# INDERPRASTHA ENGINEERING COLLEGE, GHAZIABAD

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## NOTES - UNIT-6

**SUBJECT NAME: PRINCIPLES OF MANAGEMENT**
**SUBJECT CODE: BCA 104**
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## STRATEGIC MANAGEMENT

*"Business policy is a term traditionally associated with the course in business schools devoted to integrating the educational program of these schools and understanding what today is called strategic management."*

*~ William Glueck*

### Strategy

Strategy is an action that managers take to attain one or more of the organization's goals. - "A general direction set for the company and its various components to achieve a desired state in the future through desired planning process".

### Nature of Strategic Management:

**1. Holistic Approach:** Strategic management takes a comprehensive view of an organization, considering all aspects of its internal and external environment.

**2. Long-Term Orientation:** It focuses on long-term goals and sustainable competitive advantage rather than short-term gains.

**3. Dynamic Process**: A continuous and dynamic process that adapts to changes in the internal and external environment.

**4. Involvement of Multiple Levels**: Encompasses decisions at corporate, business, and functional levels within an organization.

**5. Interdisciplinary:** Draws from various disciplines such as economics, marketing, finance, and organizational behavior.

## Benefits of Strategic Management:

**1. Enhanced Performance:** Improves overall organizational performance by aligning activities with strategic objectives.

**2. Competitive Advantage:** Provides a competitive edge by identifying and exploiting opportunities in the market.

**3. Improved Resource Allocation:** Ensures efficient allocation of resources by focusing on key priorities.

**4. Adaptability:** Enhances organizational adaptability to changing market conditions and emerging trends.

**5. Risk Management:** Helps in identifying and mitigating risks, making the organization more resilient.

**6. Employee Alignment:** Aligns employees with organizational goals, fostering a sense of purpose and commitment.

## Limitations of Strategic Management:

**1. Time-Consuming:** The strategic management process can be time-consuming, requiring substantial commitment from top management.

**2. Uncertainty and Complexity:** In dynamic environments, strategic management may be challenging due to uncertainty and complexity.

**3. Resistance to Change:** Employees and stakeholders may resist strategic changes, affecting the implementation process.

**4. Inflexibility:** Overemphasis on planning can lead to inflexibility, hindering the organization's ability to adapt quickly.

**5. Costly:** Implementing strategic management practices may involve significant costs, especially for smaller organizations.

**6. Limited Predictive Accuracy:** The future is inherently uncertain, and strategic plans may not always accurately predict market conditions.

## <u>Vision</u>

Vision should describe a set of ideals and priorities, a picture of the future, a sense of what makes the company special and unique, a core set of principles that the company stands for, and a broad set of compelling criteria that will help define organizational success.

*Vision without Action is a Daydream*
*Action without Vision is a Nightmare*

Vision is the indispensable compass guiding an organization's journey through time. Far from being optional, it serves as the North Star, providing a clear direction for strategic decisions and actions. Unlike transient goals, a well-crafted vision endures, possessing a lifespan often exceeding 30 years, anchoring the organization in a consistent purpose. Condensed into a succinct 8-10 words, a vision encapsulates the aspirational essence of the organization, serving as a beacon for stakeholders and a rallying point for collective efforts. It paints an inspiring and challenging picture of the future, outlining an ideal state that fuels motivation and propels the organization forward. In essence, a robust vision transcends mere words; it is the embodiment of an organization's dreams, aspirations, and unwavering commitment to realizing its fullest potential. As the lodestar of strategic planning, a compelling vision shapes the destiny of an organization, making it an indispensable force in the dynamic landscape of business.

## Mission

A mission statement reveals the long-term vision of an organization in terms of what it wants to be and whom it wants to serve. It describes an organization's purpose, customers, products or services, markets, philosophy, and basic technology.

Our purpose crystallizes our organizational essence, articulating why we exist. It succinctly describes our current state, offering a snapshot of who we are today. Framed within a 3-5-year timeline, it serves as a strategic guidepost, leveraging our distinctive competencies for future growth. Typically centered around our core business, our purpose, encapsulated in 30-35 words, is a dynamic statement that not only defines our present but propels us toward a purposeful and ambitious future.

## Objectives

Objectives form the basis for the functioning of an organization. Indeed, "objectives help define the organization in its environment. Most organizations need to justify their existence, to legitimize themselves in the eyes of the government, customers, and society at large.

The choice of objectives are affected by three factors, namely,

**1. Forces in the Environment:**
External forces in the business environment play a pivotal role in shaping an organization's objectives. These forces include:

**Market Conditions:** The state of the market, including competition, customer behavior, and economic trends, influences the objectives an organization sets. For example, in a highly competitive market, objectives may focus on market share or differentiation.

**Technological Trends:** Advancements in technology can create new opportunities or threats, impacting objectives related to innovation, efficiency, or digital transformation.

**Legal and Regulatory Environment:** Laws and regulations can shape objectives related to compliance, ethics, and corporate responsibility.

**Social and Cultural Factors:** Changing societal norms and cultural shifts may influence objectives related to corporate social responsibility or adapting products and services to cultural preferences.

## 2. Internal Forces:

Internal factors within the organization significantly impact objective-setting. These factors include:

**Organizational Culture:** The values, beliefs, and norms within the organization influence the types of objectives deemed important. For example, an organization with a strong innovation culture may set objectives related to continuous product development.

**Resources and Capabilities:** The availability and allocation of resources, including financial, human, and technological resources, shape the feasibility of certain objectives.

**Leadership Style:** The leadership approach within the organization, including the leadership's risk tolerance and preference for innovation, can influence the nature of objectives.

**Organizational Structure:** The way the organization is structured, including hierarchies and communication channels, can impact the clarity and alignment of objectives across different levels.

## 3. Value Systems of Top Executives:

The values and beliefs held by top executives, particularly at the leadership level, play a crucial role in determining the organization's objectives. This includes:

**Personal Ethics:** The ethical standards and principles upheld by top executives guide the establishment of objectives that align with the organization's ethical stance.

**Long-Term Vision:** The long-term vision and goals set by top executives shape strategic objectives, ensuring they align with the broader aspirations of the organization.

**Risk Appetite:** The tolerance for risk held by top executives influences the types of objectives set, especially in terms of pursuing ambitious goals or maintaining a more conservative approach.

**Personal Values:** Individual values and priorities of top executives may influence the social and environmental objectives the organization chooses to pursue.

## Classes of Decisions

### 1. Strategic Decisions:

Strategic decisions represent the highest level of decision-making within an organization. These decisions are pivotal as they shape the overall direction and purpose of the organization. Typically, strategic decisions are long-term in nature and involve choices regarding the organization's mission, vision, and objectives. Executives at the top echelons of the organization are primarily responsible for making strategic decisions. Examples include entering new markets, mergers and acquisitions, and major changes in product or service offerings. Strategic decisions lay the foundation for the organization's competitive advantage and market positioning.

### 2. Tactical Decisions:

Tactical decisions bridge the gap between strategic decisions and the day-to-day operations of the organization. These decisions focus on translating the high-level strategies into specific, actionable plans. Middle managers often play a key role in making tactical decisions. Examples include resource allocation, project planning, and operational adjustments. Tactical decisions are of intermediate scope and have a medium-term impact on the organization. They are critical for ensuring that the strategic plans are effectively executed and that the organization remains agile in response to changing circumstances.

### 3. Operational Decisions:

Operational decisions are the routine, day-to-day decisions made to keep the organization functioning smoothly. These decisions are made at the frontline or operational level and are often repetitive in nature. They involve the efficient use of resources and the implementation of predefined processes. Frontline managers and employees are directly involved in operational decision-making. Examples include scheduling, inventory management, and quality control. While operational decisions may seem mundane, their cumulative effect is essential for the overall effectiveness and efficiency of the organization.

### Levels of Decisions

**1. Corporate Level Decisions:**

At the apex of organizational decision-making, corporate-level decisions are overarching choices that define the entire organization's direction. These decisions, typically made by the board of directors and top executives, set the strategic vision, mission, and objectives. Corporate-level decisions involve considerations such as diversification, mergers and acquisitions, and major capital investments. They have profound and enduring implications for the organization as a whole, shaping its identity and market positioning.

**2. Business Level Decisions:**

Business-level decisions are made at the level of individual business units or product lines within the organization. These decisions align with and support the broader corporate-level strategies. Business unit managers and strategic planners are primarily responsible for these decisions, which involve market positioning, competitive strategies, and resource allocation specific to a particular business segment. Examples include marketing strategies, product development plans, and regional expansion initiatives. Business-level decisions ensure the effective implementation of corporate strategies at a more granular level.

**3. Functional Level Decisions:**

Functional-level decisions operate at the departmental or functional level, addressing specific areas such as finance, marketing, human resources, or operations. These decisions are tactical in nature and focus on optimizing the day-to-day operations within each functional area. Middle managers and department heads play a central role in making functional-level decisions. Examples include budget allocation, workforce planning, and process optimization. Functional-level decisions contribute to the overall efficiency of the organization by ensuring that each department aligns with the broader strategic objectives set at the corporate and business levels.

In essence, the levels of decision-making—corporate, business, and functional—form a hierarchical structure that allows organizations to align their strategies, allocate resources effectively, and ensure that day-to-day operations contribute to the achievement of broader

organizational goals. The coordination and coherence across these decision levels are crucial for sustained organizational success.

## Role of Different Strategist

(1) **Board of Directors:** The board of directors holds the ultimate legal authority within an organization. Members of the board, appointed by various stakeholders such as shareholders, government, or financial institutions, are responsible for governance. Their role involves providing guidance, setting directives, and ensuring that managers operate within established frameworks. Operating within legal and organizational guidelines, the board engages in strategic management by guiding senior management, reviewing performance, and appointing executives. The clarity of roles between the board and the chief executive influences their relationship and overall effectiveness. The major responsibilities of the board, acting as representatives of stockholders, include establishing and updating the company mission, electing top officers, determining executive compensation, deciding dividend distributions, setting company policy, establishing objectives, and ensuring legal and ethical compliance.

(2) **Chief Executives:** The chief executive (CE) is a pivotal strategist responsible for the entire strategic management process, from formulation to evaluation. The relationship between the board and the CEO significantly influences organizational functioning. The CEO's role involves determining the organization's success by setting the mission, objectives, and goals, formulating and implementing strategies, and ensuring the organization stays on its intended path. Different role modeling approaches describe the CEO as a chief architect of organizational purpose, leader, administrator, and communicator.

(3) **Entrepreneurs:** Entrepreneurs play a proactive role in strategic management by initiating, providing direction, setting objectives, and formulating strategies. They are not confined to new ventures or small businesses but exist across various sectors. Entrepreneurs are key decision-makers, demonstrating qualities such as enthusiasm, idealism, and independence. Their strategic management process is often informal, involving simultaneous participation in all strategic roles.

(4) **Senior Managers:** Senior managers, at the highest level of the managerial hierarchy, play diverse roles in strategic management. They assist the board and the CEO in formulating, implementing, and evaluating strategies. Senior managers serve on top-level committees, lead ad hoc committees, and oversee specific responsibilities such as modernization, technology upgrades, and new product development.

(5) **SBU-level Executive:** SBU-level executives, acting as chief executives of strategic business units, are crucial for strategic management. Responsible for strategy formulation and implementation, they manage diversified companies as portfolios of businesses. Their primary responsibilities involve developing and implementing SBU-level strategies aligned with overall corporate goals.

(6) **Corporate Planning Staff:** Corporate planning staff provide support in strategic management by assisting in formulation, implementation, and evaluation. They facilitate the conversion of budgeting systems into corporate planning systems, ensuring alignment with long-range plans. Corporate planning staff also help in communicating and implementing strategic plans while conducting special studies and research.

(7) **Consultants:** Organizations without a dedicated corporate planning department often seek external consultants for strategic management. These consultants, offering objective opinions and specialized skills, assist in corporate strategy and planning. Their role includes providing unbiased perspectives and cost-effective solutions.

(8) **Middle-level Managers:** Middle-level managers primarily focus on operational matters and have a limited role in strategic management. They may serve as sounding boards, implementers of decisions, and followers of policy guidelines. Despite their operational focus, middle-level managers are important as they form the talent pool for future strategists.

(9) **Executive Assistant:** Executive assistants, a recent addition to managerial hierarchies, support chief executives in various capacities. They assist in data collection, decision-making, project briefings, public relations, and liaison functions. This role optimizes time utilization for chief executives and offers a unique perspective for young managers to gain a comprehensive view of the organization.

## Relevance of Strategic Management and its Benefits

The relevance of strategic management in organizations is multifaceted and integral to their success. Here's an in-depth exploration of why strategic management is crucial:

**1. Direction and Purpose:**

- Relevance: Strategic management defines the mission, vision, and values of an organization.

- Benefits: It provides a clear sense of purpose, guiding decision-making and actions throughout the organization.

**2. Alignment with Objectives:**

- Relevance: Strategic management ensures that organizational activities align with overall goals.

- Benefits: Enhances focus, coordination, and synergy among different departments and levels within the organization.

**3.  Competitive Advantage:**

- Relevance: Helps identify and leverage competitive advantages.

- Benefits: Positions the organization uniquely in the market, allowing it to stand out and succeed over competitors.

**4.  Adaptability to Change:**

- Relevance: Involves continuous environmental scanning for emerging opportunities and threats.

- Benefits: Enables the organization to adapt to changes proactively, fostering resilience in a dynamic business environment.

**5.  Resource Optimization:**

- Relevance: Strategic management involves effective resource allocation.

- Benefits: Maximizes resource utilization, minimizes waste, and improves overall operational efficiency.

**6. Improved Decision-Making:**

- Relevance: Strategic management requires thorough analysis before decision-making.

- Benefits: Enhances decision-making by providing a systematic approach, reducing uncertainty, and increasing the likelihood of successful outcomes.


**7. Goal Achievement:**

- Relevance: Translates broad goals into specific, measurable, and achievable objectives.

- Benefits: Facilitates goal-setting, monitoring, and achievement, ensuring that the organization progresses toward its desired outcomes.


**8. Enhanced Communication:**

- Relevance: Strategic management promotes communication and transparency.

- Benefits: Ensures that information flows effectively across the organization, fostering a shared understanding of strategic goals and priorities.


**9. Performance Evaluation:**

- Relevance: Involves the development of key performance indicators (KPIs).

- Benefits: Enables organizations to assess their performance objectively, identify areas for improvement, and track progress over time.


**10. Innovation and Adaptation:**

- Relevance: Encourages organizations to be innovative and adaptable.

- Benefits: Fosters a culture of creativity, continuous improvement, and the ability to respond effectively to changing market conditions.


**11. Risk Management:**

- Relevance: Strategic management includes risk assessment and mitigation.

- Benefits: Helps organizations identify and manage potential risks, reducing the likelihood of negative impacts on operations and performance.

**12. Long-Term Sustainability:**

- Relevance: Considers the organization's long-term sustainability.

- Benefits: Ensures that the organization plans for the future, anticipates challenges, and remains resilient over the long run.

**13. Stakeholder Satisfaction:**

- Relevance: Strategic management considers the needs and expectations of various stakeholders.

- Benefits: Builds positive relationships with stakeholders, enhancing organizational reputation and support.

In essence, strategic management is relevant because it provides a structured and proactive approach to navigating the complexities of the business environment, achieving goals, and ensuring the long-term success and viability of an organization. It serves as a dynamic framework that enables organizations to thrive amid uncertainty and change.

## Strategic Management in India

Strategic management is the development and implementation of all the goals and objectives of an organization. It involves the details of the method that a company will employ to achieve its goals. It represents the initiatives that a company plans to take on behalf of its board of directors, its employees, its owners and other relevant stakeholders. A strategic manager is involved in the team that accomplishes the goals set out in the strategic plan. A strategic manager is professionally trained in strategy formulation by getting certified from a strategic management course commonly available in business schools or online educational portals.

Strategic management provides direction to the company and its employees. It helps layout the strategic objectives of the organization in an easy to understand way. The strategic goals of an organization are long term in nature and may take years. However, a company keeps itself on track by ensuring that all their plans are in accordance with its strategic plan.

Strategic management in India, like in other countries, involves the formulation and implementation of strategies to achieve organizational goals and sustain a competitive advantage. The business landscape in India is diverse, dynamic, and influenced by various factors, including economic conditions, regulatory frameworks, cultural nuances, and geopolitical considerations. Here are key aspects of strategic management in the Indian context:

## 1. Economic Environment:

- Diversity: India has a diverse and growing economy with sectors such as information technology, manufacturing, agriculture, and services playing significant roles.

- Global Integration: Strategic management in India often involves considerations of global economic trends and international trade, given India's integration into the global economy.

## 2. Regulatory Framework:

- Complexity: India has a complex regulatory environment, and strategic management needs to navigate through various regulations at national, state, and local levels.

- Policy Changes: Frequent policy changes impact strategic decisions, and organizations need to stay agile to adapt to evolving regulatory landscapes.

## 3. Cultural Sensitivity:

- Diversity: India is culturally diverse, with different regions having distinct languages, traditions, and consumer preferences. Strategic management must account for this diversity in marketing and operations.

- Relationship Orientation: Building and maintaining relationships with stakeholders, including customers, employees, and government authorities, are crucial in the Indian business culture.

## 4. Technological Landscape:

- Digital Transformation: Like many other countries, India is undergoing digital transformation, influencing strategic decisions related to technology adoption, data management, and cybersecurity.

- Innovation: Strategic management in India increasingly involves fostering a culture of innovation to stay competitive in the rapidly evolving technological landscape.

### 5. Social and Environmental Considerations:

- Corporate Social Responsibility (CSR): Organizations in India are increasingly focusing on CSR initiatives. Strategic management incorporates social and environmental considerations to align with societal expectations and sustainable practices.

- Inclusive Growth: Strategies often include considerations for inclusive growth, addressing social issues, and promoting diversity and inclusion within organizations.

### 6. Market Dynamics:

- Emerging Markets: India presents opportunities in emerging markets, and strategic management involves tapping into these markets while managing risks associated with them.

- Consumer Behavior: Understanding and adapting to diverse consumer behaviors and preferences is critical for successful strategic management in India.

### 7. Government Initiatives:

- Make in India: The government's "Make in India" initiative promotes domestic manufacturing, impacting strategic decisions related to supply chain management and market positioning.

- Ease of Doing Business: Government initiatives to improve the ease of doing business influence strategic choices related to investment and expansion.

### 8. Global Competition:

- International Expansion: Many Indian companies are expanding globally. Strategic management includes considerations of entering new markets, managing global supply chains, and addressing cross-cultural challenges.

### 9. Talent Management:

- Skilled Workforce: Strategic management in India emphasizes talent acquisition, development, and retention in a competitive job market with a focus on skills relevant to the evolving industry needs.

### 10. Financial Considerations:

- Access to Capital: Strategic decisions often involve considerations for accessing capital, whether through traditional banking, venture capital, or public markets.

- Risk Management: Currency fluctuations and economic uncertainties necessitate robust risk management strategies.

Strategic management in India is characterized by its dynamic nature, influenced by economic, regulatory, cultural, and technological factors. Successful organizations in India adopt strategic approaches that are adaptable, culturally sensitive, and aligned with both national and global trends. Understanding the local context and responding effectively to the unique challenges and opportunities is crucial for achieving long-term success in the Indian business environment.