

Business strategy process

Strategic management process

- Strategic management is a dynamic process . It is continual, evolving, iterative process.
- It means that it cannot be a rigid, stepwise collection of few activities arranged in a sequential order
- Rather it is a continually evolving mosaic of relevant activities.

Four

Major phases of strategic management process

- A) Establishment of strategic intent (the aspirational plans, overarching purpose).
- B) Formulation of strategies.
- C) Implementation of strategies.
- D) Strategic evaluation.

A. Establishment of strategic intent:

- It involves the hierarchy of objectives that an organization set for itself. Generally it includes vision, mission, business definition and objectives establishing the hierarchy of strategic intent which includes -
 - 1. Creating and communicating a vision.
 - 2. Designing the mission statement.
 - 3. Defining the business.
 - 4. Adopting the business model.
 - 5. Setting objectives.

Formulation of strategy

- Formulation of strategy is relates to strategic planning.
- It is done at different levels i.e. corporate, business, and operational level.

The strategic formulation consists of the following steps

1. Framing of mission statement :

- Here the mission states the **philosophy and purpose** of the organization.
- All business frames the mission statement **to keep its activities in the right direction.**

2. Analysis of internal & external environment

- The management must **conduct an analysis** of internal and external environment.
- **Internal environment** consists of manpower, machines, and other sources which resides within the organization and easily alterable and adjustable. These sources reveal the **strength and weakness** of the organization.
- **External environmental** factor includes government, competitions, consumers, and technological developments. These are not adjustable and controllable and relates to organizations **opportunities and threat**

3. Setting of objectives:

- After SWOT analysis, the management is able to **set objectives** in key result areas such as marketing, finance, production, and human resources etc.
- While setting objectivities in these areas the objectives must be **realistic, specific, time bound, measurable, and easy attainable.**

4. Performance comparison :

- By undertaking **gap analysis** management must compare and analyze its present performance level with the desired future performance.
- This enables the management to find out exact **gap between present and future** performance of the organization.
- If there is adequate gap then, the management **must think of strategic measures to bridge the gap.**

5. Alternative strategies :

- After making SWOT analysis and gap analysis management needs to prepare (frame) alternative strategies to accomplish the organizational objectives.
- It is necessary as some strategies are to be hold and others to be implemented.

6. Evaluation of strategies :

- The management must evaluate the benefits and costs of each every alternative strategy in term of sales, market share, profit, goodwill and the cost incurred on the part of the strategy in terms of production, administration, and distribution costs.

7. Choice of strategy :

- It is not possible to any organization to implement all strategies therefore management must be selective.
- It has to select the best strategy depending on the situation and it has to consider in terms of its costs and benefits etc.

C. Strategy Implementation :

- The strategic plan is put into action through **six sub processes**
- The **project implementation** ^① deals with the **setting up of organization.**
- **Procedural implementation** ^② deals with the different aspects of the **regulatory framework** within which organizations have to operate.
- Resource allocation ^③ relates to the procurement and commitment of resources for implementation.

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- The **structural aspect** of implementation deals with the **design of organizational structures and systems and reorganizing** so as to match the structure to the needs of strategy.
 - The **behavioral aspects** consider the leadership style for implementing strategies and other issues like corporate
 - The **functional aspects** relates to the policies to be formulated in different functional areas.

✓ For any strategy implementation there are five major steps.

- 1. Formulation of plans.
- 2. Identification of activities.
- 3. Grouping of activities.
- 4. Organizing resources.
- 5. Allocation of resources.

D. Strategic Evaluation:

Elements

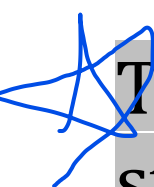
1. Setting of standards
2. Measurement of Performance
3. Comparison Of Actual Performance With Set Target
4. Analyzing Deviation And Taking Corrective Measures

Strategic Fit

- The task of management is to keep the organization in a controlled balance against the multiple and diverse forces
- Strategic fit (or alignment) is used to indicate how a strategy needs to be “fitted” (aligned) with its external context and how the internal organization needs to be properly meshed (aligned) with the strategy.
- The strategic fit is a prime task of the general management team

Strategic Fit

- The degree to which an organization is matching its resources and capabilities with the opportunities in the external environment.
- The matching takes place through strategy and it is therefore vital that the company has the actual resources and capabilities to execute and support the strategy.



The intangible barrier to strategy imitation is strategic fit.

- The way in which a firm's activities and capabilities fit together is often achieved by sustained learning and experimentation over time and cannot readily be imitated by would-be followers.
- Positioning choices determine not only which activities a company will perform and how it will configure individual activities but also how activities relate to one another. While operational effectiveness focuses on individual activities, strategy concentrates on combining activities.

✓ There are three types of fit, which are not mutually exclusive

- **First-order fit:** Simple consistency between each activity (function) and the overall strategy. **Consistency** ensures that the competitive advantages of activities cumulate and do not erode or cancel themselves out.
- **Second-order fit:** Occurs when activities are reinforcing.
- **Third-order fit:** Goes beyond activity reinforcement to what Porter refers to as **optimization** of effort.

- Strategic fit is fundamental not only to competitive advantage but also to the sustainability of that advantage because it is harder for a competitor to match an array of interlocked activities than it is merely to replicate an individual activity.

Benefits of good strategic fit

- Cost reduction, due to economies of scale, and
- The transfer of knowledge and skills.