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Content

ADVANCED STRATEGIC MANAGEMENT

S.No.	Chapterwise Reference Book	Page

BLOCK-4: STRATEGIC ENABLERS

Sample Preview of the Solved Sample Question Papers

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QUESTION PAPER

June – 2024

(Solved)

ADVANCED STRATEGIC MANAGEMENT

MMPC-17

Time: 3 Hours] *[Maximum Marks : 100*
Weightage: 70%

Note: *Answer any five questions. All questions carry equal marks.*

Q. 1. Identify and explain the features of corporate policy. Describe the determinants of the corporate policy which influence an organization.

Ans. Ref.: See Chapter-2, Page No. 21, Q. No. 1 and 2 and Page No. 19, Q. No. 2.

Q. 2. What is the nature and scope of various corporate strategies which have an impact on the performance of the organization?

Ans. Ref.: See Chapter-3, Page No. 29, 'Nature and Scope of Corporate Strategies'.

Also Add: Corporate strategies are essential for organizations as they provide a roadmap for achieving long-term objectives and competitive advantage. The nature and scope of corporate strategies can vary depending on the organization's goals, market conditions, industry, and competitive environment. Here's a detailed breakdown of the nature and scope of various corporate strategies and how they impact organizational performance:

1. Growth Strategies:

- **Nature:** Growth strategies are focused on expanding the company's business, market share, or geographical presence. This can be achieved through internal development or external acquisitions.

Scope:

- **Market Penetration:** Increasing sales of existing products in existing markets.
- **Market Development:** Entering new markets with existing products.
- **Product Development:** Introducing new products to existing markets.
- **Diversification:** Expanding into new products and markets.
- **Impact on Performance:** Growth strategies can lead to higher revenues, increased market share, and competitive advantage. However, they can also involve higher risk and require significant investment. For example, diversification into unrelated businesses can either mitigate risk or dilute focus, depending on execution.

2. Stability Strategies:

- **Nature:** These strategies aim at maintaining the current position of the organization without aggressive expansion or contraction. It focuses on incremental improvements and ensuring steady operations.

Scope:

- Sustaining current business operations with minor adjustments to improve efficiency or product offerings.
- Maintaining market share in a mature or stable industry.
- **Impact on Performance:** Stability strategies offer lower risk compared to growth strategies. They provide consistent profitability and control over operations but may lead to stagnation in dynamic markets if not balanced with innovation.

3. Retrenchment Strategies:

- **Nature:** Retrenchment involves scaling back operations, cutting costs, or exiting certain markets to improve financial health or refocus resources.

Scope:

- **Turnaround:** Efforts to reverse declining performance by cutting costs or restructuring.
- **Divestiture:** Selling off underperforming divisions or non-core assets.
- **Liquidation:** Shutting down parts or the entirety of the business.
- **Impact on Performance:** These strategies can improve profitability by shedding loss-making operations, optimizing resource allocation,

and focusing on core competencies. However, retrenchment may also reduce future growth potential and negatively impact employee morale.

4. Internationalization/Globalization Strategies:

- **Nature:** This strategy involves expanding the company's operations to international markets.

Scope:

- **Exporting:** Selling products in international markets.
- **Joint Ventures:** Partnering with foreign companies to share resources.
- **Foreign Direct Investment:** Establishing subsidiaries or production facilities abroad.
- **Impact on Performance:** International expansion can diversify risk, open up new revenue streams, and enhance economies of scale. However, it also exposes the organization to risks related to cultural differences, legal issues, and foreign competition.

5. Mergers and Acquisitions (M&A):

- **Nature:** M&A strategies involve combining with or purchasing another company to create synergies, gain market share, or achieve economies of scale.

Scope:

- **Horizontal Integration:** Acquiring competitors to increase market share.
- **Vertical Integration:** Acquiring suppliers or distributors to control the supply chain.
- **Conglomerate Diversification:** Acquiring companies in unrelated industries.
- **Impact on Performance:** Successful M&A can lead to cost reductions, improved market power, and new capabilities. However, integration challenges, cultural clashes, and regulatory issues can undermine potential benefits.

Q. 3. What do you understand by diversification? Discuss the advantages and disadvantages of diversification.

Ans. Ref.: See Chapter-4, Page No. 47, Q. No. 1.

Q. 4. Elaborate on the costs and the risks associated with strategic alliances.

Ans. Ref.: See Chapter-5, Page No. 59, 'Costs and Risks of Strategic Alliances'.

Q. 5. Explain the concept of a domestic firm. What advantages and disadvantages are faced by the domestic firm as compared to a Multinational Corporation (MNC)?

Ans. Ref.: See Chapter-6, Page No. 78, Q. No. 2 and Page No. 74, 'Operating Advantages and Disadvantages of MNCs'.

Q. 6. Why do MNCs tend to invest abroad? Explain.

Ans. Ref.: See Chapter-7, Page No. 91, Q. No. 1.

Q. 7. What is the role of Information Technology (IT) in implementing a strategy? Discuss with the help of examples.

Ans. Ref.: See Chapter-9, Page No. 115, Q. No. 1.

Sample Preview of The Chapter

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ADVANCED STRATEGIC 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 an extensive process of formulating objectives and directing operations towards achieving them. This process is carried out continuously by top management for the entire company. According to Druker, corporate planning involves making entrepreneurial decisions with the best possible knowledge of the future, systematically organizing efforts to execute those decisions and evaluating the outcomes against expectations through structured feedback. This definition underscores the close link between corporate planning and strategy.

Hussey believes that corporate long-range planning is not merely a technique but an entire method of managing a business. Corporate planning serves as a way of keeping the company alert and vigilant.

The essentials of corporate planning are as follows:

(i) It pertains to the future of present decisions,

(ii) The process incorporates both strategic and short-term operational plans,

(iii) Some experts use terms such as comprehensive corporate planning, strategic planning, long-range planning, formal planning and corporate planning interchangeably, and

(iv) Corporate planning is considered an organizational process that leads to the development of strategic intent and action plans aimed at achieving goals.

Corporate planning aims to discover fresh investment and marketing opportunities. The objective of the corporate planning process is to create the company's mission, purpose, goals, policies, program strategies and significant action plans to realize its objectives.

The corporate planning process consists of the following stages: *(i)* setting strategic intent, *(ii)* assessing the environment, *(iii)* generating strategic alternatives, *(iv)* evaluating alternatives, and *(v)* making decisions about strategy, policies and programs.

Corporate planning offers various advantages, including the following: *(i)* it facilitates rational resource allocation and promotes coordination among different units or divisions; *(ii)* significant enhancements in performance can be observed through corporate planning, with performance improvements of 30-40% seen in the US; *(iii)* a formal planning system can assist management in responding to a changing environment and managing a complex organization with limited resources; *(iv)* corporate planning encourages systematic and critical reviews of business; and *(v)* it fosters a visionary approach by encouraging forward thinking and planning.

Corporate planning process failed to succeed in Indian organizations and the reasons behind it can be attributed to the following factors: *(i)* the corporate planning system was not kept simple, *(ii)* awareness about the corporate planning process was not developed in the organization, *(iii)* corporate planning attempted to handle all planning, *(iv)* the chief executive gave low status to the planner, *(v)* the corporate planning system was not adjusted to changing circumstances in the company, *(vi)* the planner had only a part-time interest in planning, *(vii)* there was a conflict between available soft database and manager's requirement for hard answers and *(viii)* top management was so preoccupied with current problems that it did not devote sufficient time to the corporate planning process.

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.
- Behavioural 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, and
- Social Responsibility.

To implement a corporate strategy, various aspects must be analyzed, including project implementation, procedural implementation, resource allocation, structural implementation, behavioural implementation and functional implementation.

Organizations that plan to implement strategies must understand the regulatory framework of the government agencies involved in trade, commerce and industry. In India, this includes regulations related to licensing SEB, MRTP, foreign collaboration, labour laws, environmental protection laws and more. Additionally, resource allocation for the budget can be done using strategic budgeting, zero-base budgeting, PLC-based budgeting or BCG budgeting.

To implement strategies effectively, it is important to divide the responsibilities into various tasks and sub-tasks. These tasks should be grouped based on common skill requirements and responsibilities should be delegated to perform them. Coordination, information, control and appraisal, motivation, development and planning systems should also be designed and administered appropriately.

The mechanisms to create and sustain structure during strategy implementation include defining major tasks, delegation of authority, coordination of responsibilities and designing systems for information, control, motivation and planning. The impact of behaviour on implementing strategies falls under behavioural implementation, with issues like leadership, corporate culture, politics and power, values and ethics and social responsibility being significant. Strategists should learn to use politics and power to implement strategies rather than letting them hinder implementation.

Functional implementation is achieved through functional plans and policies in five areas. Operational implementation focuses on productivity, process, people and pace, with productivity being the measure of input needed to secure output. Pace refers to the speed of implementation, often measured in terms of efficiency.

REVIEW AND EVALUATION OF CORPORATE PLAN

Effective corporate planning requires monitoring the actual achievements against planned actions and taking corrective actions when necessary. Strategic evaluation operates at two levels: strategic and operational. Strategic control techniques include premise, implementation, strategic surveillance and special alert control. Operational control consists of setting standards, measuring performance, analyzing variance and taking corrective actions. Various techniques such as MBO, network technologies, balanced scorecard, key factor rating, benchmarking, value chain analysis, systems modelling and responsibility control centres are used for strategic evaluation and control.

Strategic control and operational control differ in various aspects such as the external/internal focus, time horizon, level of management involvement and tools used. Strategic control focuses on the external environment and has a longer time horizon than operational control, which focuses on internal processes. Top management exclusively exercises strategic control, while budget schedules and MBO are tools used in operational 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

Strategists are responsible for strategy formulation, implementation and evaluation. While there are people outside the organization who are also involved in various aspects of corporate management, this section assesses their role.

Board of Directors: The Board of Directors has been under intense scrutiny lately, with corporate governance becoming a key issue. The Board is responsible for the functioning of the company, both internally and externally. The Companies Act, 1956 specifies the minimum requirements for the composition of the Board, including that one-third of directors retire by rotation, a public limited company must have at least three directors and only individuals can be appointed as directors. The Board's role is to guide senior management in setting and achieving goals, reviewing and evaluating organizational performance and appointing senior executives.

Chief Executive Officer: The CEO is a key figure in strategic decision making and some companies split the role between multiple executives.

Entrepreneurs: Entrepreneurs play a proactive role in providing direction.

SBU Level Executives: SBU level executives are responsible for strategy implementation within their division.

Consultants: Consultants assist organizations in their corporate management process, with firms like Boston Consulting offering competitive advantage building and KPMG Peat Maruick specializing in strategic financial management and feasibility studies.

NEED FOR CORPORATE MANAGEMENT

Strategists have been compelled to examine corporate management issues due to several factors, including scarcity of resources, rapid technological advancements, shifting human values, a multitude of stakeholders, increased competition, liberalization, privatization and globalization, expanding business operations, quicker modes of transportation and communication and professionalization in management.

CORPORATE MANAGEMENT IN NON BUSINESS ORGANIZATIONS

Non-business organizations have a fundamental objective to provide service to the people they come in contact with, unlike business organizations that are driven by profit motive, risk-taking and utility creation. The effectiveness of the services provided by non-business organizations is evaluated based on qualitative and judgmental measurements. There are specific areas in which corporate management issues must be addressed with greater care in non-business organizations:

1. Non-business organizations are not concerned with attracting a large number of clients and hence do not undergo rigorous environmental analysis.
2. Non-business organizations have a larger number of interest groups, which makes the corporate management process more political. The decision outcomes may not always be service-oriented.
3. Non-business organizations generally do not go through the rigorous process of strategic management. They receive their resources from the public and operate on the basis of non-focused strategic actions.
4. The evaluation criteria for the performance of non-business organizations are highly qualitative and therefore judgmental.

ACTIVITIES

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.