END OF SEMESTER EXAMINATION

SEPTEMBER – DECEMBER 2024

DEPARTMENT OF LEADERSHIP

COURSE CODE:	**POLD 705**
COURSE TITLE:	**STRATEGIC LEADERSHIP**

EXAM DATE

DECEMBER 2024

DURATION 3 HOURS

SECTION 1: COMPULSORY

READ THE ARTICLE BELOW AND ANSWER THE QUESTION THAT FOLLOWS:

IL&FS SCANDAL IN INDIA

IL&FS Bank Group reported having trouble in paying back loans and inter-corporate deposits to banks and lenders and this had a huge impact on the overall sector and others Non-Bank Financial Institutions (NBFCs) as well. The share market also witnessed a huge fall, and it created a feeling of scare and hopelessness. The mutual funds who had invested in it, tried to pull its money back. Even various banks were supposed to face the repercussions of this, since IL&FS did not have cash liquidity to pay back its lenders, the bank knew they wouldn't be able to give back the money which they borrowed from the bank. The entire situation of the IL&FS had a great impact on the Indian economy. This brought Reserve Bank of India (RBI) into action and the RBI requested its major stakeholders to rescue IL&FS. In July, one of the subsidiaries of the group was facing issues making payments due on its bonds. And in the same month, the founder Mr. Ravi Parthasarathy, left the Group giving reason for " medical and health issues". He was managing the company for 30 years and it was a big loss. As a result of his leadership

The group grew humongously, and was often considered as a government company since it always "partnered" with the government projects in India with series of fraud.

Major incidences

a). IL&FS board was suspended and a new Board of Directors appointed

b). Serious Fraud Investigation Office (SFIO) opened an investigation on the group companies and found a rotten company with dubious transactions

c). Deloitte "never found any fraudulent activities in the group". The annual reports said that there were no adverse comments by the auditors for 10 years.

d). Round Tripping of Loans – an amount of Rs. 2270 crores were involved in the round tripping of loans, where IL&FS lent money to certain companies, and then those companies round tripped those money back to IL&FS Transportation or other IL&FS group companies and this was to show, that IL&FS transportation was doing good.

e). Tenure Mismatch – this amounted to a fraud of Rs. 541 crores. When a lending organization gives a short-term loan, it should ensure that the money should be used in a short-term project.

f). Forging of the Credit Approval Memorandum – this is basically a document on which the company decides to lend money. They had two documents, one was system based and the other one was the manual document.

g). Loan to Defaulter – there were 16 cases involving Rs. 1922 crores, where the management approved loans to companies who had red flags marked by the organization, for instance the SIVA group.

h). No Charge against Collateral– generally there is a charge involved while lending money, but here there were none. And the management didn't bother to check it out, that the collateral offered by the parties are adequate enough to cover the loans, rather they just lent money.

i). The IL&FS was giving loans to certain companies and a big chunk of this amount went straight to one of the Directors of the IL&FS group companies, a clear case of conflict of interest.

j). Investors confidence was eroded

i). Explain five (5) leadership challenges that would have mitigated IL&FS Scandal in India **(5 Marks)**

ii). Discuss five (5) impacts created by failure of strategic leadership practices in a an organization **(5 Marks)**

SECTION II CHOOSE TWO QUESTIONS

QUESTION TWO

Strategic plans forms part of key documents in any organization meant to manage organization performance. They help a strategic leader to clearly define the company's long-term objectives and show how the short-term goals will link and contribute in achieving them. Discuss five (5) tools used in environmental analysis and how they can be applied while developing a strategic plan. **(5 marks)**

Question Three

To adapt to changing environmental conditions, businesses should closely follow the ever-changing trends and attach great importance to new products, new processes and new services in their work in order to protect their market share. The rapid change in their needs and expectations has forced businesses to compete in global and local markets to innovate to the extent that innovation is one of the most important differentiation strategy to gain a competitive advantage in the future.

Discuss how strategic leadership can enhance innovation culture in a corporate businesses **(5 Marks)**

Question Four

Strategic leaders are keen in crafting, cascading, and clarifying the business vision given its critical role in driving performance of an organization. Explain how vision influences the performance of a business organization. **(5 Marks)**

Question Five

Strategists today must understand and apply variety of strategic leadership approaches and concepts to maneuver organizations through real time issues. Considering the environmental dynamics and in order to take an organization through complex strategic decisions, leaders need to capitalize on emerging strategic leadership issues.

Citing relevant examples, discuss five (5) contemporary issues in strategic leadership.

(5 Marks)