

Intermediate Course

Study Material

Paper 7B

Strategic Management



BOARD OF STUDIES
THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

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BEFORE WE BEGIN....

The traditional role of a Chartered Accountant restricted to accounting and auditing, has now changed substantially and there has been a marked shift towards strategic decision making and entrepreneurial roles that add value beyond traditional financial reporting. The primary factors responsible for the change are the increasing business complexities on account of plethora of laws, border less economies consequent to giant leap in e-commerce, emergence of new financial instruments, emphasis on corporate social responsibility, significant developments in information technology, to name a few. These factors necessitate an increase in the competence of chartered accountants to take up the role of not merely an accountant or auditor, but a global solution provider. To wards this end, the scheme of education and training is being continuously reviewed so that it is in sync with the requisites of the dynamic global business environment; the competence requirements are being continuously reviewed to enable aspiring chartered accountants to acquire the requisite professional competence to take on new roles.

Under the Revised Scheme of Education and Training, at the Intermediate Level, you are expected to not only acquire professional knowledge but also the ability to apply such knowledge in problem solving. The process of learning should also help you inculcate the requisite professional skills, i.e., the intellectual skills and communication skills, necessary for achieving the desired professional competence.

The Chartered Accountants, with their education and skills have strong expertise in the area of accounting, auditing, taxation and business laws. Today, the situation has evolved as they are increasingly occupying key strategic roles in organizations. From routine backend jobs they have reached the boardrooms. In many organizations' Chartered Accountants are managing the complete organizational affairs as Chief Executive Officers, Managing Directors and like. Strategy is also important at other levels of management. Even practicing Chartered Accountants need to appreciate, understand and implement strategy as they have to manage things professionally and work through highly complex and competitive environment,

Thus, strategic management is important for Chartered Accountants. With the changing scope of the chartered accountancy profession and the multifarious nature of the work profile of professionals, the students need to learn newer and

different concepts and acquire multidimensional skills. With this focus the subject of strategic management has been included in the education and training of chartered accountancy. Chartered Accountants who are expected to reach high in the corporate ladder need to be sound in the concepts and principles of strategic management.

The coverage and treatment of the subject in the study material is just a fraction of the available body of knowledge. The study material is meant to be a small window to watch and enjoy the world of business organizations. You are advised to take a keen interest in the subject not merely for passing the examination but for making your own professional career path more manageable and meaningful.

The study material has been designed having regard to the needs of home study and distance learning students in mind. The students are expected to cover the entire syllabus and do practice on their own for better understanding and learning.

The study material deals with the conceptual theoretical framework in detail. The content for each chapter/unit at the Intermediate level has been structured in the following manner:

1. Learning Outcomes – Learning outcomes which you need to demonstrate after learning each topic have been detailed in the first page of each chapter/unit. Demonstration of these learning outcomes would help you to achieve the desired level of technical competence.

2. Chapter Overview – As the name suggests, this chart/table would give a broad outline of the contents covered in the chapter.

3. Introduction – A brief introduction is given at the beginning of each chapter/unit which would help you get a feel of the topic.

4. Content – The concepts are explained in a student-friendly manner with the aid of examples, diagrams and caselets. These value additions would help you develop conceptual clarity and get a good grasp of the topics. Caselets based on real life situation would help you understand the concept and its application in a better manner.

Summary – A summary of the chapter is given at the end to help you revise what you have learnt.

6. Test Your Knowledge – This comprises multiple choice questions, questions with descriptive answers and scenario based questions. Questions have been included that test the breadth and depth of your understanding of the topic.

Happy Reading and Best Wishes!

SIGNIFICANT CHANGES IN THIS EDITION OF STUDY MATERIAL

This edition contains certain updations over the previous edition. Students with previous edition of the material may note that there are a few modifications in form of simplification, creation of bullet points, removal of typos, etc. Students may note the following:

1. Inclusion of multiple choice questions, scenario based questions and additional descriptive questions.
2. Inclusion of figures on:
 - ◆ Strategic Analysis (Chapter 2)
 - ◆ Experience Curve (Chapter 2)
3. Modifications in following figures:
 - ◆ A company's actual strategy is partly planned and partly reactive. (Chapter 1)
 - ◆ Levels of Strategic Management. (Chapter 1)
 - ◆ Strategic Management Model (Chapter 3)
 - ◆ Principal Combinations of efficiency and effectiveness (Chapter 8)
4. Addition in the explanations in each of the five forces in Porter's five forces model. (Chapter 5)
5. Deletion of questions requiring brief answers and statement (correct/incorrect) type questions.

SYLLABUS

PAPER – 7B: STRATEGIC MANAGEMENT (50 Marks)

Objective

To develop an understanding of strategic management concepts and techniques and acquire the ability to apply the same in business situations.

Contents

1. Introduction to Strategic Management

- Business Policy
- Meaning and Nature of Strategic management
- Business Strategy
- Strategic Levels in Organizations
- Strategic Management in Government and Not-for-profit organization

2. Dynamics of Competitive Strategy

- Competitive Landscape
- Strategic Analysis
- Industry and Competitive Analysis
- Core Competence
- Competitive Advantage
- Internal and External Analysis
- SWOT Analysis
- Globalization

3. Strategic Management Process

- Strategic Planning

- Strategic Intent - Vision, Mission and Objectives
- Strategy Formulation

4. Corporate Level Strategies

- Concepts and Nature of Corporate Strategy
- Strategic Alternatives at Corporate Level
 - Stability
 - Growth/Expansion
 - Business Combinations – Merger and Acquisition
 - Strategic Alliances
 - Retrenchment/Turnaround
 - Combination

5. Business Level Strategies

- Competitive Strategies at Business Level
- Michael Porter's Generic Strategies
- Best-Cost Provider Strategy

6. Functional Level Strategies

- Marketing Strategy
- Financial Strategy
- Operations Strategy
- Human Resource Strategy
- Research and Development

7. Organisation and Strategic Leadership

- Organisation Structure
- Strategic Business Unit

- Strategic Leadership
- Strategy Supportive Culture
- Entrepreneurship and Intrapreneurship

8. Strategy Implementation and Control

- Strategy Implementation
- Strategic Change
- Strategic Control
- Strategy Audit
- Business Process Reengineering
- Benchmarking

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