Strategic Management

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Introduction

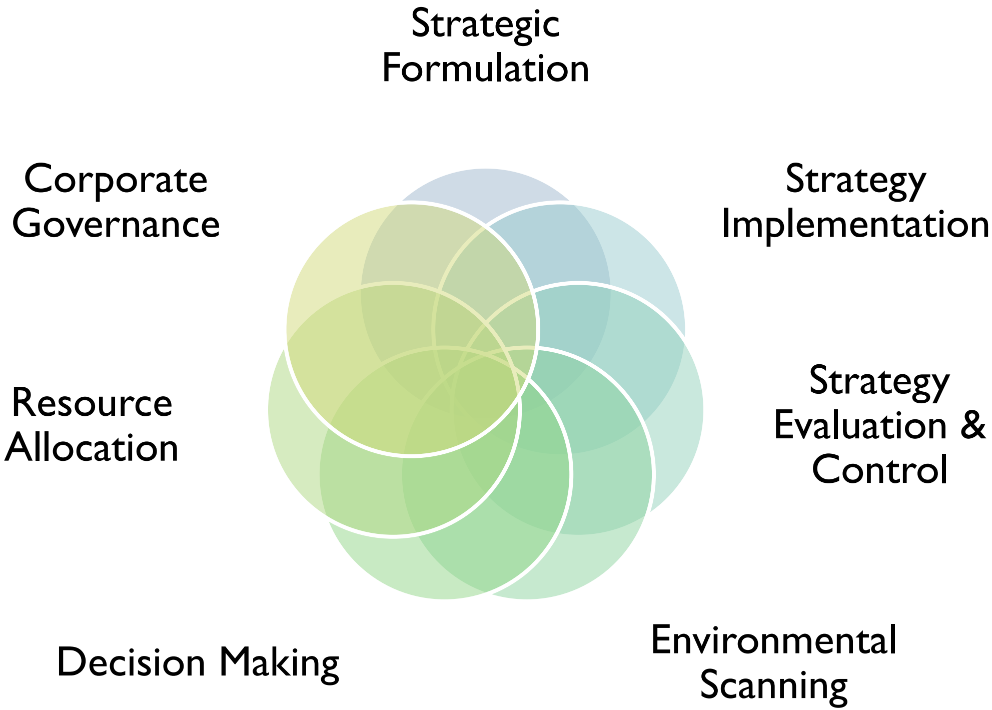
Strategy is a **long-term plan of action** designed by a firm to establish a **sustainable competitive advantage** in an industry.

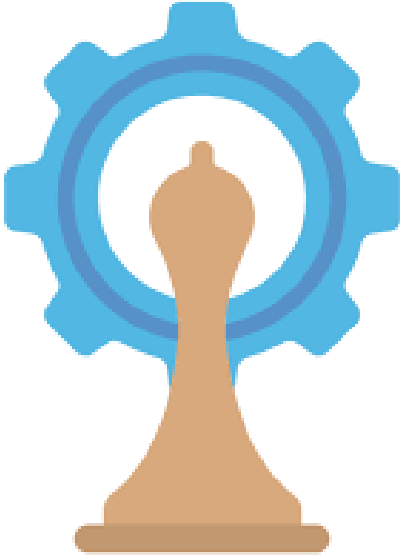
According to Michael Porter, strategy is not merely about operational efficiency or performing similar activities better than competitors; rather, it is about **choosing to perform different activities or performing similar activities in a different way**.

Nature of Strategy

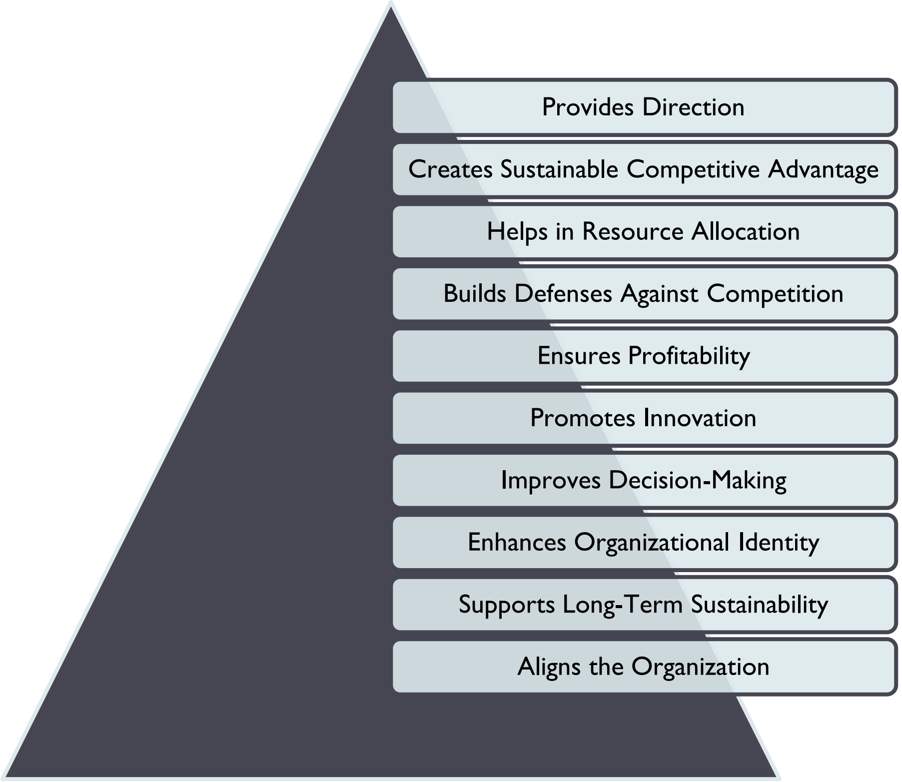
- Long-term Orientation
- Goal-Oriented
- Dynamic and Adaptive
- Choice-Making
- Integrated Approach
- Differentiation-Oriented
- Defensive and Offensive
- Requires Trade-offs
- Analytical in Nature
- Competitive Positioning

Scope of Strategy





Importance of Strategy



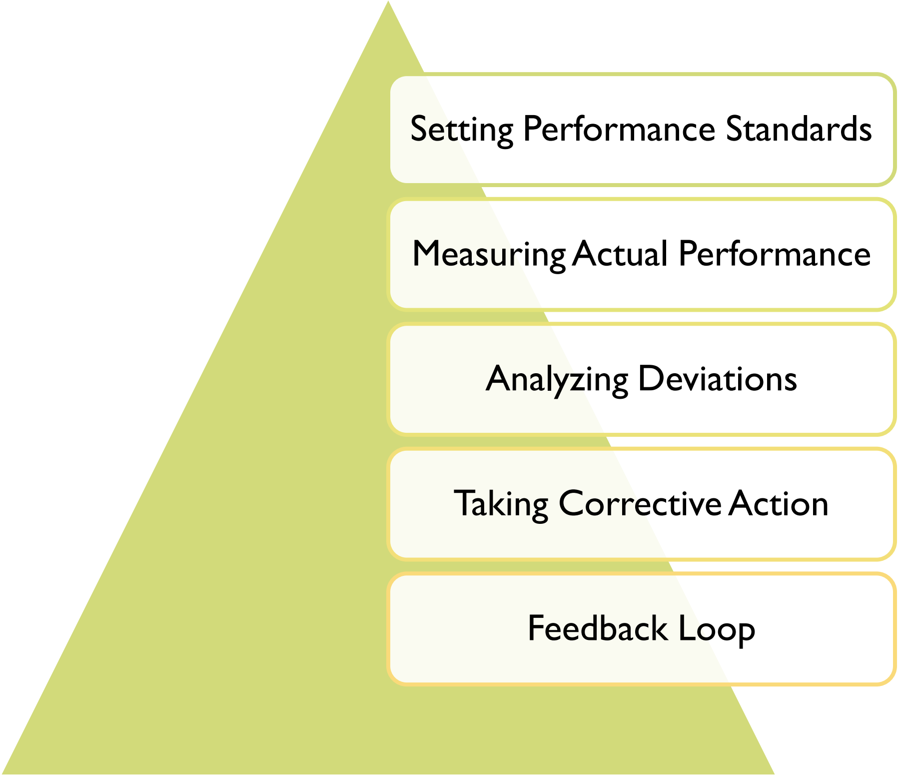
Model of Strategic Management

Strategic Formulation

- Environmental Scanning
- Defining Vision, Mission, and Objectives
- Setting Long-term Goals
- Developing Strategic Alternatives
- Choosing the Best Strategy

Strategy Implementation

Strategy Evaluation & Control



Corporate Governance

- Corporate governance refers to the system of **rules, processes, and practices** through which a company is directed, controlled, and held accountable.
- It ensures that management acts in the **best interest of shareholders and stakeholders**.
- Governance provides the **checks and balances** between owners, management, and stakeholders.

Definition

OECD (2004): "Corporate governance involves a set of relationships between a company's management, its board, its shareholders, and other stakeholders."

Cadbury Committee (UK, 1992): "Corporate governance is the system by which companies are directed and controlled."

Objectives of Corporate Governance

- Ensure **fairness, accountability, and transparency** in corporate functioning.
- Protect the **interests of shareholders and stakeholders**.
- Create **sustainable long-term value**.
- Promote **compliance with legal and ethical standards**.
- Enhance **trust and confidence** of investors, regulators, and society.

Board of Directors

- The **Board of Directors (BOD)** is the apex governing body of a company, entrusted with the responsibility of guiding, monitoring, and supervising management to ensure organizational sustainability, compliance, and long-term value creation.

Composition of the Board

Executive Directors – (CEO, CFO, Managing Director).

Non-Executive Directors provide strategic advice and independent judgment.

Independent Directors

Chairperson

Company Secretary

Role of the Board of Directors

- Strategic Role
- Oversight Role
- Advisory Role
- Fiduciary Role- Act in the **best interest of shareholders**, Avoid **conflicts of interest**, Exercise duty of care, skill, and diligence, Ensure **fair treatment of all stakeholders.**

Responsibilities of the Board of Directors

Legal & Statutory Responsibilities

- Comply with the **Companies Act, 2013**, SEBI guidelines, and listing requirements.
- Maintain **accurate financial statements** and ensure statutory audits.
- Approve **dividend policy** and distribution.
- Safeguard **company assets** and prevent mismanagement.

Strategic Responsibilities

- Approve annual budgets and major capital investments.
- Evaluate mergers, acquisitions, alliances, and diversification.
- Foster **innovation and sustainability** in operations.
- Ensure **succession planning** for key managerial positions.

Governance Responsibilities

- Maintain transparency in **reporting and disclosures**.
- Establish committees (Audit, Nomination, CSR, Risk Management, etc.).
- Promote **ethical corporate culture**.
- Protect interests of **minority shareholders**.

Social & Ethical Responsibilities

- Formulate and monitor **Corporate Social Responsibility (CSR)** initiatives.
- Ensure fair labor practices, environmental protection, and sustainability.
- Maintain strong **stakeholder relations** (investors, employees, community).

Recent Trends in Corporate Governance

Shift from Shareholder to Stakeholder Model

Rise of ESG (Environmental, Social, and Governance) Reporting

Increased Diversity and Inclusion

Digitalization and Technology in Governance

Executive Compensation and Accountability

Activist Investors and Shareholder Engagement

Ethics, Integrity, and Whistleblower Protection

Global Convergence of Governance Standards

Corporate Social Responsibility (CSR)

CSR is a business approach that contributes to sustainable development by delivering economic, social, and environmental benefits for all stakeholders.

It is the responsibility of companies to conduct business ethically, contribute to society, and reduce negative impacts on the environment.

Objectives of CSR

To balance economic growth with social and environmental sustainability.

To enhance the company's reputation and goodwill.

To strengthen relationships with stakeholders.

To contribute to inclusive growth and nation-building.

CSR in India

Legal Mandate: Companies Act, 2013 (Section 135) makes CSR mandatory.

Applicability: Companies with

Net worth ≥ ₹500 crore OR

Turnover ≥ ₹1000 crore OR

Net profit ≥ ₹5 crore.

Requirement: Spend at least 2% of average net profits (last 3 years) on CSR activities.

Schedule VII (CSR Activities)

- Eradicating extreme hunger and poverty.
- Promoting education, gender equality, and women empowerment.
- Ensuring environmental sustainability.
- Protection of national heritage, art, and culture.
- Rural development projects.
- Contribution to PM CARES Fund or disaster relief.

Benefits of CSR

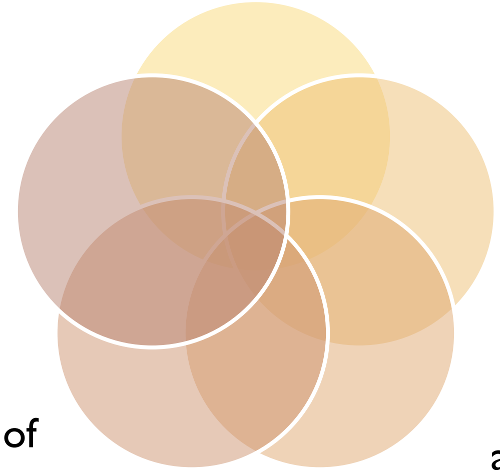
- Enhances corporate reputation and brand value.
- Builds customer loyalty and trust.
- Attracts and retains talent.
- Reduces regulatory intervention.
- Contributes to sustainable development.

Challenges in CSR

Treating CSR as philanthropy, not strategy.

Misuse of funds or greenwashing.

Superficial compliance rather than genuine impact.



Measurement of CSR outcomes.

Lack of awareness and expertise.