STUDY MATERIAL

PROFESSIONAL PROGRAMME

STRATEGIC MANAGEMENT & CORPORATE FINANCE

GROUP 2

PAPER 5

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PROFESSIONAL PROGRAMME

STRATEGIC MANAGEMENT & CORPORATE FINANCE

Strategic Management is a discipline that deals with long-term development of an organisation with a clear-cut vision about organisational purpose, scope of activities and objectives. It provides overall direction to the organisation in many ways and includes specifying the organization's objectives, developing policies and plans designed to accomplish these objectives, allocating resources to for the implementation of such plans.

Finance is crucial for corporates, not only to invest and to expand, but also to operate their daily business. Some corporate rely more intensively on internal funds, while others rely more intensively on external funding. The never- ending requirement for funds germinates from the continuous business expansion undertaken by corporate.

In today era, the market offers numerous ways to obtain finance. With each passing day, a different product is getting evolved to meet the requirements of the growing industries. There are a number of ways to finance a business and a range of lenders and investors to choose from when the treasury function is making financing decisions.

The paper Strategic Management & Corporate Finance has been introduced to provide the blended knowledge of implementation of various strategies in the competitive environment and various source of finances available to raise funds in the Indian as well international market along with the legislative framework for raising such funds.

This paper is divided into two parts: Part I deals with Strategic Management and Part II deals with Corporate Finance.

Part I elaborates the concept of strategic management, analyzing the external and internal environment, formulation of business strategies, strategic analysis and planning, competitive positioning, analyzing strategic edge etc.

Part II elaborates on the conceptual and legal framework of corporate finance like Equity, Debt, Public Funding, Private funding, Fund based, Non-fund based funding, Securitization, Project Finance etc. Listing and issuance of Securities in IFSC, foreign funding- instruments, laws and procedure, role of intermediaries in fund raising project evaluation etc. are also covered in this part.

The Company Secretary being a compliance officer of the company and Senior Management Personnel, plays a pivotal role in formulating the strategies and advising the Board in raising finance for a company. Further, the corporates in India look upon especially company secretaries to provide the impetus, guidance and direction for raising funds from different source and to advise the Board on their regulatory compliances while raising funds.

The legislative changes made upto May 31, 2025 have been incorporated in the study material. In addition to Study Material students are advised to refer to the updations at the Regulator's website, supplements relevant for the subject issued by ICSI and ICSI Journal Chartered Secretary and other publications. Specifically, students are advised to read "Student Company Secretary" e-Journal which covers regulatory and other relevant developments relating to the subject, which is available on academic portal at *https://www.icsi.edu/student-n/academic-portal/*. In the event of any doubt, students may contact the Directorate of Academics at *academics@icsi.edu.*

The amendments to law made upto 31st May of the Calendar Year for December Examinations and upto 30th November of the previous Calendar Year for June Examinations shall be applicable.

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PROFESSIONAL PROGRAMME

Group 2

Paper 5

STRATEGIC MANAGEMENT & CORPORATE FINANCE

SYLLABUS

OBJECTIVES

- **To enable students to acquire multidimensional skills as to equip them to comprehend the process of strategy formulation.**
- **To provide the practical and procedural knowledge on various sources of finance available to corporates at their various stages of journey and the legislative framework for raising such funds.**

Level of Knowledge : Expert Knowledge

Part I: Strategic Management (40 Marks)

1. **Introduction to Strategic Management:** Basic concepts of corporate strategy and the strategic framework ● Strategic Leadership ● Functions and Importance for Professionals like Company Secretaries ● Board of Directors and Corporate Social Responsibility ● Corporate Governance code and laws
2. **Analyzing the External and Internal Environment:** Overview- Meaning & Process ● Environmental Influencers of Business ● Characteristics and Components of Business Environment ● External Environmental analysis ● Internal Corporate Analysis ● Factors of Micro & Macro Environment of Business ● Competitive Environment ● Porter's Five Force Model
3. **Business Policy and Formulation of Functional Strategy:** Introduction to Business Policy ● Strategic Decision Model ● Aligning the Vision, Mission ● Objectives and Goals ● Strategic Levels of the Organization ● Formulation of Functional Strategy-Formulation of Financial, Marketing, Production, Human Resource and Logistics strategies
4. **Strategic Analysis and Planning:** Situational Analysis ● Strategic Choices-SWOT and TOWS Analysis ● PERT (Programme Evaluation Review Technique) and CPM (Critical Path Method), Portfolio analysis-Boston Consulting Group (BCG) growth-share Matrix, Ansoff's Product Growth Matrix ● ADL Matrix and General Electric (GE) Model ● Strategic Planning ● Strategic Alternatives ● Glueck and Jauch and Michael Porter's Generic Strategies
5. **Competitive Positioning:** Business level competitive strategies ● Cost leadership strategy ● Differentiation strategy ● Issues in Strategy Implementation ● Strategic enablers ● Strategic risk and related issues ● Strategic Leadership and its forms ● Establish a strategic mind-set to diagnose problems and make recommendations ● E-Business and Strategy

6. **Managing the Multi-Business firm and Analyzing Strategic Edge:** Case Studies from the Indian context to establish a strategic mindset to diagnose problems and make recommendations

Part II: Corporate Finance (60 Marks)

7. **Sources of Corporate Funding:** Equity Shares ● Preference Shares ● Venture Capital ● Alternative Investment Funds ● Angel Funds ● Debentures ● Bonds ● Loan from financial institutions ● Foreign Funding ● Foreign Direct Investment (FDI) & Foreign Institutional Investment (FII) ● External Commercial Borrowings (ECB) ● Private Equity ● Securitization

8. **Raising of Funds from Equity and Procedural aspects:**

   (a) **Public Funding:** Initial Public Offer (IPO) ● Further Public Offer (FPO) ● Preferential Allotment ● Private Placement ● Qualified Institutional Placement ● Institutional Private Placement ● Offer for Sale ● Rights Issue ● Fast Track Issue ● Green Shoe Option

   (b) **Sources of Funds for Mega projects:** Real Estate Investment Trust (REIT) ● Infrastructure Investment Trust (InvIT)

   (c) **Private funding:** Venture Capital ● Alternative Investment Fund ● Angel Funds ● Seed Funding ● Private Equity

   (d) **Non Fund based:** Bonus Issue ● Sweat Equity ● ESOP

   (e) **An overview on Listing and Issuance of Securities in International Financial Services Centre**

9. **Raising of Funds from Debt and Procedural aspects:**

   (a) **Indian Fund Based**: Debentures ● Non-Convertible Securities ● Public Deposits ● Bonds ● Bank Finance ● Promoter Funding ● Working Capital Finance ● Overdrafts ● Cash Credits ● Bill Discounting ● Factoring ●NBFCs Funding

   (b) **Indian Non Fund Based:** Letter of Credit ● Bank Guarantee ●Stand by Letter of Credit etc.

10. **Foreign Funding-Institutions:** International Finance Corporation (IFC) ● Asian Development Bank (ADB) ● International Monetary Fund (IMF) ● World Bank

11. **Foreign Funding-Instruments, laws and Procedures:** External Commercial Borrowing (ECB) ● American Depository Receipt (ADR)/Global Depository Receipt (GDR) ● Foreign Currency Convertible Bonds (FCCB) ● Foreign Currency Exchangeable Bonds (FCEB)

12. **Role of Intermediaries in fund raising:** Investment Advisor ● Merchant Banker ● Portfolio Manager and Role of Company Secretary

13. **Project Evaluation:** Factors affecting the cost of project ● Project appraisal through feasibility and Due Diligence (Technical, Financial, and Legal) ● Project viability and research on innovation ● Regulatory Authorities/ agencies ● Risk Assessment and mitigation ● Credit Risk Management in Project Finance ● Preparation of detailed project report

ARRANGEMENT OF STUDY LESSONS

STRATEGIC MANAGEMENT & CORPORATE FINANCE

GROUP 2 • PAPER 5

LESSON WISE SUMMARY
STRATEGIC MANAGEMENT & CORPORATE FINANCE

PART I - STRATEGIC MANAGEMENT (40 MARKS)

Lesson 1 – Introduction to Strategic Management

Strategic Management is a discipline that deals with long-term development of an organisation with a clear-cut vision about organisational purpose, scope of activities and objectives. It provides overall direction to the organisation and includes specifying the organization's objectives, developing policies and plans designed to accomplish these objectives, allocating resources to for the implementation of such plans. The purpose of this lesson is to acquaint the students about the concept of strategic management and its process; functions performed by a strategic leader; Role of Company Secretary in Strategic Leadership; Role of Board of Directors in Corporate Social Responsibility; Corporate Governance Code and Laws.

Lesson 2 – Analyzing the External and Internal Environment

A business organisation does not exist in a vacuum but has to take into account external and internal environment. Business environment may offer opportunities for any firm or pose threats to the firm. A business firm is also affected by a number of internal factors, which are forces inside the business organisation. It is expected that, after going through with this lesson, students will be in position to understand the environment influencers of business; the Characteristics and Components of Business Environment; Porter's five forces model- the tool to determine the intensity of competition in an industry and its profitability level.

Lesson 3 – Business Policy and Formulation of Functional Strategy

This lesson throws a light on the core concepts of business policy. Business Policy is the study of the functions and responsibilities of senior management, the crucial problems that affect success in the total enterprise and the decisions that determine the direction of the organisation and shape its future. It describes in detail about the roles and responsibilities of top level management, significant issues affecting organizational success and the decisions affecting organization in long-run. The objective of this lesson is to enable the students to understand the concepts related to business policy.

Lesson 4 – Strategic Analysis and Planning

This lesson studies strategic analysis and planning for providing overall direction to the organisation and specifying the organization's objectives, developing policies and plans designed to achieve these objectives, and then allocating resources to implement the plans. All this requires a careful analysis of the vision, mission, objectives, goals and resources of the organisation and in-depth analysis of the external environment.

Lesson 5 – Competitive Positioning

The implementation of policies and strategies is concerned with the design and management of systems to achieve the best integration of people, structures, processes and resources in reaching organization objectives. Strategy implementation may also consist of securing resources, organizing these resources and directing the use of these resources within and outside the organization. An effective strategy implementation works for competitive positioning for an organisation. Implementation of strategy in an organization covers a number of inter-related decisions, choices, and a broad range of activities such as the commitments and cooperation of all units, sections and departments. The objective of this lesson is to assist the students to understand the various competitive strategies for competitive positioning; issues in Strategy Implementation; strategic leadership and its forms; Role of Strategy in e-business etc.

Lesson 6 – Managing the Multi-Business Firm and Analyzing Strategic Edge

In order to boost effectiveness and produce higher quality products for end customer, it is important to analyse strategic edge. This is also important for enabling new business growth and expansion and also to save cost by improving efficiency in the production process. The objective of this lesson is to assist the students to understand the tools and techniques of strategic management such as Business Process Reengineering, Benchmarking, Total Quality Management and Six Sigma etc. This lesson also covers the various case studies from Indian Context to establish a strategic mindset to diagnose the problems.

PART II – CORPORATE FINANCE (60 MARKS)

Lesson 7 – Sources of Corporate Funding

Corporate Finance deals with the sources of funding and the capital structure of corporations, the actions that managers take to increase the value of the firm to the shareholders, and the tools and analysis used to allocate financial resources. The primary goal of corporate finance is to maximize or increase shareholder value. This lesson aims to provide an overview of various sources of finance available with an organisation for raising of funds to meet its requirements. This covers Equity Shares; Preference Shares; Debentures; Bonds; Alternative Investment Funds; Venture Capital; Angel Funds; Private Equity; Depository Receipts; Convertible and Exchangeable Bonds; External Commercial Borrowing; FDI; Securitization etc.

Lesson 8 – Raising of Funds from Equity and Procedural Aspects – Public Funding

With the growth of company form of organisation in India, the demand for equity capital gained steam. With the passage of time, different variants of equity capital emerged in Indian capital market, i.e. Initial Public Offer (IPO), Further Public Offer (FPO), Private Placement, Rights issue etc. So, a need was felt, to institute a regulatory structure that governs the significant angles of issue of capital, especially, the equity shares.

In light of this, the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 were notified with the objective to bring more clarity to the provisions of the rescinded SEBI DIP Guidelines by removing the redundant provisions and amending certain provisions in order to cope up with the dynamics of capital market.

In order to align its provisions under ICDR Regulations with Companies Act, 2013 and allied regulations, SEBI had revised the regulations and came up with the SEBI (Issue of Capital and Disclosure Requirements) Regulations 2018 which lay down guidelines relating to conditions for various kinds of issues including public and rights issue.

This lesson has touched upon various significant concepts pertaining to raising of funds from the public, various provisions and practical aspects relating to public issue such as conditions relating to an Initial Public Offer (IPO) and Further Public Offer (FPO), conditions relating to pricing in public offerings, conditions governing promoter's contribution, restriction on transferability of promoter's contribution, minimum offer to public, reservations, manner of disclosures in offer documents, etc. It also covers the brief introduction about the Social Stock Exchange.

Lesson 9 – Real Estate Investment Trusts

Real Estate Investment Trusts (REITs) has been one of the most important vehicles for making collective investment in commercial real estate. Emanating in the USA in 1960s as a tax transparent collective investment vehicle, REITs have subsequently been used by several other countries, and have done remarkably well.

In India, SEBI had introduced real estate mutual funds pursuant to recommendations of an AMFI Committee, and thereafter, it came with draft regulations on REITs in 2008. In 2013, a regulatory framework was once again put on public domain. After taking industry inputs, amendments to regulations were made and the draft was approved allowing setting up and listing of REIT's. Post the clarification provided in the budget, SEBI on 26th September 2014 finally notified the final regulations - SEBI (Real Estate Investment Trust) Regulations, 2014.

In view of the importance of REIT, this lesson makes an endeavour to throw light on critical aspects like SEBI (Real Estate Investment Trust) Regulations, 2014; Issue and Listing of units; Guidelines for Public Issue of Units of REITs etc.

Lesson 10 – Infrastructure Investment Trusts

Infrastructure being one of the critical sectors of Indian economy as it contributes immensely towards economic development; it creates substantial academic interest to explore a vital facet associated with it i.e Infrastructure Investment Trust.

An Infrastructure Investment Trust (InvITs) is Collective Investment Scheme similar to a mutual fund, which enables direct investment of money from individual and institutional investors in infrastructure projects to earn a small portion of the income as return. SEBI (Infrastructure Investment Trusts) Regulations, 2014 provides a regulatory framework for registration and regulation of InvITs in India. The regulations, inter alia, prescribe conditions for making a public offer and private placement, initial and continuous disclosures, investment conditions, unit-holder approval requirements, related party disclosures, etc.

This lesson makes an attempt to delve deep into various essential aspects pertaining to the SEBI (Infrastructure Investment Trust), Regulations, 2014, Key stakeholder of InvlTs; Eligibility Criteria; Guidelines for preferential issue of units by InvlTs etc.

Lesson 11 – Raising of Funds – Private Funding

Private equity and venture capital acts as a messiah in meeting out the capital requirements of entrepreneurs. The main providers of this form of capital are private equity and venture capital funds which are channelled through Alternative Investment Funds (AIFs). However, as the mentioned source of finance is not in abundance in India it calls for a congenial regulatory environment.

It is to be noted that AIFs in India are regulated by the Securities and Exchange Board of India (SEBI). Other government agencies which play an important role are the Ministry of Finance and sector regulators in the pension and insurance areas as well as the Reserve Bank of India. Previously, SEBI had framed the SEBI (Venture Capital Funds) Regulations, 1996 ("VCF Regulations") to encourage investments in to start-ups and mid-size companies. Since the arrival of the VCF Regulations, it was observed by SEBI that the venture capital route was being used by several other categories of funds such as private equity funds, real estate funds etc. Further, since registration as a venture capital fund ("VCF") was not mandatory under the VCF Regulations, not all private equity or other categories of funds were registering with the SEBI.

In light of the soaring significance of private equity and venture capital in India, this lesson aims to throw light on various critical issues pertaining to private equity and venture capital, like, SEBI (Alternative Investment Funds) Regulations, 2012; Categories of AIF; Investment in an AIF; Placement Memorandum etc.

Lesson 12 – Raising of Funds – Non Fund Based

Any company can attain astral heights if it takes care of its two key stakeholders, one shareholders and other human capital. If shareholders are paid high dividends or additional shares in the form of bonus shares are issued then they remain loyal to the company and even at times of distress they are with the management of the company. Similarly, the work force is vital component of a business organisation and those executives who possess the potential to take the organisation to newer heights needs to be remunerated suitable. Now remuneration or incentives may be financial as well as non-financial. One of the key non-financial incentives may be issues of shares to the employees in the form of ESOP (Employee Stock Option).

But it is also equally important to be conversant with the legal dimensions associated with above mentioned form of equity issues. This lesson undertakes a holistic approach by focusing on all the significant facets of equity issue, i.e. Meaning of Bonus Issue; Provisions pertaining to issue of Bonus shares; ESOP and Sweat Equity Shares covered under Companies Act, 2013; Concept of Employee Stock Option etc.

Lesson 13 – An Overview on Listing and Issuance of Securities in International Financial Services Centre

The International Financial Services Centres Authority (IFSCA) has been established on April 27, 2020 under the International Financial Services Centres Authority Act, 2019. The IFSCA is a unified authority for the development and regulation of financial products, financial services and financial institutions in the International Financial Services Centre (IFSC) in India. At present, the GIFT IFSC is the maiden international financial services centre in India. Prior to the establishment of IFSCA, the domestic financial regulators, namely, RBI, SEBI, PFRDA and IRDAI regulated the business in IFSC. The IFSCA has been established as a unified regulator with a holistic vision in order to promote ease of doing business in IFSC and provide world class regulatory environment. The main objective of the IFSCA is to develop a strong global connect and focus on the needs of the Indian economy as well as to serve as an international financial platform for the entire region and the global economy as a whole.

At the end of this lesson, the students would have an understanding about the Listing and Trading of Securities in IFSC and the Regulatory Framework; the concept of Special Purpose Acquisition Company (SPAC) and regulatory framework for listing of SPACS; Framework on listing of ESG Debt Securities; Listing Obligations and Disclosure Requirements under IFSCA Listing Regulations.

Lesson 14 – Raising of Funds from Debt and Procedural Aspects

Today majority of corporate houses are espousing the debt financing trajectory to finance their business expansion plans; mergers and acquisitions; setting up of new business etc. Currently, in India the debt market comprises mainly of two segments viz., the Government securities market consisting of Central and State Governments securities, Zero Coupon Bonds (ZCBs), Floating Rate Bonds (FRBs), T-Bills and the corporate securities market consisting of FI bonds, PSU bonds, and Debentures / Corporate bonds. Government securities form the major part of the market in terms of outstanding issues, market capitalization and trading value.

This lesson is divided in two sections i) Indian Fund Based ii) Indian Non-Fund Based.

Keeping in view the rising importance of debt funding in Indian capital market, the first section of the lesson aims to cover various important topics pertaining to debt funding- Debt Market in India; Forms of Debentures; Regulatory framework governing debt securities; Electronic Book Mechanism for issuance of securities on private placement basis; Online Bond Platform Providers and its significance; Role of Company Secretary in Corporate Bond Market; Public Deposits; NBFC Funding etc.

Generally, it is observed that whenever there is raising of funds it involves movement of money but there is a form of financing wherein there is no movement of funds from the banks / financial institutions. Such type of funding is called non-fund based credit facilities. In this form of financing or funding, the bank or financial institution do not disburse funds to the borrower directly but it assist its borrowers in managing the business in other ways by issuing Letter of Credit; Stand by Letter of Credit and Bank Guarantees. This form of non fund based funding occupies a significant position in Indian financial ecosystem, and so it generates substantial academic interest to explore various essential dimensions of the mentioned form of funding.

In light of the above, the second section of lesson focuses on the critical facets of Letter of Credit; Documentation under Letter of Credit; Bank Guarantee etc.

Lesson 15 – Foreign Funding-Institutions

We are living in the era of globalisation and opportunities have galore due to it especially, in the form of foreign funding. Financial assistance received from foreign countries assist organisations to foray into cross-border transactions with foreign business partners, such as customers, investors, suppliers and lenders. Various international sources from where funds may be generated include the following (i) Commercial Banks (ii) International Agencies and Development Banks iii) International Capital Markets.

Many development banks and international agencies have come forth over the years for the purpose of international financing. These bodies are set up by the Governments of developed countries of the world at national, regional and international levels for funding various projects. This lesson throws light on Role and functions of various international agencies and development banks covering International Finance Corporation (IFC), Asian Development Bank, International Monetary Fund (IMF), World Bank etc.

Lesson 16 – Foreign Funding-Instruments, Laws and Procedures

In view of the dynamic global financial ecosystem, it is imperative to explore critical facets of foreign funding. This lesson have amply covered almost all those crucial aspects that influence the foreign funding, i.e. Regulatory framework governing foreign funding in India; External Commercial Borrowings; Depository Receipts and its forms and laws governing them; Foreign Currency Exchangeable Bonds etc.

Lesson 17 – Role of Intermediaries in Fund Raising

Market intermediaries, being a vital link between the regulators, issuers and investors, constitute as one of the various components of the financial market. They play a very important role in development of the market by providing a variety of services. SEBI is responsible for the registration, supervision, compliance monitoring and inspections of all market intermediaries in respect of all segments of the markets viz. equity, equity derivatives, currency derivatives, debt and debt related derivatives and commodity derivatives.

This lesson covers the various Intermediaries associated with the Primary Market, Role and Responsibilities of Investment Advisor, Merchant Banker and Portfolio Manager and their Regulatory framework. It also covers the role of a Company Secretary.

Lesson 18 – Project Evaluation

Project evaluation is a systematic and objective assessment of an ongoing or completed project. The aim is to determine the relevance and level of achievement of project objectives, development effectiveness, efficiency, impact and sustainability. Evaluations also feed lessons learned into the decision-making process of the project stakeholders, including donors and national partners.

As a Company Secretary, it is important to understand the concept of project evaluation, appraisal process, feasibility studies, factors affecting cost of project etc. The organization raises funds for the various new and undergoing projects. Company Secretary as a Key Managerial Personnel can advise the Board on the optimum utilization of funds raised by the organization for the said purposes.

This lesson aims to provide an understanding to the students about the concept of project evaluation; Factors affecting the cost of Project; Due Diligence in Project Finance; Project Appraisal through Feasibility and Due Diligence (Technical, Financial, and Legal) and Role of Company Secretary; the concept of risk assessment and mitigation; Credit Risk Management in Project Finance and Steps involved in preparation of Detailed Project Report (DPR).

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PART I

STRATEGIC MANAGEMENT

Introduction to Strategic Management

Lesson 1

KEY CONCEPTS

■ Strategic Management ■ Strategic Leadership ■ Captivator ■ Global Thinker ■ Change Driver ■ Enterprise Guardian ■ Strategic Planning ■ Corporate Social Responsibility ■ Corporate Governance ■ Board of Directors

Learning Objectives

To understand:

- The concept of strategic management
- The four phases involved in strategic management
- Manager's potential to articulate the strategic vision in the form of strategic leadership
- Functions performed by a strategic leader
- Functions and Importance for Professionals like Company Secretaries
- Strategic Planning
- Board of Directors and Corporate Social Responsibility (CSR)
- Factors influencing CSR
- Corporate Governance – Code and Laws in India
- International Regulatory Framework of Corporate Governance
- Corporate Governance and Role of Company Secretary

Lesson Outline

- Strategic Management: Meaning & Process
- Strategic Leadership
- Functions and Importance for Professionals like Company Secretaries
- Strategic Planning
- Board of Directors and Corporate Social Responsibility
- Definition of CSR under Companies Act, 2013
- Benefits of CSR
- Factors influencing CSR
- Role of Board of Directors in CSR related activities of a Company
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- Glossary
- Test Yourself
- List of Further Readings
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STRATEGIC MANAGEMENT : MEANING AND PROCESS

Meaning

Strategic Management is a discipline that deals with long-term development of an organisation with a clear-cut vision about organisational purpose, scope of activities and objectives.

It can be understood from the analysis of mentioned definitions that strategic management provides overall direction to the organisation and includes specifying the organization's objectives, developing policies and plans designed to accomplish these objectives, allocating resources for the implementation of such plans.

Michael Porter identifies three principles underlying strategy: creating a "unique and valuable market position", making trade-offs by choosing "what not to do", and creating "fit" by aligning company activities with one another to support the chosen strategy.

Definitions of Strategic Management

"Determination of the basic long-term goals and objectives of an enterprise and adoption of course of action and allocation of resources necessary to carry out these goals."

- Chandler

"That set of decisions and actions which leads to the development of an effective strategy or strategies to help achieve corporate objectives."

- Glueck

"Strategic management involves the decision-making and the activities in an organisation which (1) have wider ramifications, (2) have a long time perspective, and (3) use critical resources towards perceived opportunities or threats in a changing environment."

- Paine and Naumes

"Strategic management is the formulation and implementation of the major goals and initiatives taken by a company's top management on behalf of owners, based on consideration of resources and an assessment of the internal and external environments in which the organization competes."

- Hambrick and Chen

Strategic Management: Process

The strategic management process is defined as the process by which the managers'/decision makers' are able to make a choice of a set of strategies for the organization that will enable it to accomplish improved performance. Strategic management is not a static but continuous process as it involves continuous appraisal of the micro and macro environment surrounding the organization and choosing between alternatives that meet the objectives and thereafter re-assessment of such strategy. The strategic management consists of different phases, which are sequential in nature.

Four Phases of Strategic Management Process

There are four indispensable phases of every strategic management process. In diverse companies these phases may have altered nomenclatures and different sequences, nevertheless, the fundamental substance remains same. The four phases can be listed as below.

1. **Environmental Scanning-** The Board of Directors and the top management will have to review the current performance. To review, the organization will have to scan the internal environment for the strengths and weaknesses and the external environment for opportunities and threats. The internal and external scan helps in selecting the strategic factors. These have to be reviewed and redefined in relation to the mission and objectives. All the organizations have missions that define the significance of their existence.

   The details of Internal and External Environment are covered in Lesson 2 of this study.

2. **Strategy Formulation-** Strategy formulation is the process of deciding about the best course of action for accomplishing organizational objectives and therefore, attaining organizational purpose. After conducting environment scanning, managers formulate corporate, business and functional strategies.

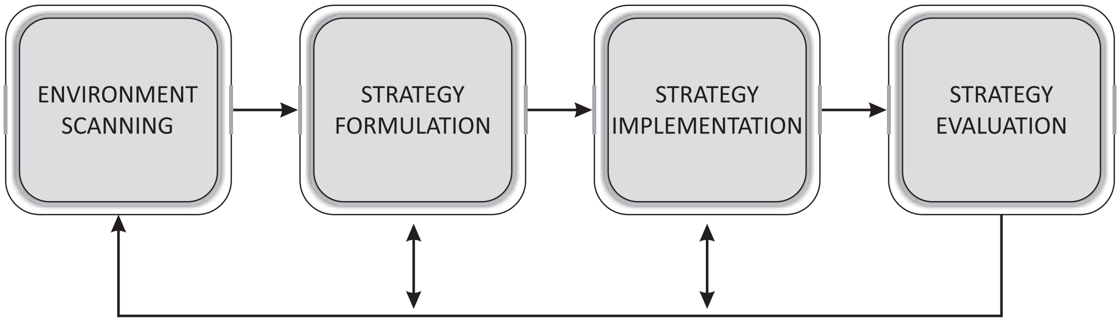
   The Formulation of Functional Strategy in detail is covered in Lesson 3 of this study.

3. **Strategy Implementation-** Strategy implementation implies putting the chosen strategy into action. Strategy implementation includes designing the organization's structure, distributing resources, developing decision making process, and managing the human resources.

   The Strategy Implementation in detail is covered in Lesson 3 of this study.

4. **Strategy Evaluation-** Strategy evaluation is the final step of strategy management process. The key strategy evaluation activities are: appraising internal and external factors that are the root of present strategies, measuring performance, and taking remedial/corrective actions. Evaluation ascertains that the organizational strategy as well as its implementation is in line with the organizational objectives.

These components are steps that are carried in sequential order, while creating a new strategic management plan. Present businesses that have already created a strategic management plan will revert to these steps as per the situation's requirement, so as to make essential changes.



Components of Strategic Management Process

STRATEGIC LEADERSHIP

As per May, "Strategic Leadership is the ability to influence others to voluntarily make decisions that enhance the prospects for the organisation's long-term success while maintaining long-term financial stability. Different leadership approaches impact the vision and direction of growth and the potential success of an organization. To successfully deal with change, all executives need the skills and tools for both strategy formulation and implementation."

Strategic leadership refers to a manager's potential to articulate the strategic vision for the organization, and to motivate, guide and influence his subordinates to attain the objectives of that vision. Strategic leadership can also be defined as utilizing strategy in the management of employees. It is the ability to influence organizational members and to accomplish organizational change. Strategic leaders generate organizational structure, assign resources and communicate strategic vision. Strategic leaders have to work in an uncertain environment on various strategic issues.

The main purpose of strategic leadership is strategic productivity. Another aim of strategic leadership is to generate an environment in which employees match the organization's needs in context of their individual job. Strategic leaders instill confidence to the employees in an organization to follow their own ideas, yet, moving in the direction of organisation's overall goals. Strategic leaders make better use of reward and incentive system for encouraging productive and quality employees. Functional strategic leadership is about creativity, resourcefulness, and preparing to assist an individual in realizing his objectives and goals.

Functions and Importance of a Strategic Leader

Following are the nine key strategic leadership roles and brief meaning of each.

- **Navigator** – Clearly and quickly works through the complexity of key issues, problems and opportunities to affect actions (e.g., leverage opportunities and resolve issues).
- **Strategist** – Develops a long-range course of action or set of goals to align with the organization's vision.
- **Entrepreneur** – Identifies and exploits opportunities for new products, services and markets.
- **Mobilizer** – Proactively builds and aligns stakeholders, capabilities, and resources for getting things done quickly and achieving complex objectives.
- **Talent Advocate** – Attracts, develops, and retains talent to ensure that people with the right skills and motivations to meet business needs are in the right place at the right time.
- **Captivator** – Builds passion and commitment toward a common goal.
- **Global Thinker** – Integrates information from all sources to develop a well-informed, diverse perspective that can be used to optimize organizational performance.
- **Change Driver** – Creates an environment that embraces change; makes change happen – even if the change is radical – and helps others to accept new ideas.
- **Enterprise Guardian** – Ensures shareholder value creation through courageous decision-making that supports enterprise – or unit-wide interests.

These nine roles are important at senior strategic levels because they help leaders understand what to do to be strategic. They address the broader challenges leaders face as they transition from managing more narrowly focused "silos," to taking on the challenges of more enterprise-wide leadership.

Strategic Management: Functions and Importance for Professionals like Company Secretaries

A lot has changed since the passage of Indian Companies Act, 2013. A Company Secretary has stepped into various crucial roles such as Key Managerial Personnel, Compliance officer, Internal Auditor, GST Professional, Registered Valuer, Insolvency Professional, Adviser to the Board of Directors, Corporate Planner and Strategic Manager etc., thereby playing a pivotal role in ensuring best governance practices of the corporate world. In order to ensure that every activity of the business organization is conducted in the interests of the stakeholders, i.e. shareholders, employees, suppliers, government agencies etc., it is essential that a Company Secretary work as a strategist and not as a simple knowledge worker.

Company Secretary is required to contemplate the future changes in the political, economic, social, technological and legal environment and its impact on the industry as well as the company per se. Further, the job of a company secretary is a balancing act, meaning that on the one hand he needs to take care of almost all the aspects of corporate affairs, i.e. acting as a mediator between the board and the shareholders, communicating with the outside world on various corporate issues, conducting of meetings and proper maintenance of its records etc. On the other hand, he needs to take care of a bigger but extremely important aspect, in absence of which, it may exert a debilitating impact on the business, i.e. Corporate Governance. At times, while performing his duties, he may find himself at a crossroad or a dilemma, where he needs to choose between the two, i.e. what is good for the company and what is ethically correct.

Due to higher degree of association with business matters, now a company secretary's platter is full of various tasks. For instance, they interact with the top management on a continuous basis to apprise them of the latest developments taking place in the capital markets, corporate laws, securities laws and their impact on the organization and also communicating with different external agencies and regulatory authorities, thereby enlarging their role in the organization. Further, a company secretary has to take care of the following critical facets of the business, i.e. Risk management, assessing the sustainability of an organization, contribution towards corporate vision and mission, assessment of the magnitude of business competition, guiding the company on the path of corporate social responsibility etc. have enhanced the significance of a company secretary manifold.

Thus, it is clear that the role of a Company Secretary encompasses almost all the functions which a top management official needs to perform and in view of this, strategic management is of paramount significance for a company secretary.

The ensuing paragraph makes an attempt to comprehend how a company secretary is also a part and parcel of strategic management.

A company secretary in today's era while discharging his or her professional obligations has to perform several key roles which are also integral components of strategic management. A brief discussion on some of the roles is as follows:

(1) *Advisory* : As an advisor to the Board Members, the Company Secretary must build a good relationship with them provide impartial or unbiased advice which is in the best interest of the company. He is required to offer necessary assistance to the Chairman with all development processes including board evaluation, induction and training. This involves implementation of a rigorous plan for the assessment of the performance of Directors and taking requisite measures based on the review report. Further, the company secretary should take the lead in developing tailored induction plans for new directors and devising a training plan for individual directors and the Board. Although these tasks are ultimately the responsibility of the chairman, the company secretary can add value by fulfilling, or procuring the fulfilment of, these best practice governance requirements on behalf of the chairman.

(2) *Communication with Stakeholders*: The company secretary is a distinctive interface between the Board and management and as such they act as an important link between the Board and the business. Through effective communication they can coach management to understanding the expectations of, and value brought by the Board. The company secretary also has an important role in communicating with external stakeholders, such as investors, and is often the first point of contact for queries. The company secretary should work closely with the chairman and the Board to ensure that effective shareholder relations are maintained.

(3) *Flawless Disclosure and Reporting* : In recent years there has been increased emphasis in the quality of corporate governance reporting and calls for increased transparency. The company secretary usually has responsibility for drafting the governance section of the company's annual report and ensuring that all reports are made available to shareholders according to the relevant regulatory or listing requirements.

(4) *Management of Board Meetings and Committees*: The company secretary plays a leading role in good governance by helping the Board and its committees function effectively and in accordance with their terms of reference and best practice. Providing support goes beyond scheduling meetings to proactively managing the agenda and ensuring the presentation of high quality up-to-date information in advance of meetings. This should enable directors to contribute fully in board discussions and debate and to enhance the capability of the Board for good decision making. Following meetings, the company secretary should pursue and manage follow up actions and report on matters arising.

(5) *Compliances*: In current scenario, a business has to adhere to various laws and regulations failing which may invite various legal hassles. A company secretary is required to ensure compliance with various laws and regulations and for doing so he / she should be conversant with the laws as well as the amendments that take place. For instance, in Indian context a company secretary has to ensure compliance of the following laws but not limited to- Companies Act; SEBI Act, Securities Contracts

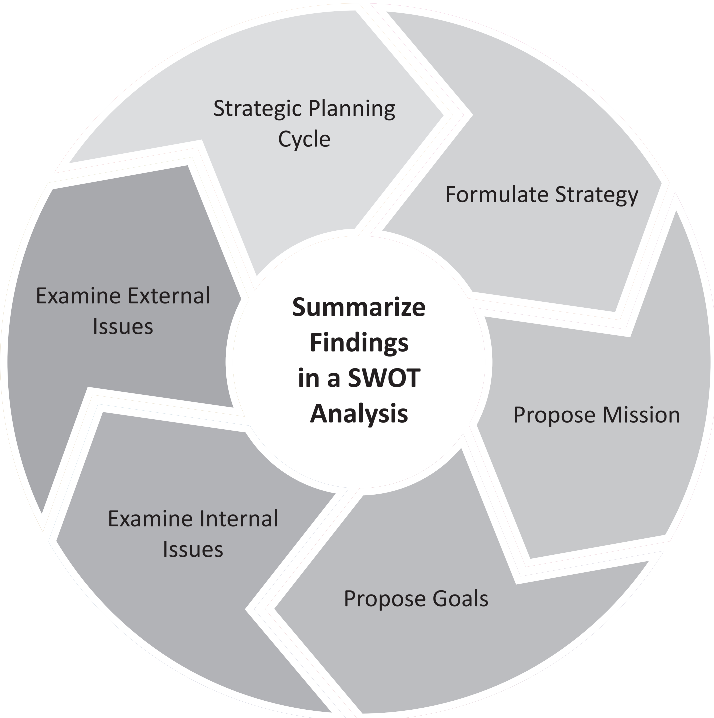
(Regulation) Act and rules and regulations made there under; Foreign Exchange Management Act; Consumer Protection Act; Depositories Act; Environment and Pollution Control Laws; Labour and Industrial Laws etc.

(6) *Representation*: A Company Secretary has to represent before various tribunals and courts in order to present the legal issue of the company. In India, a company secretary appears before the legal bodies *inter-alia* includes National Company Law Tribunal (NCLT); National Company Law Appellate Tribunal (NCLAT); Competition Commission of India (CCI); Registrar of Companies; Tax Tribunals etc.

STRATEGIC PLANNING

As per Allison and Kaye (2005), "Strategic planning is an organization's process of defining its strategy, or direction, and making decisions on allocating its resources to pursue this strategy. It may also extend to control mechanisms for guiding the implementation of the strategy."

In 1960s, the concept of Strategic planning gained prominent in strategic management in corporate sector and it has maintained its importance in contemporary times too. It follows a cycle that is interpreted below:



The Strategic Planning Cycle

Although, strategic planning process may be unique as per the specific requirements of any organisation, yet the Strategic Planning process is modelled in cycle shown above contains the steps most commonly followed by most of the organisations:

- Deliberating mission of the organisation;
- Developing goals based on chosen mission;
- Examining internal environment (strengths and weaknesses);
- Examine external environment (opportunities and threats);
- Summarize findings of SWOT analysis;
- Formulate final strategy based on SWOT.

Strategic planning is an iterative process; it may begin with one mission and end with another, depending on the outcomes of the process.

Benefits of Strategic Planning

Strategic planning can help your organization in a number of critical ways:

- *Improved results and confidence*: A proper plan may positively influence organizational performance and can contribute to a greater sense of purpose, progress and accountability among its team.
- *Focus*: Good strategic planning forces future thinking and can refocus and re-energise a disorientated organization.
- *Problem solving*: Strategic planning focuses on an organization's most critical problems, choices and opportunities.
- *Teamwork*: Strategic planning provides an excellent opportunity to build a sense of teamwork, to promote learning, and to build commitment across the organization.
- *Communication*: All stakeholders have an interest in knowing the direction in which organisation is heading and also how their contribution will fit in overall plan.
- *Greater control*: Strategic planning can provide an organisation greater control the environment in which it operates.

Limitations of Strategic Planning

- *Costs can outweigh benefits*: Strategic planning can consume a lot of time and money. This can be wasteful if the strategic planning is not successful.
- *Development of Poor plans*: Faulty assumptions about the future, poor assessment of an organization's capabilities, poor group dynamics and information overload can lead to the development of poor plans.
- *Implementation*: if not implemented properly, whole planning exercise will go futile. Disillusionment,cynicism and feelings of powerlessness often result if people have contributed energy for development of a plan which is not implemented.

BOARD OF DIRECTORS AND CORPORATE SOCIAL RESPONSIBILITY

The Board of Directors plays a pivotal role in ensuring good governance. The contribution of directors on the Board is critical to the way a corporate conducts itself. A board's responsibilities derive from law, custom, tradition and prevailing practices.

In the present times transparency, disclosure, accountability, issues of sustainability, corporate citizenship, globalization are some of the concerns that the Boards have to deal with. In addition, the Boards have to respond to the explosive demands of the marketplace. This two dimensional role of the Board of Directors is the cornerstone in evolving a sound, efficient, vibrant and dynamic corporate sector for attaining of high standards in integrity, transparency, conduct, accountability as well as social responsibility. The professionals like company secretaries are best fit to advise the Board of Directors to play their role efficiently.

Role of Board of Directors in making Strategic Decision

The institution of board of directors was based on the premise that a group of trustworthy and respectable people should look after the interests of the large number of shareholders who are not directly involved in the management of the company. The position of the board of directors is that of trust as the board is entrusted with the responsibility to act in the best interests of the company.

The contribution of board of directors of companies is critical for ensuring appropriate directions with regard to leadership, vision, strategy, policies, monitoring, supervision, accountability to shareholders and other stakeholders, and to achieving greater levels of performance on a sustained basis as well as adherence to the best practices of corporate governance.

An effective board defines the company's purpose and then sets a strategy to deliver it, shapes its culture and the way it conducts the business. It sets the main trends and factors affecting the long-term success and future viability of the company – for example technological change or environmental impacts – and how these and the company's principal risks and uncertainties have been addressed.

The board should have sound understanding of how value is created over time, key strategies and business models towards a sustainable future. This is not limited to value that is found in the financial statements. An understanding of how value for intangible sources is developed, managed and sustained.

For example, a highly trained workforce, intellectual property or brand recognition – is increasingly relevant to an understanding of the company's performance and the impact of its activity. These are important considerations for boards when setting corporate strategy.

Boards have a responsibility for the health of the company and need to take a long-term view. This is in contrast to the priorities of some investors, not all of whom will be aligned with the pursuit of success over the long-term. An effective board will manage the conflict between short-term interests and the long-term impacts of its decisions; it will assess shareholder and stakeholder interests from the perspective of the long-term sustainable success of the company.

The board's role is to provide entrepreneurial leadership of the company within a framework of prudent and effective controls which enables risk to be assessed and managed. An effective board develops and promotes its collective vision of the company's purpose, its culture, its values and the behaviour it wishes to promote in conducting its business. The role of Board in particular includes:

- Providing direction for management;
- Demonstrate ethical leadership, displyaing and promoting the behaviour through which a company wishes to conduct its business
- Consistent with the culture and values it has defined for the organisation;
- Create a performance culture that drives value creation without exposing the company to excessive risk of value destruction;
- Make well-informed and high-quality decisions based on a clear line of sight into the business;
- Create the right framework for helping directors meet their statutory duties under the Companies Act, 2013 and/or other relevant statutory and regulatory regimes;
- Being accountable, particularly to those that provide the company's capital; and
- Think carefully about its governance arrangements and embraces evaluation of their effectiveness.

Corporate Social Responsibility (CSR)

CSR is understood to be the way by which firms integrate social, environmental and economic concerns into their values, culture, decision making, strategy and operations in a transparent and accountable manner and thereby establish better practices within the firm, create wealth and improve society.

The 1950s saw the start of the modern era of CSR when it was more commonly known as Social Responsibility. In 1953, Howard Bowen published his book, “Social Responsibilities of the Businessman”, and is largely credited with coining the phrase ‘corporate social responsibility’ and is perhaps the Father of modern CSR. Bowen asked: “what responsibilities to society can business people be reasonably expected to assume?” Bowen also provided a preliminary definition of CSR “it refers to the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society.

According to the World Business Council for Sustainable Development, 1999 “Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to the economic development while improving the quality of life of the workforce and their families as well as of the local community and the society at large.”

CSR is a concept whereby companies not only to consider their profitability and growth, but also interests of society and the environment by taking responsibility for the impact of their activities on the society, environment and communities in which they operate.

CSR aims to fulfill expectations that society has from business and it is viewed as a comprehensive set of social policies, practices and programs that are integrated throughout the business operations. The concept of CSR has evolved over the years and it is now used as a strategy and a business opportunity to earn stakeholders’ goodwill.

Essentially, Corporate Social Responsibility is an inter-disciplinary subject in nature and encompasses in its fold:

1. Social, economic, ethical and moral responsibility of companies and managers,
2. Compliance with legal and voluntary requirements for business and professional practice,
3. Challenges posed by needs of the economy and socially disadvantaged groups,
4. Management of corporate responsibility activities, and
5. Proper implementation of the projects taken up by the company so that the benefit goes to people in need.

CSR is an important business strategy because, wherever possible, consumers want to buy products from companies they trust; suppliers want to form business partnerships with companies they can rely on; employees want to work for companies they respect; and NGOs, increasingly, want to work together with companies seeking feasible solutions and innovations in areas of common concern. CSR is a tool in the hands of corporates to enhance the market penetration of their products, enhance its relation with stakeholders. CSR activities carried out by the enterprises affects all the stakeholders, thus making good business sense, the reason being contribution to the bottom line.

Definition of CSR under Companies Act, 2013

As per rule 2(d) of the Companies (Corporate Social Responsibility Policy) Rules, 2014, “Corporate Social Responsibility (CSR)” means the activities undertaken by a Company in pursuance of its statutory obligation laid down in section 135 of the Act in accordance with the provisions contained in these rules, but shall not include the following, namely:-

i. activities undertaken in pursuance of normal course of business of the company. However, any company engaged in research and development activity of new vaccine, drugs and medical devices in their normal course of business may undertake research and development activity of new vaccine, drugs and medical devices related to COVID-19 for financial years 2020-21, 2021-22, 2022-23 subject to the conditions that-

   (a) such research and development activities shall be carried out in collaboration with any of the institutes or organisations mentioned in item (ix) of Schedule VII to the Act;

   (b) details of such activity shall be disclosed separately in the Annual report on CSR included in the Board's Report.

ii. any activity undertaken by the company outside India except for training of Indian sports personnel representing any State or Union territory at national level or India at international level;

iii. contribution of any amount directly or indirectly to any political party under section 182 of the Act;

iv. activities benefitting employees of the company as defined in clause (k) of section 2 of the Code on Wages, 2019;

v. activities supported by the companies on sponsorship basis for deriving marketing benefits for its products or services;

vi. activities carried out for fulfilment of any other statutory obligations under any law in force in India.

Benefits of CSR

Business cannot exist in isolation; business cannot be oblivious to societal development. The social responsibility of business can be integrated into the business purpose so as to build a positive synergy between the two. Some of the points highlighting the benefits of CSR are depicted below:

- CSR creates a favourable public image, which attracts customers. Reputation or brand equity of the products of a company which understands and demonstrates its social responsibilities is very high. Customers trust the products of such a company and are willing to pay a premium on its products. Organizations that perform well with regard to CSR can build reputation, while those that perform poorly can damage brand and company value when exposed. Brand equity, is founded on values such as trust, credibility, reliability, quality and consistency.
- CSR builds up a positive image encouraging social involvement of employees, which in turn develops a sense of loyalty towards the organization, helping in creating a dedicated workforce proud of its company.
- The company's social involvement discourages excessive regulation or intervention from the Government or statutory bodies, and hence gives greater freedom and flexibility in decision-making.
- The internal activities of the organisation have an impact on the external environment, since the society is an inter-dependent system.
- A business organisation has a great deal of power and money, entrusted upon it by the society and should be accompanied by an equal amount of responsibility. In other words, there should be a balance between the authority and responsibility.
- The atmosphere of social responsiveness encourages co-operative attitude between groups of companies. One company can advise or solve social problems that other organizations could not solve.

- Companies can better address the grievances of its employees and create employment opportunities for the unemployed.
- Financial institutions are increasingly incorporating social and environmental criteria into their assessment of projects. When making decisions about where to place their money, investors are looking for indicators of effective CSR management.
- In a number of jurisdictions, governments have expedited approval processes for firms that have undertaken social and environmental activities beyond those required by regulation.

Factors Influencing CSR

Many factors and influences, including the following, have led to increasing attention being devoted to CSR:

- Globalization – coupled with focus on cross-border trade, multinational enterprises and global supply chains – is increasingly raising CSR concerns related to human resource management practices, environmental protection, and health and safety, among other things.
- Governments and intergovernmental bodies, such as the United Nations, the Organisation for Economic Cooperation and Development (OECD) and the International Labour Organization (ILO) have developed compacts, declarations, guidelines, principles and other instruments that outline social norms for acceptable conduct.
- Advances in communications technology, such as the Internet, cellular phones and personal digital assistants, are making it easier to track corporate activities and disseminate information about them. Non-governmental organizations now regularly draw attention through their websites to business practices they view as problematic.
- Consumers and investors are showing increasing interest in supporting responsible business practices and environmental issues.
- Numerous serious and high-profile breaches of corporate ethics have contributed to elevated public mistrust of corporations and highlighted the need for improved corporate governance, transparency, accountability and ethical standards. However, being ethical and being socially responsible in making positive measurable contribution to society may not be same.
- Citizens in many countries are making it clear that corporations should meet standards of social and environmental care, no matter where they operate.
- There is increasing awareness of the limits of government legislative and regulatory initiatives to effectively capture all the issues that corporate social responsibility addresses.
- Businesses are recognizing that adopting an effective approach to CSR can reduce risk of business disruptions, open up new opportunities, and enhance brand and company reputation.
- Ethical persons shall be attracted to join the company.
- Effective CSR will depend on the mindset of executives of the corporate who are taking up CSR initiatives.
- CSR also depends on the implementing agencies with regard to their seriousness, integrity, honesty and attitude.

Factors Influencing CSR

CASE STUDY – CSR

RELIANCE INDUSTRIES LIMITED

Reliance Industries Limited (RIL) diverse projects and operations touch lives of people in many ways and create value by helping in overall and holistic development of communities across multiple geographies. Through its various initiatives, the group endeavors to play a relevant role by serving communities and projects that address gaps in basic societal requirements.

RIL has been involved in various Social Responsibility initiatives over the last many years. These efforts have substantially improved the quality of lives of people through health care, education, livelihoods and community development initiatives, making their living experience dramatically better. These activities are spread across India and reach well beyond our business locations impacting the lives of marginalized communities.

The key philosophy of all CSR initiatives of RIL is guided by three core commitments of SIS:

a) S – SCALE

b) I – IMPACT

c) S – SUSTAINABILITY

RIL seeks to strategically consolidate the company's CSR initiatives to focus on discrete social problems, all aimed at enabling lives, living and livelihoods. Owing to its long tradition of social responsibility, the value of sustainable social impact at scale is instilled across the conglomerate.

RIL has identified the following focus areas:

- Community Infrastructure & Environment
- Community Health care

- Education and Skills enhancement

RIL's Board of Directors have formed a CSR&G Committee. This committee, along with the CSR team, to be responsible for the decision making with respect to RIL CSR policy. CSR&G Committee recommended the policy to RIL's Board of Directors and the Board of Directors have approved this policy. The Board level Committee to meet at least twice a year to review the implementation of CSR projects/ programs and give suitable direction.

TATA STEEL

Tata Steel's Vision strikes a balance between economic value as well as ecological and societal value by aspiring to be "a Global Benchmark in Value Creation and Corporate Citizenship". In the initial years, Tata Steel's CSR interventions were more as a 'provider' to society where the community was given support for its overall needs, both for sustenance and development. Gradually, the shift in approach led to Tata Steel being an 'enabler' focusing on building community capacity through training programmes; focusing on providing technical support rather than giving aid. At present, CSR interventions of Tata Steel focus on 'sustainable development' to enhance the quality of life of people. It guides the Company in its race to excel in all areas of sustainability. J R D Tata the Chairman of the Tata Group believed that, "to create good working conditions, to pay the best wages to its employees and provide decent housing to its employees are not enough for the industry, the aim of an industry should be to discharge its overall social responsibilities to the community and the society at large, where industry is located.

Guided by this mandate, Tata Steel has for decades uses its skills and resources, to the extent it can reasonably afford, to give back to the community a fair share of the product of its efforts.

It was the first to establish labour welfare practices, even before these were made statutory laws across the world. The Company also instituted an eight-hour workday in 1912, free medical aid in 1915, a Welfare Department in 1917, leave with pay, Workers Provident Fund and Workmen's Compensation in 1920 and Maternity Benefit for ladies in 1928.

The Company supports and propagates the principles of the United Nations Global Compact as a Founder Member, is a signatory to the World steel Sustainability Charter and supports the Affirmative Action programme of the Confederation of Indian Industry.

Tata Steel's approach to business has evolved from the concept that the wealth created must be continuously returned to society. The responsibility of combining the three elements of society - social, environmental, and economic - is of utmost importance to the way of life at Tata Steel. Today, Tata Steel's CSR activities in India encompass the Company's Steel Works, Iron ore mines and collieries, reaching out to the city of Jamshedpur, its peri-urban areas and over 800 villages in the states of Jharkhand, Odisha and Chhattisgarh. Community involvement is a characteristic of all Tata Steel Group companies around the world. It can take the form of financial support, provision of materials and the involvement of time, skills and enthusiasm of employees. The Group contributes to a very wide range of social, cultural, educational, sporting, charitable and emergency assistance programmes. The Company works in partnership with the Government, national and international development organisations, local NGOs and the community to ensure sustainable development. The Corporate Services Division delivers these responsibilities through several institutionalised bodies:

- Tata Steel Corporate Social Responsibility and Accountability Policy
- Corporate Social Responsibility
- Tata Steel Rural Development Society (TSRDS)
- Tribal Cultural Society (TCS)

- Tata Steel Family Initiatives Foundation (TSFIF)
- Tata Steel Skill Development Society (TSSDS)
- Education
- Medical Services
- Urban Services
- Sports Department
- Tata Steel Adventure Foundation
- JUSCO
- Other societies like Ardeshir Dalal Memorial Hospital, Blood Banks, Hospital etc.

Tata Relief Committee To assess the effectiveness of its social initiatives Tata Steel has innovatively devised a Human Development Index (HDI). In 2012-13, HDI assessment was completed for 230 villages. The Corporate Social Responsibility Advisory Council was also created with the objective that this apex body along with the results of the measurement of HDI will enable the Group to direct its social initiatives better and allocate resources more efficiently.

Role of Board of Directors in CSR related activities of a Company

CSR is a Board-driven process. The responsibilities of the Board of a CSR-eligible company, *inter-alia*, include the following-

- approve the CSR policy;
- disclose contents of such policy in its report and also place it on the company's website, if any;

CASE LAW

Corporate Social Responsibility - Board's Compliance Responsibility of Implementing and Reporting

In re Chettinad Earth Movers (P.) Ltd. CA NO. 1096/CB/2018 NCLT Chennai

Facts of the Case

The company was in its initial stage of implementing its CSR policies. The company and its directors failed to disclose the details about the policy developed and implementation by the company on corporate social responsibility initiatives taken during the years 2014-15, in the reports of the Board of its Directors. The Directors of the applicant company were of the view that the disclosure required to be made under the law was not mandatory. The company contended that offence in question was not intentional and inadvertently missed out to give the required disclosures under the said section in the Board's Report pertaining to the financial year ended 31.03.2015. Further, it was not prejudicial to interest of shareholders or creditors. They also filed E-form GNL-1 before Deputy Registrar of Companies. Deputy Registrar forwarded report stating that it was first offence by applicants and no prosecution was pending against applicants.

Decision:

The Hon'ble court held that the Company and its Officers are in default have violated the provisions of Section 134(3)(o) read with Section 135 of the Companies Act, 2013, which is punishable under Section 134(8) of the Companies Act, 2013. The said offence is not intentional and it is not prejudicial to the interest of the shareholders or the creditors.

> The provisions of Section 134(8) of the Companies Act, 2013, provide that the Company shall be punishable with fine which shall not be less than fifty thousand rupees but which extend to twenty-five lakhs rupees, and every officer of the Company who is in default shall be punishable with imprisonment for a term which may extend to three years or with fine which shall not be less than fifty thousand rupees but which may extend to five lakh rupees or with both. ***[This provision was amended vide Notification dated 28th September, 2020 by the Companies (Amendment) Act, 2020.]***
>
> The applicant has pleaded for taking lenient view on the ground that it was the first offence, which has been confirmed by the concerned RoC. Therefore, the Application of the Company and its Officers in default is to be allowed and the offence is to be compounded in exercise of the powers conferred under section 441, by imposing a fine under section 134(8), to the tune of Rs. 1,50,000 *i.e.* Rs. 50,000 on each the Company, and its two Officers.

- ensure that the activities included in the CSR policy are undertaken by the company;
- ensure that the company spends, in every financial year, at least two per cent of the average net profits of the company made during the three immediately preceding financial years;
- satisfy itself regarding the utilisation of the disbursed CSR funds; and
- if the company fails to spend at least two per cent of the average net profits of the company, the Board shall, in its report made under clause (o) of sub-section (3) of section 134, specify the reasons for not spending the amount and transfer the unspent CSR amount as per provisions of sections 135(5) and 135(6) of the Companies Act, 2013.
- alter such annual action plan based on reasonable justification as per recommendation of CSR committee.

Apart from the above, the Board of Directors of the Company also takes decision on the following important matters related to CSR-

- Matters relating to monitoring for all projects – ongoing or otherwise
- Administrative Overheads
- Setting off excess amount
- Transfer of Capital Asset
- CSR Reporting
- Impact Assessment Report
- Disclosure on Website etc.

CSR and Corporate Governance

The conceptualization of CSR was, initially, purely in terms of philanthropy or charity. However, a fundamental shift has been seen from this philanthropy to integrated approach towards CSR which is gradually getting infused into companies' corporate governance practices.

Corporate Governance as a concept has CSR embedded in it, whereby companies not only consider their profitability and growth, but also the interests of society and the environment by taking responsibility for the impact of their activities on stake holders, environment, consumers, employees, communities, and all stake holders. Other members of the public sphere. The basic premise is that when the corporations get bigger in size, apart from the economic responsibility of earning profits, there are many other responsibilities attached to them which are more non-financial/social in nature.

Companies that practice good corporate governance are also those that are socially and environmentally responsible. That is to say, that unless there is good governance it is quite unlikely that there is a conscientious approach towards their social responsibility. Both Corporate Governance and CSR focus on the ethical practices in the business and the responsiveness of an organization towards its stakeholders and the environment in which it operates.

CORPORATE GOVERNANCE

Corporate governance is the broad term used to describe the processes, customs, policies, laws and institutions that direct the organizations and corporations in the way they act or administer and control their operations. It works to achieve the goal of the organization and manages the relationship with the stakeholders including the board of directors and the shareholders.

Corporate governance means to steer an organization in the desired direction by determining ways to take effective strategic decisions. It also deals with the accountability of the individuals through a mechanism which reduces the principal-agent problem in the organization.

> "Corporate Governance is the application of best management practices, compliance of law in true letter and spirit and adherence to ethical standards for effective management and distribution of wealth and discharge of social responsibility for sustainable development of all stakeholders."
>
> ***The Institute of Company Secretaries of India***

Good corporate governance promotes investor confidence, which is crucial to the ability of entities listed on stock exchanges to compete for capital. Good corporate governance is essential to develop additional values to the stakeholders as it ensures transparency which ensures strong and balanced economic development. This also ensures that the interests of all shareholders (majority as well as minority shareholders) are safeguarded. It ensures that all shareholders fully exercise their rights and that the organization fully recognizes their rights.

> "Corporate Governance is concerned with the way corporate entities are governed, as distinct from the way business within those companies are managed. Corporate governance addresses the issues facing Board of Directors, such as the interaction with top management and relationships with the owners and others interested in the affairs of the company"
>
> ***Robertlan (Bob) Tricker***
>
> ***(who introduced the words corporate governance for the first time in his book in 1984)***

Objectives of Corporate Governance

Corporate Governance is aimed at creating an organization which maximizes the wealth of shareholders. It envisages an organization in which emphasis is laid on fulfilling the social responsibilities towards the stakeholders in addition to the earning of profits. The objectives of Corporate Governance is to ensure the following:

- Properly constituted Board capable of taking independent and objective decisions.
- Board is independent in terms of Non-Executive and Independent Directors.
- Board adopts transparent procedures and practices.
- Board has an effective machinery to serve the concerns of the Stakeholders.
- Board to monitor the functioning of the Management Team.
- Properly constituted Board capable of taking independent and objective decisions.

- Board is independent in terms of Non-Executive and Independent Directors.
- Board adopts transparent procedures and practices.
- Board has an effective machinery to serve the concerns of the Stakeholders.
- Board to monitor the functioning of the Management Team.
- Board remains in effective control of the affairs of the Company.

The details on the Corporate Governance Code are covered in Lesson-1 of Environmental, Social and Governance (ESG)- Principles and Practice, study of professional programme.

CORPORATE GOVERNANCE AND ROLE OF COMPANY SECRETARY

Corporate governance offers a comprehensive, interdisciplinary approach to the management and control of companies. Corporate professionals of today and tomorrow must imbibe in themselves the evolving principles of good corporate governance across the globe on a continual basis. Therefore Corporate Governance has emerged as an important academic discipline in its own right, bringing together contributions from accounting, finance, law and management. Excellence can be bettered only through continuous study, research and academic and professional interaction of the highest quality in the theory and practice of good corporate governance.

The corporate world especially looks upon Company Secretaries to provide the impetus, guidance and direction for achieving world-class corporate governance. Company Secretaries are the primary source of advice on the conduct of business. This can take into its fold everything from legal advice on conflicts of interest, through accounting advice, to the development of strategy/corporate compliance and advice on sustainability aspects.

Company Secretary:

- acts as a vital link between the company and its Board of Directors, shareholders and other stakeholders and regulatory authorities;
- plays a key role in ensuring that the Board procedures are followed and regularly reviewed;
- provides the Board with guidance as to its duties, responsibilities and powers under various laws, rules and regulations;
- acts as a compliance officer as well as an in-house legal counsel to advise the Board and the functional departments of the company on various corporate, business, economic and tax laws;
- is an important member of the corporate management team and acts as conscience keeper of the company.
- has a legal mandate under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, to be a compliance Officer in which case the CS is responsible for governance requirements under the Regulations.

The company secretary being an important human capital of the management of the business organization should put all the efforts to ensure that through his roles the corporate governance prevails and the business is able to attain astral heights.

However, to be an effective player of strategic management, a company secretary needs to embrace the following core competencies:

i. Possessing a thorough knowledge of the company's business.

ii. Sound knowledge of laws relating to company, capital markets, industry related etc.

iii. Must have strong Communication and Professional Skills; Legal Skills; Management Skills and IT Skills.

iv. Being intuitive and sensitive to the thoughts and feelings of board directors and the CEO.

v. Staying current with changes in corporate governance and giving the board and managers a "heads up" about new developments.

vi. Being able to work and achieve a consensus within multidisciplinary settings.

vii. Being flexible, creative and detailed.

viii. Remaining calm under pressure and not losing sight of perspective.

LESSON ROUND-UP

- Strategic Management is a discipline that deals with long-term development of an organisation with a clear-cut vision about organisational purpose, scope of activities and objectives.
- The strategic management process is defined as the process by which the managers'/decision makers' are able to make a choice of a set of strategies for the organization that will enable it to accomplish improved performance. There are four indispensable phases of every strategic management process.
- Strategic leadership refers to a manager's potential to articulate the strategic vision for the organization, and to motivate, guide and influence his subordinates to attain the objectives of that vision.
- The role of a Company Secretary encompasses almost all the functions which a top management official needs to perform and in view of this, strategic management is of paramount significance for a company secretary.
- Strategic planning is an organization's process of defining its strategy, or direction, and making decisions on allocating its resources to pursue this strategy. It may also extend to control mechanisms for guiding the implementation of the strategy.
- According to the World Business Council for Sustainable Development, 1999 "Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to the economic development while improving the quality of life of the workforce and their families as well as of the local community and the society at large."
- Corporate governance means to steer an organization in the desired direction by determining ways to take effective strategic decisions. It also deals with the accountability of the individuals through a mechanism which reduces the principal-agent problem in the organization.
- The company secretary being an important human capital of the management of the business organization should put all the efforts to ensure that through his roles the corporate governance prevails and the business is able to attain astral heights.

GLOSSARY

Business model canvas: The Business Model Canvas is a strategic management and lean startup template for developing new or documenting existing business models. It is a visual chart with elements describing a firm's or product's value proposition, infrastructure, customers, and finances.

Cascading: Cascading is arranging strategic devices (objectives) to ensure collaboration and cooperation downward through all levels of the organizational system in a connected series or sequence, like a waterfall, so that the intended strategy is exhibited from leadership levels all the way to the customer-facing personnel.

Competitive positioning: Competitive positioning is about defining how you'll "differentiate" your offering and create value for your market. It's about carving out a spot in the competitive landscape, putting your stake in the ground, and winning mindshare in the marketplace – being known for a certain "something."

Cross-functional: A process or activity that includes portions of the process or activity from two or more functions within an organization.

External analyses: An examination of the dimensions of an organization's external environment, including the close scrutiny of those trends, events, that are having, or might have an impact on the performance capabilities of the management, resources, structure, processes, and operation of an organization.

Globalization: A process of interaction and integration among the people, companies, and governments of different nations, driven by international trade and investment and aided by information technology. This process also impacts the environment, culture, political systems, economic development and prosperity, and human well-being in societies around the world. It includes investing, managing, organizing, and operating on a world-wide scale, i.e., across national boundaries and in different cultures and societies.

Strategic Initiative: Strategic initiative is a collective endeavor, with a defined beginning and end, to reduce performance gaps and help accomplish strategic objectives.

Internal analyses: Critical examination of the internal dimensions and performance capabilities of the management, resources, structure, processes, and operation of an organization.

TEST YOURSELF

(These are meant for recapitulation only. Answer to these questions are not to be submitted for evaluation.)

1. Define strategic management.
2. Discuss four phases of strategic management process.
3. What is the concept of Strategic Leadership?
4. What are functions and importance of a Strategic Leader?
5. What are the functions and importance of strategic management for professionals like Company Secretaries?
6. Explain the role of Board of Directors in decisions related to organization's Corporate Social Responsibility.
7. Briefly explain the Corporate Governance Code and Laws in India.

LIST OF FURTHER READINGS

- Vikalpa Journal of IIM Ahemadabad Decision Journal of IIM Calcutta
- IUJ Journal of Management, ICFAI University Jharkhand on Becoming a Leader by Warren G. Bennis
- Purple Cow: Transform your business by being Remarkable by Seth Godin
- Growing a Business by Paul Hawken

OTHER REFERENCES

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