 100*

(Weightage: 70%)

Notes: *(i) There are two sections: Section A and Section B. (ii) Answer any three questions from Section A. (iii) Section B is compulsory.*

Q. 1. Discuss with the help of examples, the role of strategists in Corporate Management.

Ans. Ref.: See Chapter-1, Page No. 3, 'Strategists and Their Role in Corporate Management' and Page No. 10, Q. No. 1.

Also Add: Board of Directors: The issues of corporate governance have made the role of the board of directors a little challenging as it is directly connected to the functioning of the board of company and the conducting of the business internally and externally. The main objective of the board is to provide guidance to the senior management in setting and accomplishing objectives, reviewing and evaluating organizational performance and appointing senior executives. As per the Companies Act, 1956, one-third of directors will retire by rotation and a public limited company must have at least three directors and a private limited company must have at least two directors and only individuals and not the institution, can be appointed as directors.

Chief Executive Officer: The CEO is the chief strategists and is designated as the managing director, executive director, president or general manager in business organization. The main role of CEO is strategic decision making with the increase in size. There are many organizations in which the profile of CEO is shared among two or more persons. Example: ITC Ltd. has a multiple executive system in the form of corporate manage-ment committee.

Entrepreneurs: The entrepreneurs always look for the changes and respond to it and explicit it as an opportunity. The entrepreneur is a venture capitalist and plays an important role in strategic management. They also provide a sense of direction to all concerned. Example: S. Kumar Sundram as the chairman of the Bank of Madurai Ltd., and after his death in 1986, the new chairman S.V. Shanmugavadivelu provide an excellent example of the role of entrepreneurs as strategists.

SBU Level Executives: The main profile of the SBU level executives is strategy formulation and implementation and they act as divisional heads. They possess considerable authority within the SBU while maintaining coordination with other SBU heads and corporate level management.

Consultants: The consultants assist the organizations in their corporate management process. The smaller organizations may take the advantage of consultants for improving their corporate governance. Example: A.F. Ferguson, S.B. Billimoria, Mckinsey Company, Anderson Consulting, etc. are the notable consultants.

Corporate Planning Staff: The corporate planning staff play a supporting role in strategic management. They assist the management in all aspects of strategy formulation, implementation and evaluation. Besides these, they are responsible for the preparation and communication of strategic plans, and for conducting special studies and research pertaining to strategic management. The corporate planning department is not responsible for strategic management and, usually, does not initiate the process on its own. By providing administrative support, it fulfills its functions of assisting the introduction, working and maintenance of the strategic management system.

Executive Assistant: These ways could be to assist the chief executive in data collection and analysis, suggesting alternatives where decisions are required, preparing briefs of various proposals, projects and reports, help in public relations and liaison functions, coordinating activities with the internal staff and outsiders and acting as filters for information coming from different sources.

Q. 2. What are the different features of a corporate policy? Explain the different factors which act as determinants of corporate policy.

Ans. Ref.: See Chapter-3, Page No. 24, Q. No. 2 and Page No. 20, 'Determinants of Corporate Policy'.

Q. 3. Discuss the new developments regarding corporate governance in other markets worldwide.

Ans. Ref.: See Chapter-6, Page No. 40, 'Recent Developments in Other Markets'.

Also Add: European Union: The European Commission recently completed a study of 43 different corporate governance codes and proposed to merge all of them to create a single and consistent code.

Germany: The German government had announced details of comprehensive new voluntary guidelines to improve their corporate governance practices. The code aims at strengthening the rules concerning auditor and supervisory board independence, gives shareholders a limited role in takeovers, recommends that companies disclose board remuneration individually, and requires a company to disclose whether or not they comply with the code.

Ireland: Irish Association of Investment managers revealed a high level of compliance amongst Irish corporates with the Combined Code on governance implemented by LSE. The 97% of firms allow shareholders to vote on re-election of directors every three years. The 85% and 79% of them have remuneration and audit committees respectively comprised fully of non-executive directors. The 79% of them have separate role for the chairman and the chief executive officer.

Asian and Latin American markets: S&P carried out a survey of 350 Asian and Latin American companies on 10 points based on 98 information attributes grouped into three categories: financial transparency and information is closures; investors relation, and ownership structure; and board and management structure and practices. 19 out of 43 Indian companies managed to get score of 4; Infosys scores 7.

Kenya: Kenya's Capital Market Authority has introduced new guidelines to improve corporate governance practices. The guidelines include: appointment of independent directors, constitution of nomination committee, the role of CEO and Chairman to be separated; limiting the term of director on the board subject to shareholders' approval and frequent appraisal of the board.

Thailand: Stock exchange of Thailand is set to introduce a new committee to strengthen corporate governance and make best corporate practice a national priority. Of the 580000 companies, nearly half do not report balances-sheet and a quarter of them do not pay even taxes. Thailand's SEC has drafted a framework for corporate governance ratings aimed at protecting shareholders' rights, the quality of directors and the efficiency of internal controls. The Thai SEC will offer highly rated firms bunch of incentives, including a fasttrack review of their corporate filings to issue new shares.

Russia: Russia's Federal Commission for Securities Markets introduced new code of corporate governance which includes a number of tax incentives and investor friendly regulations.

Hong Kong: Hong Kong's SFC proposed a rule that executives who intentionally or recklessly, provide false or misleading information in public disclosures, shall face up to two years in prison and a HKD 1 million fine.

Philippines: Philippines SEC has requested that all listed firms establish an evaluation system to track performance of their boards and executive management. The recently approved code of corporate governance recommends that all public entities and fund raising entities shall adopt the same. Philippines' SEC is likely to extend new corporate governance code to require even non-listed firms to place at least one independent director on the board.

Q. 4. Explain four basic strategies used by organizations to enter and compete in the international environment.

Ans. Companies use four basic strategies to enter and compete in the international environment which are discussed below. Each of these strategies has its advantages and disadvantages.

International Strategy : Companies that pursue an international strategy create value by transferring valuable skills and products to foreign markets where local competitors lack those skills and products. Most

Sample Preview of The Chapter

Published by:

NEERAJ PUBLICATIONS
www.neerajbooks.com

ADVANCED STRATEGIC MANAGEMENT

ISSUES IN CORPORATE MANAGEMENT

Corporate Management: An Overview

1

INTRODUCTION

This chapter provides an overview about Corporate Management. The chapter helps in the understanding about the various spectrums of activities covered under Corporate Management.

The chapter begins with the understanding about the nature and scope of the corporate management. The term corporate management is explained with the help of three dimensions namely:

- Corporate planning,
- Implementation of corporate plans and
- Evaluation and control of corporate plans.

The chapter also describes the concept, nature, process, benefits and the various prerequisites of corporate planning process.

CHAPTER AT A GLANCE

NATURE AND SCOPE OF CORPORATE MANAGEMENT

As mentioned above that this chapter provides an insight about Corporate Management. Corporate Management is a broad phenomenon and is related with various activities of corporate planning, implementation of corporate plans, evaluation and control of corporate plans.

Corporate Management has passed from the various levels, which include: Adhocism, Planned Policy, Environmental-Strategy Interface, Corporate Planning, Corporate Management.

The main features of Corporate Management would include:

- Encompassing entire management process
- Both short and long term
- All pervasive, integrative and relates to all the levels of management
- Concerned with coping with the uncertain future

The five paradigm shifts in the concept of corporate management include:

Adhocism: When the managers were forced by the exigency to take appropriate actions to deal with the situation.

Planned Policy: The planners and the thinkers were forced by the great depression to have a planned policy.

Environment-Strategy Interface: The internal and external environment create uncertainties and the strategy has to cope with the environment keeping in mind the competitive advantage.

Corporate Planning: It is moving from the environmental appraisal to strategic alternatives and choice and requires strategic planning.

Corporate Management: It deals with the aspects of implementation and control in the corporate planning process.

Scope of Corporate Management is spread over different areas, some of which include

- Role of top management in corporate governance.
- Code of conduct inclusive of audit committee, governance committee, etc.

- Competitive scenario for dynamic and global markets.
- Competitive scenario for domestic and global markets.
- Corporate social responsibility pertaining with ethics, values and social audit.
- Philanthropy as a strategic choice.
- Strategic enables such as IT, R&D, knowledge management and innovation, etc.

CORPORATE PLANNING

Corporate Planning is a very complex and comprehensive planning process which is based on continued formulation of objectives and the guidance of affairs towards their attainment. This process is carried on by the top management.

The essentials of corporate planning include:

- It deals with future of current decisions.
- It integrates strategic planning with short range operational plans.
- Corporate planning, strategic planning, long range planning, formal planning, corporate planning, etc, have been used as synonymous to each other by few authorities.
- It is regarded as an organisational process resulting in developing strategic intent and action plans to achieve the objectives.

Its process consists of the following steps:

- Formulation of strategic intent;
- Environmental appraisal;
- Generation of strategic alternatives;
- Evaluation of alternatives;
- Decisions in terms of strategy, policies and programmes.

The objective of corporate planning is the identification of new areas of investment and marketing.

The purpose of corporate planning process is the formulation of organisation's purpose, mission, objectives, goals, policies, programme strategies and major action plans for the achievement of the objectives.

Even though the corporate planning process has been attributed with various advantages and disadvantages however there have been certain instances of successful introduction of corporate planning in Indian companies which have been observed by Bhattacharya and Chakravarti, which include:

- Total commitment and involvement in the corporate planning process by the chief executive.
- Participation of those executives who would be responsible for the implementation of the process must be ensured.
- Introduction of the corporate planning process must be on continuous basis so as to cope with the changes in the environmental factors.
- The main objective of the corporate planning process must be to provide direction to the organisation which must be understood by the executives.

IMPLEMENTATION OF CORPORATE PLAN

Implementation refers to those objectives which are necessary for achieving the plans already formulated. However, having a good corporate plan is not enough. It can also be said that a bad and inappropriate implementation is also unsuccessful at market place. The issues like project, procedure, structure, resource allocation, behaviour and managerial functions need special attention.

The implementation of corporate strategy requires the analysis of the following aspects:

- Project Implementation.
- Procedural Implementation.
- Resource Allocation.
- Structural Implementation.
- Behavioral Implementation.
- Functional Implementation.

The various methods used in the resource allocation for budget include:

- Strategic Budgeting.
- Zero Base Budgeting.
- PLC Based Budgeting.
- BCG Budgeting.

The Behavioral Implementations deals with the following:

- Leadership
- Corporate Culture
- Corporate politics and use of power
- Personal values and Business ethics
- Social Responsibility.

REVIEW AND EVALUATION OF CORPORATE PLAN

There are the two levels at which the review and evaluation of corporate plan operate:

- Strategic Level
- Operational Level

Operation control consists of budgets, schedules and MBO, where as the strategic control can be premise, implementation, strategic surveillance, and special alert control. The strategic control is related with the external environment where as the operation control is related with the internal organisation. The top management exclusively exercises its control in the strategic control.

APPROACHES TO CORPORATE MANAGEMENT

Based on various factors like the environmental conditions, organisational size and complexity, age, top management values and styles the approaches to corporate management also vary. The various approaches include:

Top Down Approach: decisions power with the top management and implementation to be done by the middle and lower level management.

Bottom up Approach: An open door policy followed by the top management who takes into accounts the realities and complexities of operations at the ground level.

Hybrid Approach: A combination of top bottom and bottom up approaches used in decentralised companies.

Team Approach: later communication between the top managers is easier.

STRATEGISTS AND THEIR ROLE IN CORPORATE MANAGEMENT

Board of Directors, Chief Executive Officer, Entrepreneurs, SBU level executives and consultants plan strategies and had an important role in corporate management process.

Need For Corporate Management

Based on the following issues the strategists are forced to look at the following factors:

- Scarcity of Resources
- Fast Technological changes
- Changing Human Values
- Multiplicity of Stake Holders
- Growing Competition
- Liberalisation, Privatisation and Globalisation.

CORPORATE MANAGEMENT IN NON-BUSINESS ORGANISATIONS

In the end, chapter also discusses that the non-business organisations need to adopt a distinct corporate management so as to cope with the changes of the emerging environment. Due to reason tat the non business organisations are not interested in attracting larger number of clients however they do have larger number of interested groups and they rarely go through the rigour of strategic management process. They are based on performance evaluation criteria which are highly qualitative and judgmental.

ACTIVITY - 1

Q. 1. Discuss the nature of corporate management in Indian context.

Ans. The nature of Corporate Management can be explained through the following points:

1. It encompasses the entire management process;
2. It is based on the choice of alternatives, determination of future course of action, mobilisation of resources and deployment of resources for attainment of goals;
3. It can be both short term and long term;
4. It is related with all levels of management;
5. It is inclusive of the following:
   (a) Corporate Planning;
   (b) Implementation Issues in Corporate Plan;
   (c) Evaluation and Control.
6. It deals with coping the uncertain future with active intervention;
7. It is concerned with various types of plans such as: strategic plan, functional plan, operating plan, organisational plan, etc.
8. It is all pervasive and integrative.

Q. 2. Discuss the scope of corporate management.

Ans. Corporate Management is treated to be an extension of corporate planning which is further inclusive of its implementation and control aspects. The various areas over which the scope of corporate management is spread would cover the following:

1. Role of top management in corporate governance;
2. Code of conduct including audit committee, governance committee, etc;
3. Competitive scenario for domestic and global markets;
4. Competitive scenario for dynamic and global markets;
5. Market Structures and net work externalities;
6. Strategic enablers like IT, R&D, innovations and knowledge management, etc;
7. Corporate social responsibility including ethics, values and social audit;
8. Philanthropy a\being a strategic choice.

ACTIVITY - 2

Q. 1. Discuss the nature and process of Corporate Planning.

Ans. Corporate Planning is a very complex and comprehensive planning process which is based on continued formulation of objectives and the guidance of affairs towards their attainment.

According to **Druker,** "Corporate Planning is a continuous process of making entrepreneurial decisions systematically, and with the best possible knowledge of their futurity, organising systematically the efforts needed to carry out these decisions, and measuring the results against expectations through organised systematic feedback."

According to **Hussey,** "Corporate long range planning is not a technique; it is a complete way of running a business. Corporate Planning is a way of keeping the company's eyes open".

Therefore, the nature of corporate planning can be covered through the following points:

1. Corporate planning deals with the future of current decisions;
2. The process of corporate planning integrate strategic planning with short range operational plans;
3. A few authorities deal with comprehensive corporate planning, strategic planning, long range planning, formal planning, corporate planning etc, with each other.
4. It is treated as an organisational process leading to the development of strategic intent and action plans to achieve the objectives.

The corporate planning process is based on the following steps:

1. Formulation of strategic intent;
2. Environmental appraisal;
3. Generation of strategic alternatives;
4. Evaluation of alternatives;
5. Decisions in terms of strategy, policies and programmes.

Q. 2. Name three to four big companies where corporate planning exercise was initiated in recent years.

Ans.

1. Larsen and Tubro (L&T)
2. Air India
3. TISCO
4. Reliance Industries Ltd.

Q. 3. Briefly mention the reasons for failure of corporate planning.

Ans. The main reasons for the failure of corporate planning can be enlisted as:

1. Failure to keep the corporate planning system simple;
2. Corporate Planning tries to all the planning by itself;
3. The planner was given a low status by the Chief Executive;
4. Failure was also caused due to non-development of awareness about corporate planning process in the organisation;
5. Failure to modify the corporate planning system with the charging conditions in the company;
6. Planner has only a part time interest in planning;
7. Based on the available soft database and manager's need for hard answers:
8. The top management spends insufficient time on the corporate planning process as it gets engrossed in the current problems.

ACTIVITY - 3

Q. 1. What are the methods of resource allocation?

Ans. The resource allocation for budget can either be based on the following methods:

1. Strategic Budgeting;
2. Zero Base Budgeting;
3. PLC Based Budgeting;
4. BCG Budgeting.

Q. 2. Explain Hybrid approach and Team approach in corporate management.

Ans. Hybrid Approach: This approach is used in the decentralised companies as it is inclusive of top down and bottom up approaches as a combination. The communication between the top management and the Strategic Business Units (SBUs) is vertical at different phases of corporate planning and implementation process.

Team Approach: Under this approach there is lateral communication between the top managers which is easier. This also helps the chief executive to prepare corporate plans in collaboration with the senior managers.