



**NEERAJ<sup>®</sup>**

# **M.C.O.-23**

## **Strategic Management**

**Chapter Wise Reference Book  
Including Many Solved Sample Papers**

*Based on*

**I.G.N.O.U.**  
**& Various Central, State & Other Open Universities**

*By: Kshiyama Sagar Meher*



**NEERAJ  
PUBLICATIONS**

*(Publishers of Educational Books)*

Retail Sales Office:

1507, First Floor, Nai Sarak, Delhi - 6 | Mob.: 8510009872, 8510009878

E-mail : [info@neerajbooks.com](mailto:info@neerajbooks.com) Website : [www.neerajbooks.com](http://www.neerajbooks.com)

**MRP ₹ 380/-**

Published by:



## NEERAJ PUBLICATIONS

(Publishers of Educational Books)

Retail Sales Office: 1507, First Floor, Nai Sarak, Delhi - 6 | Mob.: 8510009872, 8510009878

E-mail : [info@neerajbooks.com](mailto:info@neerajbooks.com) Website : [www.neerajbooks.com](http://www.neerajbooks.com)

© Copyright Reserved with the Publishers only.

**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" in Printed Book format (Hard Copy), Soft Copy, E-book on any Website, Web Portals, any Social Media Platforms – Youtube, Facebook, Twitter, Instagram, Telegram, LinkedIn etc. and also on any Online Shopping Sites, like – Amazon, Flipkart, eBay, Snapdeal, Meesho, Kindle, etc., is strictly not permitted without prior written permission from NEERAJ PUBLICATIONS. Any such online sale activity of any NEERAJ BOOK in Printed Book format (Hard Copy), Soft Copy, E-book format 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.

### **Get books by Post & Pay Cash on Delivery :**

If you want to Buy NEERAJ BOOKS by post then please order your complete requirement at our Website [www.neerajbooks.com](http://www.neerajbooks.com) where you can select your Required NEERAJ BOOKS after seeing the Details of the Course, Subject, Printed Price & the Cover-pages (Title) of NEERAJ BOOKS.

While placing your Order at our Website [www.neerajbooks.com](http://www.neerajbooks.com) You may also avail the “Special Discount Schemes” being offered at our Official website [www.neerajbooks.com](http://www.neerajbooks.com).

No need to pay in advance as you may pay “Cash on Delivery” (All The Payment including the Price of the Book & the Postal Charges, etc.) are to be Paid to the Delivery Person at the time when You take the Delivery of the Books & they shall Pass the Value of the Goods to us. We usually dispatch the books Nearly within 2-3 days after we receive your order and it takes Nearly 3-4 days in the postal service to reach your Destination (In total it take nearly 6-7 days).

## Content

# STRATEGIC MANAGEMENT

Question Paper—June-2023 (Solved) .....	1-2
Question Paper—December-2022 (Solved).....	1
Question Paper—Exan Held in July-2022 (Solved) .....	1
Sample Question Paper-1 (Solved) .....	1
Sample Question Paper-2 (Solved) .....	1

---

S.No.	Chapterwise Reference Book	Page
-------	----------------------------	------

---

### **BLOCK-1 : INTRODUCTION TO STRATEGIC MANAGEMENT**

1. Concept of Strategy .....	1
2. Strategic Framework .....	17
3. Strategy in Global Context .....	36

### **BLOCK-2 : ENVIRONMENTAL ANALYSIS**

4. External Environment .....	54
5. Competitive Analysis .....	67
6. Internal Analysis .....	93

### **BLOCK-3 : FORMULATION OF STRATEGY**

7. Business Level Strategies .....	106
8. Competitive Strategy .....	124
9. Corporate Level Strategy .....	143

---

S.No.	Chapterwise Reference Book	Page
-------	----------------------------	------

---

**BLOCK-4 : STRATEGY IMPLEMENTATION AND CONTROL**

10.	Implementation - Behavioural Dimensions .....	179
11.	Corporate Governance .....	200
12.	Control .....	219
13.	Evaluation .....	234



**Sample Preview  
of the  
Solved  
Sample Question  
Papers**

*Published by:*



**NEERAJ  
PUBLICATIONS**

[www.neerajbooks.com](http://www.neerajbooks.com)

# QUESTION PAPER

June – 2023

(Solved)

## STRATEGIC MANAGEMENT

M.C.O.-23

Time: 3 Hours ]

[ Maximum Marks: 100

Note: Attempt any five questions. All questions carry equal marks.

**Q. 1. Differentiate between external environment and internal environment. Explain in detail external environment analysis with recent examples.**

**Ans. Ref.:** See Chapter-3, Page No. 36, 'Internal Environment', 'External Environment', Chapter-4, Page No. 55, 'Process for Analysing the External Environment'.

**Q. 2. (a) "Strategy implementation is as good as starting a new business." Discuss strategy implementation in detail in the above context.**

**Ans. Ref.:** See Chapter-2, Page No. 23, 'Strategic Implementation'

**Also Add:** Strategy implementation is the process of turning plans into action to reach a desired outcome. While developing a strategy is one of the first steps to implementing organizational change, the implementation itself is vital to a company's success. Without an efficient implementation process, even the best-laid plans may not come to fruition. When approaching a goal or a project, the process of strategic implementation governs how you'll put your plan into action. Its purpose is to help determine how you'll source your resources, what policies or programs you'll put into place, and who will help you execute the strategy. The implementation process should follow an environmental scan and SWOT analysis to identify any potential risks inherent to the strategy. Without strategy formulation and implementation, it can be challenging to achieve goals.

**(b) Distinguish between Horizontal Integration and Vertical Integration.**

**Ans. Ref.:** See Chapter-9, Page No. 147, 'Integration may be Vertical and Horizontal'.

**Q. 3. (a) Explain costs and risks involved in strategic alliance with examples.**

**Ans.** A strategic alliance is an arrangement between two companies to undertake a mutually beneficial project while each retains its independence. The agreement is less complex and less binding than a joint venture, in which two businesses pool resources to create a separate business entity. A company may enter into a strategic alliance to expand into a new market, improve its product line, or develop an edge over a competitor. The arrangement allows two businesses to work toward a common goal that will benefit both. The relationship may be short-term or long-term. Every strategic alliance incurs certain costs and comes with a set of risks.

**Also Ref.:** See Chapter-3, Page No. 41, 'Entering Global Markets'.

**(b) How does a value chain framework for an organization? Explain with examples.**

**Ans. Ref.:** See Chapter-6, Page No. 97, Q. No. 4.

**Q. 4. (a) What do you mean by stability strategy? Does this strategy mean that an organization stand still? Explain.**

**Ans. Ref.:** See Chapter-9, Page No. 155, Q. No. 3.

**(b) Under what circumstance do organizations pursue stability strategy? What are the different approaches to stability strategy?**

**Ans. Ref.:** See Chapter-9, Page No. 156, Q. No. 4.

**Q. 5. (a) Briefly explain the importance of values and ethics in an organization.**

**Ans. Ref.:** See Chapter-10, Page No. 185, 'Value and Ethics' and Page No. 191, Q. No. 6.

**(b) Discuss the different functions of leadership.**

**Ans. Ref.:** See Chapter-10, Page No. 189, Q. No. 3.

**Q. 6. Discuss the application of portfolio analysis. What basic considerations have to be kept in mind while balancing portfolios?**

**Ans. Ref.:** See Chapter-13, Page No. 248, Q. No. 4 and Page No. 250, Q. No. 5.

**Q. 7. Write short notes on the following:**

**(a) Corporate Social Responsibility**

**Ans.** Corporate Social Responsibility is a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders. CSR is generally understood as being the way through which a company achieves a balance of economic, environmental and social imperatives, while at the same time addressing the expectations of shareholders and stakeholders. In this sense it is important to draw a distinction between CSR, which can be a strategic business management concept, and charity, sponsorships or philanthropy. Even though the latter can also make a valuable contribution to poverty reduction, will directly enhance the reputation of a

company and strengthen its brand, the concept of CSR clearly goes beyond that. A properly implemented CSR concept can bring along a variety of competitive advantages, such as enhanced access to capital and markets, increased sales and profits, operational cost savings, improved productivity and quality, efficient human resource base, improved brand image and reputation, enhanced customer loyalty, better decision making and risk management processes.

**(b) SWOT Analysis**

**Ans. Ref.:** See Chapter-6, Page No. 91, 'SWOT Analysis'.

**(c) Pestle Analysis**

**Ans. Ref.:** See Chapter-3, Page No. 38, 'Pestle Analysis'.

**(d) Diversification**

**Ans. Ref.:** See Chapter-9, Page No. 147, 'Diversification'.

**(e) Balanced scorecard**

**Ans. Ref.:** See Chapter-13, Page No. 241, 'Balanced Scorecard (BSC)'.



NEERAJ

PUBLICATIONS

[www.neerajbooks.com](http://www.neerajbooks.com)

# **Sample Preview of The Chapter**

*Published by:*



**NEERAJ  
PUBLICATIONS**

[www.neerajbooks.com](http://www.neerajbooks.com)

# STRATEGIC MANAGEMENT

## BLOCK-1 : INTRODUCTION TO STRATEGIC MANAGEMENT

### Concept of Strategy



#### **INTRODUCTION**

Strategic management refers to the process by which objectives are formulated and achieved. Strategy is an overall plan, which an organisation makes to move towards the set objectives by using various resources. The management selects a course of action from different alternatives to meet the objectives. Effective coordination between objectives and strategies makes an organisation efficient and operationally successful. Strategy is very important. Without an effective strategy, the organisation is like a ship without a rudder. Strategy has been defined in various ways as it changes with the needs and requirements of the organisation. In this chapter, we will study different aspects of strategy and its importance.

#### **CHAPTER AT A GLANCE**

##### **MEANING OF STRATEGY**

The strategy refers to a set of plans made and deployed at different organisational levels for the achievement of objectives. It comprises a set of coherent actions performed for achieving a sustainable competitive advantage. This term was first used in military and was later adapted in the field of business and management. It derived from a Greek word 'Strategos', a combination of 'Stratos' which means army, and 'agos', which implies to lead. It has now been used to gain a competitive advantage over others. Strategies can be general or specific depending upon the situation.

The objectives for which strategies are made are: satisfying customers, surviving in the market, expanding the business, improving market share, increasing profitability and ultimately to attain

objectives of the organisation. According to Glueck, "Strategy is the unified, comprehensive and integrated plan that relates the strategic advantage of the organisation to the challenges of the environment and is designed to ensure that basic objectives of the enterprise are achieved through proper implementation process." It lays stress on the following: Unified comprehensive and integrated plan; challenges of environment; proper implementation for achieving the basic objectives.

Strategies, used as a response to the change in environment and in accordance with the strength and weakness of the organisation, aim to seek out the opportunities favoured by the external environment and get rid of the threats simultaneously. The organisation can adopt strategies to achieve the desired position in the industry. The term strategy has been defined differently. One definition says "Strategy is organisation's pattern of response to its environment over a period of time to achieve its goals and mission." It stresses on organisation's pattern of response to its environment and achieving goals and mission. There are two broad categories of definitions: strategy as action inclusive of objective setting and strategy as action exclusive of objective setting.

##### **Strategy as Action Inclusive of Objective Setting**

Under this category, Chandler's definition can be considered. He defines strategy as "the determination of basic long-term goals and objective of an enterprise and the adoption of the courses of action and the allocation of resources necessary for carrying out these goals." It refers to three types of actions:

- Deciding long-term objectives
- Taking course of action and
- Allocating resources

**Strategy as Action Exclusive of Objective Setting**

In this category, the organisation deploys its principal resources in reaction to the environment and siphons its efforts in pursuit of its purpose. Michael Porter’s definition can be taken. He says: “Creation of a unique and valued position involving a different set of activities. The organisation that is strategically positioned, performs different activities from rivals or performs similar activities in different ways.” It calls strategy a unified, comprehensive and integrated plan relating to the strategic advantage of the organisation to the challenges of the environment. After considering both the views, strategy can simply be put as management’s plan for achieving its objectives. It includes determination and evaluation of alternative paths to an already established mission or objective and eventually, choice of best alternative to be adopted.

**FEATURES OF STRATEGY**

Strategy as an integral part of any managerial activity, is a plan of action and involves different parameters. Mintzberg includes the following 5 Ps for strategy:

- (a) Pattern
- (b) Plan
- (c) Position
- (d) Perspective
- (e) Ploy

**(a) Pattern:** A pattern is a regular way in which something happens or is done. Organisations follow a particular course of action and that becomes a pattern. This becomes the realised strategy of the organisation. It also shows the past behaviours.

**(b) Plan:** A plan means an action for future or looking ahead. A plan becomes an intended strategy. When an intended strategy becomes a realised strategy, it turns out to be a deliberate strategy. An organisation planning to diversify does not decide to diversify at one time, instead it moves towards diversification step-by-step.

**(c) Position:** Positioning is about finding the right place for a brand in marketplace as well as the consumer mind. A consumer should easily identify that for a given need or want is the brand. If brand fails to do this, it simply becomes just another product or commodity on supermarket or mall shelf.

For example, a fast food chain aims to locate particular products in specific markets.

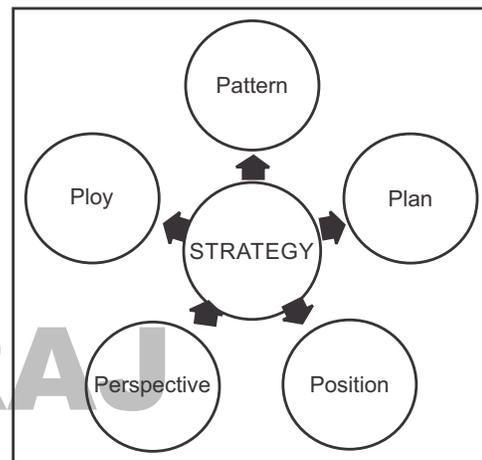
**(d) Perspective:** Perspective looks at the internal environment. An organisation has its own perspective and that will get reflected in the perspective.

**(e) Ploy:** Ploy is the tactic organisations use to outwit their competitors.

These five Ps of strategy explain the concept of strategy under different situations. Thus, strategy:

- Sets direction
- Focuses on effort
- Defines the organisation
- Provides consistency.

The figure below reflects the features of a strategy.



**Fig: Features of Strategy**

**NATURE OF STRATEGY**

The nature of strategy includes:

- It is formulated at different levels.
- It is an integration of concept with analysis for decision making.
- It involves both organisation and environment and both are linked.
- It combines content and process.
- Like a Mosaic, it cannot be structured, programmed, routine and repetitive.
- It is futuristic in nature.

The 5Ps can be customised as per the organisational requirements. Strategy aims to determine and communicate a picture of enterprise through a system of major objectives and policies. It is concerned with a unified direction and efficient allocation of an organisation’s resources and guides managerial action and thought. It provides an integrated approach for the organisation and aids in meeting the challenges posed by the environment.

**STRATEGIC MANAGEMENT: CONCEPT**

Strategy includes a series of steps based on an organisation’s vision, mission, goals and objectives. Strategic management means effective deployment of business strategies for achieving organisational

**CONCEPT OF STRATEGY / 3**

objectives. It involves making strategic decisions at various organisational levels. Strategic decisions are generally taken at the top management level and then transferred to lower management level. These decisions are related to moving from the present state of an organisation to a future state. It develops a framework within which an organisation functions. Thus, strategic management defines organisational capability, forms of value addition and the purpose of an organisation.

Strategic management:

- Enables organisations to have an edge over competitors in the market.
- Is a medium and long-term process.

- Starts with the formulation of a desirable future position for the organisation, followed by decisions.
- Matches the organisational capabilities with the environmental opportunities.
- It is futuristic and organisation-wide process.
- Sets up targets for reaching the future state.
- Formulates strategies for effective and efficient utilisation of resources.

**STRATEGY VS POLICY**

Strategy and policy are different. Strategy is a plan of action, whereas policy is a set of rules and procedures. Policy can be said to be a part of strategy. The table below differentiates between strategy and policy.

Basis of Differentiation	Strategy	Policy
Concept	A plan of action for attaining organisational objectives.	A guideline for undertaking certain actions for the organisation.
Specification	It is a plan of action.	It is a principle of action.
Direction	It is action oriented.	It is decision oriented.
Formulation	It is formulated by top and middle-level management.	It is formulated by top-level management.
Application	It is related to decision making of the organisation for future situations; or situation which may happen in future.	Related to the rules of the organisation for the repetitive activities; governs and controls managerial action.
Coverage	It covers external environment.	It covers internal environment.
Description	It can be described as a plan of action use to achieve the goals.	It includes a set of principles or a mini mission statement.
Nature	It is flexible.	It is fixed barring exceptions.

Policy can be organisational or functional, written or implied and general or specific, depending on the need of the organisation. Strategies and policies are the means towards the end. Both aim at meeting organisational objectives but policy is contingent decision and strategy is a rule for making decision.

**STRATEGY VS TACTICS**

In ‘The Art of War’, Sun Tzu write on the importance of strategy and tactics. He mentions strategy without tactics is the slowest route to victory. Tactics without strategy is the noise before the defeat. According to Carl Von Clausewitz, a Prussian army general and military scientist, military strategy is making use of battles in the furtherance of the war and the tactics is the use of armed forces in battles. Some differences between the two are discussed below:

- Strategy decided the key plans to be conducted while by tactics, plans decided are implemented. According to military science, the rudimentary basic goal of strategy is to break the enemy’s

will, deprive the enemy of the means to fight, occupy territory, destroy or get control of resources or make the enemy surrender. Tactics aim at achieving success.

- Strategic decisions are delegated to top management in the organisation, whereas tactics are delegated to all the levels of an organisation. Strategy is made in both a continuous and irregular manner. Decisions are taken based on opportunities and new ideas. Organisations determine tactics on a periodic basis. There may be a fixed timetable for tactics to follow.
- The time horizon in terms of strategy is flexible because it has a long-term perspective and occasionally, it may have short-term duration. Tactics is short term and definite.
- In strategy formulation and implementation, the decisions taken have elements of uncertainty and are made under the conditions of partial ignorance.

4 / NEERAJ : STRATEGIC MANAGEMENT

- Tactical decisions are more certain, since they work upon the framework set by the strategy. The evaluation of strategy thus, is difficult than the evaluation of tactics.
- In strategy, an effort is made to relate the organisation with its environment, the requirement of information is more in strategy than that required in tactics. Tactics use information available internally in an organisation.
- The strategy formulation is affected considerably by the personal values of the person involved in the process but the same is not the case in tactic implementation. Strategies are the most important factor of organisation because they decide the future course of action for the entire organisation. On the other hand, tactics are important only with the specific part of the organisation. The table below differentiates strategy and tactics:

Basis of Comparison	Strategy	Tactics
Goal	It aims to control resources.	It aims to achieve success.
Delegation	It is delegated at top and middle levels.	It is delegated at all levels.
Formulation	It is flexible and continuous.	It is fixed and periodic.
Perspective/time frame	It has long-term perspective.	It has short-term perspective.
Level of certainty	High-certainty level.	Low-level of certainty.
Environment	External environment.	Internal environment.

**LEVELS OF STRATEGY**

Strategic decisions are made at the top-management level but strategy operates at different levels. They can be:

- Corporate Level
- Business Level
- Functional Level

Two categories of organisations are there –

(i) Different businesses are organised at different directions or product groups known as profit centres or strategic business units (SBUs). For example, an organisation producing textile, yarn, and a variety of petro-chemical products. The SBU concept was introduced by General Electric Organisation (GEC) of USA to manage product business. The fundamental concept in the SBU is the identification of discrete independent product/market segments served by the organisation.

(ii) Single product organisations. For example, an organisation engaged in the manufacturing and selling of heavy commercial vehicles.

**Features of SBU**

(a) SBU is created for each independent product/segment because each product serves a different environment.

(b) SBUs are different from each other because of district business areas (DBAs) they serve.

(c) Each SBU has its own defined product/market segment and strategy and develops its strategy according to its own capabilities and needs.

(d) Each SBU allocates resources as per its requirements for achieving organisational objectives.

Single product organisations have single SBU. Corporate-level strategy serves the entire business in

these organisations. At the next lower level, the strategy is implanted by functional strategies. In multi-product organisation, each SBU implants its own strategy, which lies between corporate and functional-level strategies.

The three levels at which strategy works are explained below:

**1. Corporate-level strategy**

At this level, strategies are made as per the policies of the organisation.

**Characteristics**

(a) Corporate-level strategies are pervasive, futuristic and innovative.

(b) The primary groups involved at this level are the Board of Directors and the Chief Executive Officer.

(c) These are value oriented, conceptual and less concrete as compared to decisions at the other two levels.

(d) The entrepreneur in small and family-owned businesses is both the general manager and chief strategic manager.

(e) They occupy the highest level of strategic decision making and cover the actions dealing with the objectives of the organisation. Such decisions are made by top management of the organisation. Decisions regarding acquisitions, diversification and structural redesigning are examples.

(f) These are characterised by greater risk, cost and profit potential as well as flexibility.

**2. Business-level strategy**

Business level strategies are formulated by each SBU to make the best use of its resources, given the environment, it faces.

**Characteristics**

(a) Business strategy is about “how” and the corporate strategy is about “what”.