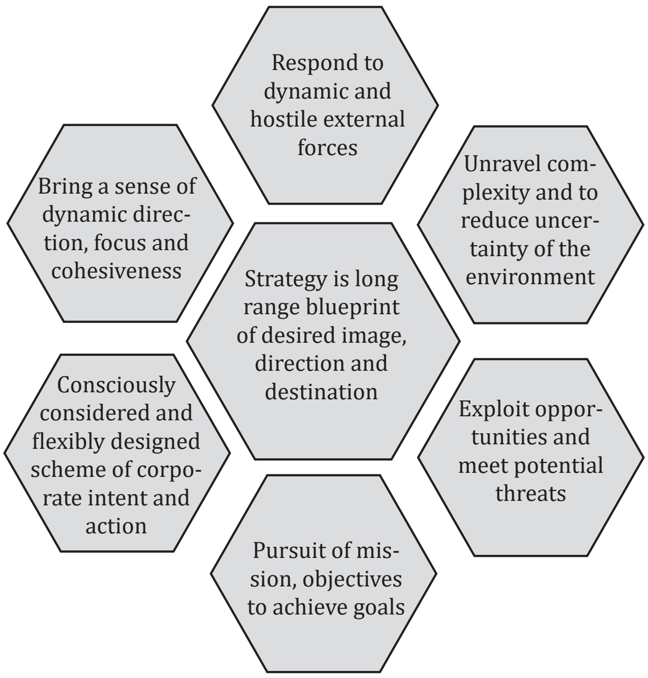
CHAPTER 13

Introduction to Strategic Management

MEANING AND NATURE OF STRATEGIC MANAGEMENT

Management as key group	In-charge of organisational affairs. Making organisation a purposeful and productive entity. Brings together/integrates the resources to whole functioning unit.
Management as set of functions	The functions include Planning, Organising, Directing, Staffing & Control which are closely interrelated. It starts from planning and ensure to achieve what is planned.
Management	Thus, Management is an influence process to make things happen, to gain command over phenomena, to induce and direct events and people in a particular manner. It is backed by power, competence, knowledge and resources.

CONCEPT OF STRATEGY



The common thread among the organization's activities and product-markets that defines the essential nature of business that the organization has or planned to be in future.

--Igor H. Ansoff.

A unified, comprehensive and integrated plan designed to assure that the basic objectives of the enterprise are achieved.

-- William F. Glueck.

Strategy is no substitute for sound, alert and responsible management. It must be recognised that strategy can never be perfect, flawless and optimal. It is in the very nature of strategy that it is flexible and pragmatic to take care of sudden emergencies, pressures, and avoid failures and frustrations. In a sound strategy, allowances are made for possible miscalculations and unanticipated events.

Large organisations, strategies are formulated

Corporate Level

Divisional Level

Functional Level

Strategy is Partly Proactive and Partly Reactive

A company's strategy is typically a blend of:

- Proactive actions on the part of managers to improve the company's market position and financial performance.

E.g:- Exercising may be difficult and a struggle, but it's a proactive strategy to make sure you're fit and healthy well into the future.

E.g:- Amazon notifies the customer in advance in case of any delay in delivery without the customer even making an enquiry.

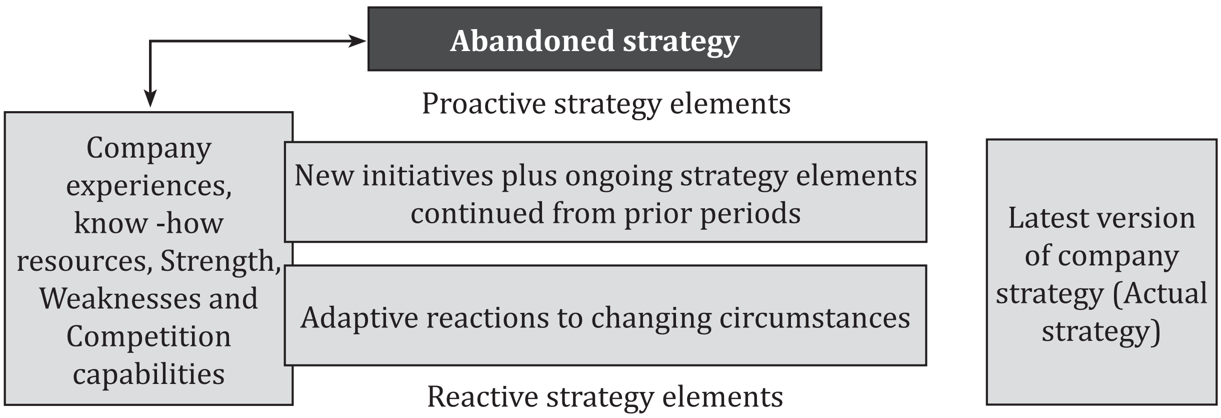
- Reactions to unanticipated developments and fresh market conditions in the dynamic business environment.

E.g:- Online classes of all levels at times of Covid-19.

E.g:- Shifting the factory of Tata Car from West Bengal to Gujarat when there were disturbances in West Bengal.

In other words, a company uses both proactive and reactive strategies to cope up the uncertain business environment. **Proactive strategy is planned strategy** whereas **reactive strategy is adaptive reaction** to changing circumstances.

A company’s actual strategy is partly planned & partly reactive



- Strategy **partly is deliberate and proactive**, standing as the product of management’s analysis and strategic thinking about the company’s situation and its conclusions about how to position the company in the marketplace and tackle the task of competing for buyer’s patronage.
- **Not every strategic move is the result of proactive planning and deliberate** management design. Things happen that cannot be fully anticipated or planned for. When market and competitive conditions take an unexpected turn or some aspect of a company’s strategy hits a stone wall, some kind of strategic reaction or adjustment is required.
- Strategy **helps unravel complexity and reduce uncertainty** caused by changes in the environment. It also means to identify existing problems and solving them by executing revolutionary ideas. It would be pertinent to mention one such example in the recent times, that is UPI, Unified Payments Interface.

Is this a Strategy?

A ketchup brand making a healthier ketchup with less sugar and preservatives to attract more customers by letting parents feel safe about their kid’s consuming ketchup. Can this be called a strategy?

Ans. Yes, it is a business strategy to fight competition and to adapt with changing external environment (people becoming health conscious is external environment factor).

STRATEGIC MANAGEMENT

- ‘Strategic management’ refers to the managerial process of
  - Developing a strategic vision,
  - Setting objectives,
  - Crafting a strategy,
  - Implementing and evaluating the strategy, and
  - Finally initiating corrective adjustments were deemed appropriate.

The process does not end, it keeps going on in a cyclic manner.

- Strategic management involves
  - Developing the company’s vision,
  - Environmental scanning (both external and internal),
  - Strategy formulation,
  - Strategy implementation and
  - Evaluation and control.

- Originally called, business policy, strategic management emphasizes the monitoring and evaluation of external opportunities and threats in the light of a company's strengths and weaknesses and designing strategies for the survival and growth of the company.
- The two fold objectives of strategic management are:
  - To create competitive advantage (unique and valued by customer) so that company can outperform the competitors.
  - To guide the company successfully through all changes in the environment i.e. to react in the right manner.

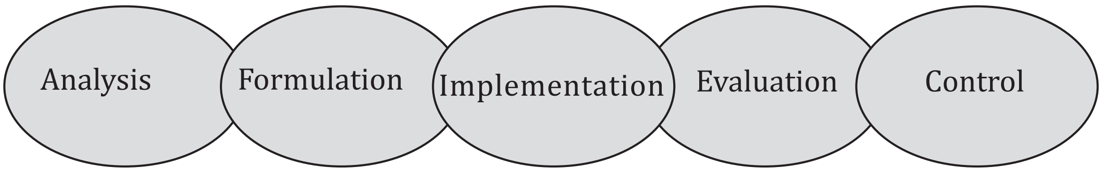
IMPORTANCE/ADVANTAGES OF STRATEGIC MANAGEMENT

- **Charles Darwin:-** 'Survival of the fittest ', the only principle of survival for all organizations, where 'fittest' are not the 'largest' or 'strongest' organizations but those who can change and adapt successfully to the changes in business environment.

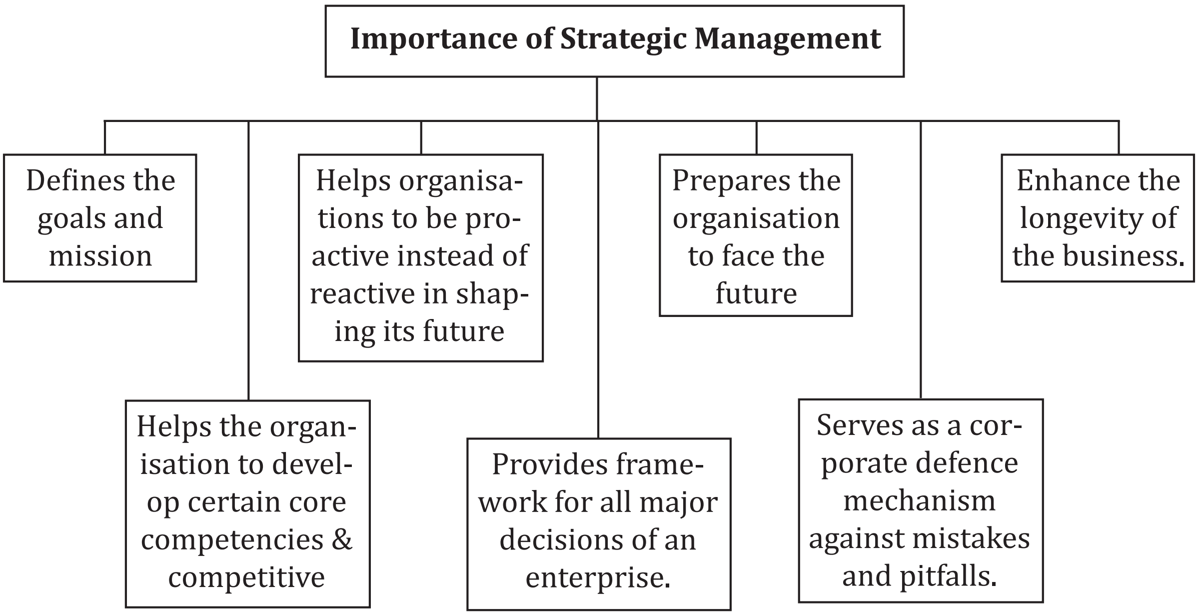
- Many business giants have followed the path of extinction failing to manage drastic changes in the business environment.

  For example, Bajaj Scooters, LML Scooters, Murphy Radio, BPL Television, Videocon, Nokia, kodak and so on.

  Thus, <u>*it becomes imperative to study Business Strategy.*</u>
- Businesses follow the war principle of 'win or lose', and only in a small number of cases, win-win situation arises. Hence, each organization has to build its competitive advantage over the competitors in the business warfare in order to win.
- This can be done only by following the process of strategic management-



- The major benefits of strategic management are:



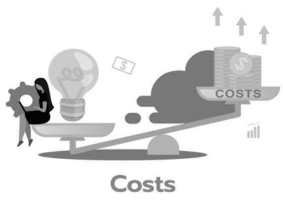
1. A direction to the company	Gives a direction to the company to move ahead. It helps define the goals and mission. It helps management to define realistic objectives and goals which are in line with the vision of the company.
2. Organisations to be proactive instead of reactive	Organisations are able to analyse and take actions instead of being mere spectators. It helps organisations to be proactive instead of reactive in shaping its future. It helps them in working within vagaries of environment and shaping it, instead of getting carried away by its turbulence or uncertainties.
3. Frameworks for all major decisions	Frameworks for all major decisions of an enterprise such as decisions on businesses, products, markets, manufacturing facilities, investments and organisational structure.
4. Prepares the organisation to face the future	Seeks to prepare the organisation to face the future and act as pathfinder to various business opportunities. Organisations are able to identify the available opportunities and identify ways and means to reach them.
5. A corporate defence mechanism against mistakes and pitfalls	Serves as a corporate defence mechanism against mistakes and pitfalls. It helps organisations to avoid costly mistakes in product market choices or investments.
6. Enhance the longevity of the business	It helps to enhance the longevity of the business. With the state of competition and dynamic environment it may be challenging for organisations to survive in the long run. Actions over expectations is what strategic management ensures.
7. Develop certain core competencies	It helps the organisation to develop certain core competencies and competitive advantages that would facilitate assist in its fight for survival and growth.

LIMITATIONS OF STRATEGIC MANAGEMENT

Complex and Turbulent Environment ⇨ Time-consuming Process ⇨ Costly Process ⇨ Difficult to estimate competitor's response

The presence of strategic management cannot counter all hindrances and always achieve success. Let us discuss them briefly:

Complex and Turbulent Environment	It is difficult to understand the complex environment and exactly pinpoint how it will shape-up in future. The organisational estimate about its future shape may awfully go wrong and jeopardise all strategic plans.  **E.g:**- Two-Wheeler Electric Vehicles brands counted on strategic benefits they would have because of the huge push from the government for electric mobility. However, customers are getting reluctant to purchase EVs due to the safety concerns amid the frequent incidents of battery's catching fire. So, strategy cannot overcome a turbulent environment.

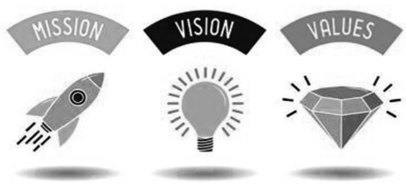
Time-consuming Process	Organisations spend a lot of time in preparing, communicating the strategies that may impede daily operations and negatively impact the routine business. Planning and strategizing are important but putting them in action is where the actual success lies. 
Costly Process	Strategic management adds a lot of expenses to an organization. Expert strategic planners need to be engaged, efforts are made for analysis of external and internal environments devise strategies and properly implement. These can be really costly for organisations with limited resources particularly when small and medium organisation create strategies to compete. 
Difficult to estimate competitor's response	Competition is unpredictable. Since all Organizations are trying to move strategically, it is difficult to estimate competitive response to Firm's strategy. **E.g:-** Apple changed the market dynamics of the speaker industry by choosing to remove 3.5mm audio jack from iPhones. Now, to be relevant in the market, all major speaker brands had to put concentrated efforts to develop their own true wireless speakers (TWS) and compete with new entrants. 

<u>Why do businesses opt for strategic management even with its limitation?</u>

Strategic Management is a time consuming and costly process, yet all organization's want to do indulge into it? Why?

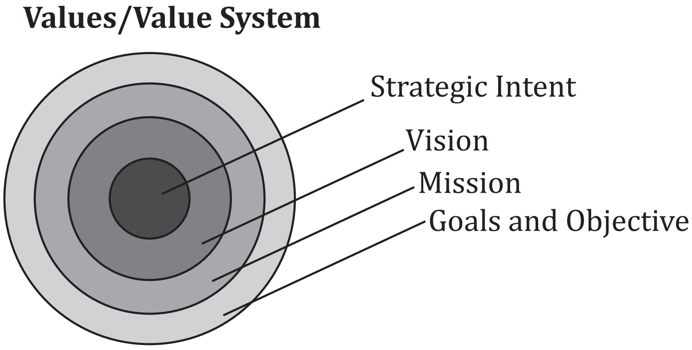
Ans. Because even though it has its limitations, its importance outweighs its shortcomings. A business cannot operate and succeed without proper strategic management.

STRATEGIC INTENT (VISION, MISSION, GOALS, OBJECTIVES & VALUES)



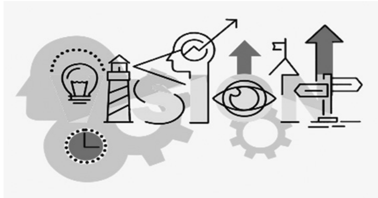
- Strategic Management is defined as a dynamic process of formulation, implementation, evaluation, and control of strategies to realise the organisation's strategic intent.
- Strategic intent refers to purposes of what the organisation strives for senior managers must define "what they want to do" and "why they want to do".
- Strategic intent provides the framework within which the firm would adopt a predetermined direction and would operate to achieve strategic objectives.
- Strategic intent could be in the form of vision and mission statements for the organisation at the corporate level. It could be expressed as the business definition and business model at the business level of the organisation.
- Strategic intent is generally stated in broad terms but when stated in precise terms it is an expression of aims to be achieved operationally, i.e., goals and objectives.

Component of Strategic Intent



Vision	Vision implies the blueprint of the company's future position. It describes where the organisation wants to land. It depicts the organisation's aspirations and provides a glimpse of what the organisation would like to become in future. 
Mission	Mission delineates the firm's business, its goals and ways to reach the goals. It is designed to help potential shareholders and investors understand the purpose of the firm. A mission statements helps to identify, 'what business the firm undertakes.' It defines the present capabilities, activities, customer focus and role in society. 
Goals & Objectives	Goals are the end results, that the organisation attempts to achieve. On the other hand, objectives are time-based measurable time-based measurable targets, which help in the accomplishment of goals. These are the end results which are to be attained with the help of an overall plan, over the particular period. However, in practice, no distinction is made between goals and objectives and both the terms are used interchangeably.  The vision, mission, business definition, and business model explains the philosophy of the organisation but the goals and objectives represent the results to be achieved in multiple areas of business. While **Strategic Intent** is the purpose that an organisation aims to achieve, Values form the omnipresent foundation of each and every decision that the management takes.
Values/Value System	Values are the deep-rooted principles which guide an organisation's decisions and actions. Collins and Porras succinctly define core values as being inherent and sacrosanct; they can never be compromised, either for convenience or short-term economic gain. Values often reflect the values of the company's founders-Hewlett-Packard's celebrated "HP Way" is an example. They are the source of a company's distinctiveness and must be maintained at all costs.

Vision:



- Very early in the strategy making process;
- Top management's views about the company's direction and the product- customer-market-technology focus constitute the strategic vision for the company.;
- Strategic vision thus points out a particular direction, charts a strategic path to be followed in future, and moulding organisational identity.; A clearly articulated strategic vision communicates management's aspirations to stakeholders and helps steer the energies of company personnel in a common direction.;

E.g.:-

1. HDFC Bank Ltd., one of the largest banks in India has clearly defined its Vision of being a world class Indian bank. This vision helps them keep in mind, "where we want to go", as the central thought of their strategic decision making.
2. LIC Ltd., the largest insurance company of India has defined its visions as – A trans-nationally competitive financial conglomerate of significance to societies and Pride of India.
3. Apple Inc.'s CEO Tim Cook defined the vision of the company as - "We believe that we are on the face of the earth to make great products, and that's not changing."

Essentials of a strategic vision

- The entrepreneurial challenge in developing a strategic vision is to think creatively about how to prepare a company for the future.
- Forming a strategic vision is an exercise in intelligent entrepreneurship.
- A well-articulated strategic vision creates enthusiasm among the members of the organisation.
- The best-worded vision statement clearly illuminates the direction in which organisation is headed.

MISSION:

A mission is an answer to the basic question 'what business are we in and what we do'. It has been observed that many firms fail to conceptualise and articulate the mission and business definition with the required clarity.

Firms working to manage their organisation strategically cannot be lax in the matter of mission and business definition, as the two ideas are absolutely central to strategic planning.

Why should an organisation have a mission?

- To ensure unanimity of purpose within the organisation.
- To develop a basis, or standard, for allocating organisational resources.
- To provide a basis for motivating the use of the organisation's resources.
- To establish a general tone or organisational climate, to suggest a business- like operation.
- To serve as a focal point for those who can identify with the organisation's purpose and direction.
- To facilitate the translation of objective and goals into a work structure involving the assignment of tasks to responsible elements within the organisation.
- To specify organisational purposes and the translation of these purposes into goals in such a way that cost, time, and performance parameters can be assessed and controlled.

E.g:-

1. **HDFC Bank** has two-fold mission: first, to be the preferred provider of banking services for target retail and wholesale customer segments. The second is to achieve healthy growth in profitability, consistent with the bank's risk appetite.
2. **LIC Ltd.'s** Mission is - Ensure and enhance the quality of life of people through financial security by providing products and services of aspired attributes with competitive returns, and by rendering resources for economic development.
3. **Apple's** mission has been defined as - "to bring the best user experience to its customers through innovative hardware, software, and services."

Following points are useful while writing a mission of a company:

- One of the roles of a mission statement is to give the organisation its own special identity, business emphasis and path for development – one that typically sets it apart from other similarly positioned companies.
- A company's business is defined by what needs it is trying to satisfy, which customer groups it is targeting and the technologies and competencies it uses and the activities it performs.
- Good mission statements are – unique to the organisation for which they are developed.

What is our mission? And what business are we in?

The well-known management experts, **Peter Drucker and Theodore Levitt** were among the first to agitate this issue through their writings.

GOALS AND OBJECTIVES:

Business organisation translates their vision and mission into goals and objectives.

Goals are open-ended attributes that denote the future states or outcomes.

Objectives are close-ended attributes which are precise and expressed in specific terms. Thus, the Objectives are more specific and translate the goals to both long term and short-term perspective.

Accordingly, we will also use the term interchangeably. Objectives are organisation's performance targets – the results and outcomes it wants to achieve. They function as yardsticks for tracking an organisation's performance and progress.

Objectives with strategic focus relate to outcomes that strengthen an organisation's overall business position and competitive vitality.

Objectives, to be meaningful to serve the intended role, must possess the following characteristics:

- Objectives should define the organisation's relationship with its environment.
- They should be facilitative towards achievement of mission and purpose.
- They should provide the basis for strategic decision-making.
- They should provide standards for performance appraisal.
- They should be concrete and specific.
- They should be related to a time frame.
- They should be measurable and controllable.
- They should be challenging.
- Different objectives should correlate with each other.
- Objectives should be set within the constraints of organisational resources and external environment.

Long-term objectives: To achieve long-term prosperity, strategic planners commonly establish long-term objectives in seven areas.

- Profitability
- Productivity
- Competitive Position
- Employee Development
- Employee Relations
- Technological Leadership
- Public Responsibility

Long-term objectives represent the results expected from pursuing certain strategies. Strategies represent the actions to be taken to accomplish long-term objectives. The time frame for objectives and strategies should be consistent, usually from two to five years.

Short-range objectives can be identical to long-range objectives if an organisation is already performing at the targeted long-term level. For instance, if a company has an ongoing objective of 15 percent profit growth every year and is currently achieving this objective, then the company's long-range and short-range objectives for increasing profits coincide. The most important situation in which short-range objectives differ from long-range objectives occurs when managers are trying to elevate organisational performance and cannot reach the long-range target in just one year. Short-range objectives then serve as steps toward achieving long term objective.

VALUES:

"Business, as I have seen it, places one great demand on you: it needs you to self- impose a framework of ethics, values, fairness and objectivity on yourself at all times." - Ratan N Tata, 2006 (Source: TATA Group Website).

A few common examples of values are - Integrity, Trust, Accountability, Humility, Innovation, and Diversity.

A company's value sets the tone for how the people of think and behave, especially in situations of dilemma. It creates a sense of shared purpose to build a strong foundation and focus on longevity of the company's success.

Values have both internal as well as external implications.

Intent vs Values - Which is a broader concept?

Sandeep, a human resource manager thinks that Intent is a bigger concept than Values. Is he right?

Ans. Sandeep is not right, as Values and Intent are two different concepts. Intent is the purpose of doing business while values are the principles that guide decision making of business. They both go hand in hand, while the intent is sometimes driven by values. So, values more or so is wider than Intent.

STRATEGIC LEVELS IN ORGANISATIONS

- A typical large organization is a multi-divisional organisation that competes in several different businesses. It has separate self-contained divisions to manage each of these businesses.

E.g:-Patanjali has healthcare, FMCG, Organic Foods, Medicinal Oils and Herbs, and various different businesses.

- In such large organizations, strategies are formulated at three levels - corporate, business, & functional level.

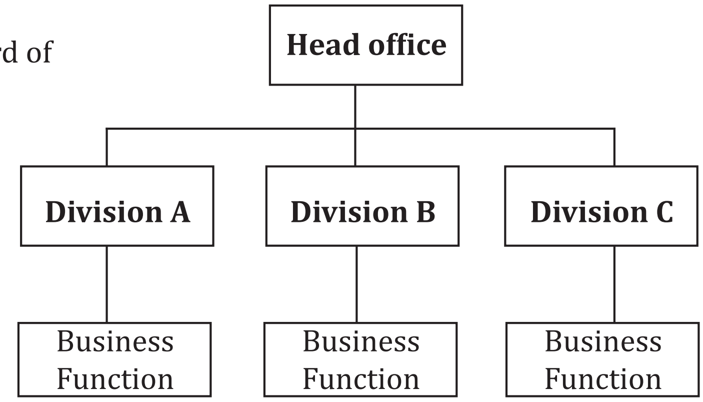
- General managers are found at the first two of these levels, but their strategic roles differ depending on their sphere of responsibility.

Levels of strategic management

CORPORATE LEVEL
CEO, other senior executives, Board of directors, and Corporate staff

BUSINESS LEVEL
Divisional managers & staff

FUNCTIONAL LEVEL
Functional managers (marketing, finance, etc....)



- A strategic business unit, popularly **known as SBU,** is a fully-functional unit of **a business that has its own vision and direction.** Typically, a strategic business unit operates as a separate unit, but it is also an important part of the company.

Corporate Level	Corporate Level managers consists of the Chief Executive Officer (CEO), other senior executives, the board of directors, and corporate staff. They oversee development of strategies for whole organization. For this his task includes:  (*a*) Defining vision, mission and objectives of Organization (*b*) Determining what businesses, it should be in (*c*) Allocating resources among different divisions (*d*) Formulating and implementing strategies that span individual businesses (*e*) Providing leadership for Organization (*f*) Acts as a linkage between Management and Shareholders i.e., owner of business. Corporate level managers, especially CEO is viewed as guardian of shareholder welfare and must make strategies to maximize the wealth of shareholders.

<table>
<tr>
<td>Business level</td>
<td>Strategic Business Units (SBUs) is self-contained Division with its own business functions like Finance, Human Resource, Sale & Marketing, Research & Development etc.

A Principle General Manager or Business level manager is head of a division.

They are responsible for working of Division and overseeing all functions of the Division.

They are responsible to translate general statements of direction of Corporate Level into concrete business plans.

Thus, whereas corporate-level managers are concerned with strategies that span individual businesses, business- level managers are concerned with strategies that are specific to a particular business.</td>
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<td>Functional level</td>
<td>Functional level managers are responsible for specific business functions in a division or company like marketing, Research & Development, Human Resource, Finance etc.

Thus, a functional manager’s sphere of responsibility is generally confined to one organizational activity.

Functional managers are also responsible for
(a) developing functional strategies in their area to fulfil strategic objectives set by corporate and business level managers; and
(b) implementing/ executing strategies of corporate level and business level managers.

They are closer to customers and provide most of information that enable corporate level and business level managers to formulate realistic and attainable strategies.</td>
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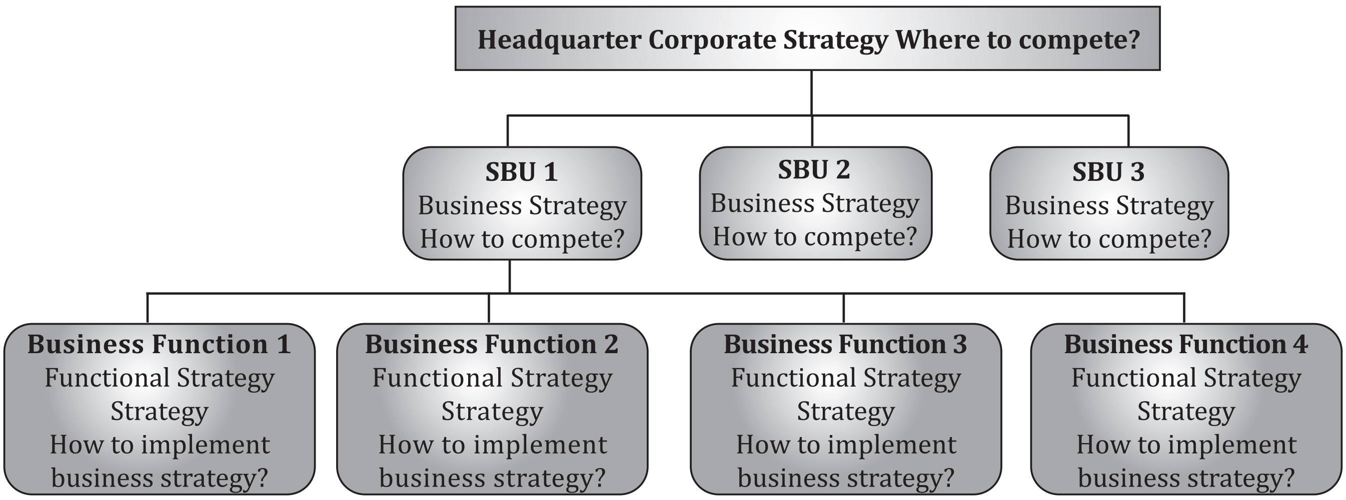
- An equally great responsibility for managers at the operational level is strategy implementation: the execution of corporate and business-level plans.



Which is better - Top-Down Approach or Bottom-Up Approach?
Do you know the concepts of Top-Down and Bottom-Up approach of decision making?

Ans. A top-down approach to decision making is when decisions are made solely by leadership at the top i.e. corporate level of management, while the bottom-up approach gives all teams across the levels a voice in decision making.

NETWORK OF RELATIONSHIP BETWEEN THE THREE LEVELS

- There are **3 major types of networks of relationship** between the levels and also amongst the same levels of a business;

Functional and Divisional Relationship	It is an independent relationship, where each function or a division is run independently headed by the function/division head, who is a business level manager, reporting directly to the business head, who is a corporate level manager. Functions maybe like Finance, Human Resources, Marketing, etc. while Divisions may depend on the products like for a toys manufacturer - kid's toys, teenager toys, etc. could be divisions.
Horizontal Relationship	All positions, from top management to staff-level employees, are in the same hierarchical position. It is a flat structure where everyone is considered at same level. This leads to openness and transparency in work culture and focused more on idea sharing and innovation. This type of relationship between levels is more suitable for startups where the need to share ideas with speed is more desirable.
Matrix Relationship	It features a grid-like structure of levels in an organisation, with teams formed with people from various departments that are built for temporary task-based projects. This relationship helps manage huge conglomerates with ease where it is nearly impossible to track and manage every single team independently. In Matrix relationship - there are more than one business level managers for each functional level teams. It is complex for smaller organisations, but extremely useful for large organisations.

TEST YOUR KNOWLEDGE - MCQS

1. Strategy is a game plan used for which of the following?

(*a*) To take market position
(*b*) To attract and satisfy customers
(*c*) To respond to dynamic and hostile environment
(*d*) All of the above

2. Which of the following is correct?

(*a*) Strategy is always pragmatic and not flexible
(*b*) Strategy is not always perfect, flawless and optimal
(*c*) Strategy is always perfect, flawless and optimal
(*d*) Strategy is always flexible but not pragmatic

3. Strategy is:

(*a*) Proactive in action
(*b*) Reactive in action
(*c*) A blend of proactive and reactive actions
(*d*) None of the above

4. Reactive strategy can also be termed as-

(*a*) Planned strategy
(*b*) Adaptive strategy
(*c*) Sound strategy
(*d*) Dynamic strategy

5. Formulation of strategies and their implementation in a strategic management process is undertaken by-

(*a*) Top level executives
(*b*) Middle level executives
(*c*) Lower level executives
(*d*) All of the above

6. Which of the following are responsible for formulating and developing realistic and attainable strategies?

(*a*) Corporate level and business level managers
(*b*) Corporate level and functional level managers
(*c*) Functional managers and business level managers
(*d*) Corporate level managers, business level managers and functional level managers

7. Which of the following managers' role is to translate the general statements/ strategies into concrete strategies of their individual businesses-

(*a*) Supervisor
(*b*) Functional manager
(*c*) CEO of the company
(*d*) All of the above

8. Which statement should be created first and foremost?

(*a*) Strategy (*b*) Vision (*c*) Objectives (*d*) Mission

9. Strategic management enables an organisation to ______, instead of companies just responding to threats in their business environment.

(*a*) Be proactive
(*b*) Determine when the threat will subside
(*c*) Avoid the threats
(*d*) Defeat their competitors

10. Read the following three statements:

(i) Strategies have short-range implications
(ii) Strategies are action oriented
(iii) Strategies are rigidly defined

From the combinations given below select an alternative that represents statements that are true:

(*a*) (i) and (ii)
(*b*) (i) and (iii)
(*c*) (ii) and (iii)
(*d*) (i), (ii) and (iii)

11. What involves formulating, implementing, and evaluating cross-functional decisions that enable an organization to achieve its objectives?

(*a*) Strategy formulation
(*b*) Strategy evaluation
(*c*) Strategy implementation
(*d*) Strategic management

12. Strategic management allows an organization to be more

(*a*) Authoritative
(*b*) Participative
(*c*) Commanding
(*d*) Proactive

ANSWER KEY

1.	(d)	**2.**	(b)	**3.**	(c)	**4.**	(b)	**5.**	(d)	**6.**	(d)
7.	(b)	**8.**	(b)	**9.**	(a)	**10.**	(a)	**11.**	(d)	**12.**	(d)

TEST YOUR KNOWLEDGE – CASE STUDIES

1. Mr. Raj has been hires as a CEO of XYZ Ltd. a FMCG company that has diversified into affordable cosmetics. The company intends to launch Feelgood brand of cosmetics. XYZ wishes to enrich the lives of people with its products that are good for skin and are produced in ecologically beneficial manner using herbal ingredients. Draft vision and mission statement that may be formulated by Raj. (SM)

Ans. Feelgood brand of cosmetics may have following vision and mission:

Vision – Vision implies the blueprint of the company's future position. It describes where the organisation wants to land. Mr. Raj should aim to position "Feelgood cosmetics" as India's beauty care company. It may have vision to be India's largest beauty care company that improves looks, give extraordinary feeling and bring happiness to people.

Mission – It delineates the firm's business, its goals and ways to reach the goals. It explains the reason for the existence of the firm in the society. It is designed to help potential shareholders and investors understand the purpose of the company.

Mr. Raj may identify mission in the following lines:

- To be in the business of cosmetics to enhance the lives of people, give them confidence to lead.
- To protect skin from harmful elements in environment and sun rays.
- To produce herbal cosmetics using natural ingredients.

2. Yummy Foods and Tasty Foods are successfully competing in the business of ready to eat snacks in Patna. Yummy has been pioneer in introducing innovative products. These products will give them goods sale. However, Tasty Foods will introduce similar products in reaction to the products introduced by the Yummy Foods taking away the advantage gained by the former.

Discuss the strategic approach of the two companies. Which is superior? (SM)

Ans. Yummy foods is proactive in its approach. On the other hand, Tasty Food is reactive. A proactive strategy is a planned strategy whereas reactive strategy is an adaptive reaction to changing circumstances. A company's strategy is typically a blend of proactive actions on the part of managers to improve the company's market position and financial performance and reactions to unanticipated developments and fresh market conditions.

If organisational resources permit, it is better to be proactive rather than reactive. Being proactive in aspects such as introducing new products will give you an advantage in the mind of customers.

At the same time, crafting a strategy involves stitching together a proactive/intended strategy and then adapting first one piece and then another as circumstances surrounding the company's situation change or better options emerge-a reactive/adaptive strategy. This aspect can be accomplished by Yummy Foods.

3. Ramesh Sharma has fifteen stores selling consumer durables in Delhi region. Four of these stores were opened in last three years. He believes in managing strategically and enjoyed significant sales of refrigerator, televisions, washing machines, air conditioners and like till four years back. With shift to the purchases to online stores, the sales of his stores came down to about seventy per cent in last four years.

Analyse the position of Ramesh Sharma in light of limitations of strategic management. (SM)

Ans. Ramesh Sharma, is facing declining sales on account of large-scale shift of customers to online stores. While he is using the tools of strategic management, they cannot counter all hindrances and always achieve success. There are limitations attached to strategic management as follows:

- Environment under which strategies are made is highly complex and turbulent. Entry of online stores, a new kind of competitor brought a different dimension to selling consumer durables. Online stores with their size power could control the market and offer stiff competition to traditional stores.
- Another limitation of strategic management is that it is difficult to predict how things will shape-up in future. Ramesh Sharma, although managing strategically failed to see how online stores will impact the sales.
- Although, strategic management is a time-consuming process, he should continue to manage strategically. The challenging times require more efforts on his part.
- Strategic management is costly. Ramesh Sharma may consider engaging experts to find out preferences of the customers and attune his strategies to better serve them in a customized manner. Such customized offerings may be difficult to match by the online stores.
- The stores owned by Ramesh Sharma are much smaller than online stores. It is very difficult for him to visualize how online stores will be moving strategically.

4. Sharma Singh, the procurement department head of Cyclix, a mountain biking equipment company, was recently promoted to look after sales department along with procurement department. His seniors at the corporate level have always liked his way of leadership and are assured that he would ensure the implementation of policies and strategies to the best of his capacity buy have never involved him in decisions making of the company.

Do you thing this is the right approach? Validate your answer with logical reasoning around management levels and decision making. (SM)

Ans. Functional managers provide most of the information that makes it possible for business and corporate level managers to formulate realistic and attainable strategies.

This is so because functional managers like Dharam Singh are closer to the customers/suppliers/operations than the typical general manager is. A functional manager may generate important ideas that subsequently may become major strategies for the company. Thus, it is important for general managers to listen closely to the ideas of their functional mangers and involve them in decision making.

An equally great responsibility for managers at the operational level is strategy implementation; the execution of corporate and business level plans, and if they are involved in formulation, the clarity of thoughts while implementation can benefit too.

Thus, the approach of Cylcix Corporate management is not right. They should involve Dharam Singh, as well as other functional managers too in strategic management.

5. ABC Limited is in a wide range of businesses which include apparels, lifestyle products, furniture, real estate and electrical products. The company is looking to hire a suitable Chief Executive Officer. Consider yourself a the HR consultant for ABC Limited, you have been assigned the task to enlist the activities involved with the role of the Chief Executive Officer. Name the strategic level that this role belongs to and enlist the activities associated with it. (SM, Jan 2021)

Ans. The role of Chief executive Officer pertains to corporate level.

The corporate level of management consist of the Chief executive Officer (CEO) and other top-level executives. These individuals occupy the apex of decision making withing the organisation.

The role of CEO (Top Management/corporate level managers) is too:

- Oversee the development of strategies for the whole organization;
- Defining the mission and goals of the organization;
- Determining what business it should be in;
- Allocating reources amoung the different businesses;
- Formulating and implementing strategies that span individual business;
- Providing leadership for the organization;
- Ensuring that the corporate and business level strategies which company pursues are consistent with maximizing shareholders wealth; and
- Managing the divestment and acquisition process

TEST YOUR KNOWLEDGE – DESCRIPTIVE QUESTIONS

1. Define strategic management. Also discuss the limitations of strategic management? (May 2018)

Ans. The term 'strategic management' refers to the managerial process of developing a strategic vision, setting objectives, crafting a strategy, implementing and evaluating the strategy, and initiating corrective adjustments where deemed appropriate. The presence of strategic management cannot counter all hindrances and always achieve success as there are limitations attached to strategic management.

These can be explained in the following lines:

- Environment is highly complex and turbulent. It is difficult to understand the complex environment and exactly pinpoint how it will shape-up in future. The organizational estimate about its future shape may awfully go wrong and jeopardize all strategic plans. The environment affects as the organization has to deal with suppliers, customers, governments and other external factors.
- Strategic management is a time-consuming process. Organizations spend a lot of time in preparing, communicating the strategies that may impede daily operations and negatively impact the routine business.
- Strategic management is a costly process. Strategic management adds a lot of expenses to an organization. Expert strategic planners need to be engaged, efforts are made for analysis of external and internal environments, devise strategies and properly implement. These can be really costly for organizations with limited resources particularly when small and medium organizations create strategies to compete.
- Competition is unpredictable. In a competitive scenario, where all organizations are trying to move strategically, it is difficult to clearly estimate the competitive responses to the strategies.

2. List the different strategic levels in an organization. (Nov 2018)

Ans. There are three main strategic levels in an organization:

- **Corporate level –** consisting of CEO, Board of Directors and other senior executives.
- **Business level –** Divisional Managers and staff.
- **Functional level –** Functional Managers – Marketing, Finance, Production, Human Resource.

3. **Why is strategy evaluation more difficult? Give reasons. (Dec 2021)**

Ans. Strategic evaluation involves measuring and evaluating performance. The goals achieved are compared with the desired goals to identify deviations and make necessary adjustments in strategies or in the efforts being put to achieve those strategies. ‘

Reasons why strategy evaluation is more difficult today include the following trends:

- A dramatic increase in the environment's complexity.
- The increasing difficulty of predicting the future with accuracy.
- The increasing number of variables in the environment.
- The rapid rate of obsolescence of even the best plans.
- The increase in the number of both domestic and world events affecting organizations.
- The decreasing time span for which planning can be done with any degree of certainty.

4. **"The strategic management cannot counter all hindrances and always achieve success for an organization." Do you agree with this statement? Give arguments in support of your answer. (Nov 2022)**

Ans. Yes, it is true that the presence of strategic management cannot counter all hindrances and always achieve success for an organization. This is on account of complex multiple forces acting on business organization and limiting its success.

These limitations are on account of following factors:

- **Environment is highly complex and turbulent.** It is difficult to understand the complex environment and exactly pinpoint how it will shape-up in future. The organisational estimate about its future shape may awfully go wrong and jeopardise all strategic plans.
- **Strategic management is a time-consuming process.** Organisations spend a lot of time in preparing, communicating the strategies that may impede daily operations and negatively impact the routine business.
- **Strategic management is a costly process.** Strategic management adds a lot of expenses to an organization particularly to small and medium organisations. - Expert strategic planners need to be engaged, efforts are made for analysis of external and internal environments devise strategies and properly implement.
- **Competition is unpredictable.** In a competitive scenario, where all organisations are trying to move strategically, it is difficult to clearly estimate the competitive responses to the strategies.

5. **"Strategic intent provides the framework within which the firm would adopt a predetermined direction and would operate to achieve strategic objectives." In the light of this statement, discuss the elements of strategic intent. (Nov 2022)**

Ans. Strategic intent can be understood as the philosophical base of strategic management. It implies the purposes, which an organization endeavours to achieve. It is a statement that provides a perspective. Strategic intent gives an idea of what the organization desires to attain in future. Strategic intent provides the framework within which the firm would adopt a predetermined direction and would operate to achieve strategic objectives.

Elements of strategic management are as follows:

(i) **Vision:** Vision implies the blueprint of the company's future position. It describes where the organisation wants to land. It depicts the organisation's aspirations and provides a glimpse of what the organization would like to become in future. Every sub system of the organization is required to follow its vision.

(ii) **Mission:** Mission delineates the firm's business, its goals and ways to reach the goals. It explains the reason for the existence of the firm in the society. A mission statement helps to identify, 'what business the company undertakes.' It defines the present capabilities, activities, customer focus and role in society.

(iii) **Business Definition:** It seeks to explain the business undertaken by the firm, with respect to the customer needs, target markets, and alternative technologies. With the help of business definition, one can ascertain the strategic business choices.

(iv) **Business Model:** Business model, as the name implies is a strategy for the effective operation of the business, ascertaining sources of income, desired customer base, and financial details. Rival firms, operating in the same industry rely on the different business model due to their strategic choice.

(v) **Goals and Objectives:** These are the base of measurement. Goals are the end results, that the organization attempts to achieve. On the other hand, objectives are time-based measurable targets, which help in the accomplishment of goals. These are the end results which are to be attained with the help of an overall plan. However, in practice, no distinction is made between goals and objectives and both the terms are used interchangeably.

6. "Strategy is partly proactive and partly reactive". Discuss. (SM, Nov 2018)

Ans. Strategy is partly proactive and partly reactive. In proactive strategy, organisations will analyse possible environmental scenarios and create strategic framework after proper planning and set procedures and work on these strategies in a predetermined manner. However, in reality no company can forecast both internal and external environment exactly. Everything cannot be planned in advance. It is not possible to anticipate moves of rival firms, consumer behaviour, evolving technologies and so on.

There can be significant deviations between what was visualized and what actually happens. Strategies need to be attuned or modified in the light of possible environmental changes. There can be significant or major strategic changes when the environment demands. Reactive strategy is triggered by the changes in the environment and provides ways and means to cope with the negative factors or take advantage of emerging opportunities.

7. "Management at all levels develop strategies". Explain the different strategies formulated at different levels of management. (May 2023)

Ans. At different levels of management, various strategies are formulated to align with organizational goals and objectives which are as follows:

Corporate-Level Strategies: At the highest level of management, corporate-level strategies are developed. These strategies focus on the overall direction and scope of the entire organization. Major corporate-level strategies include Stability strategies, Growth strategies, Retrenchment strategies and Combination strategies.

Business-Level Strategies: Business-level strategies are developed by middle-level management and focus on individual business units or divisions within the organization. These strategies aim to achieve competitive advantage within specific markets. Common business-level strategies include Cost Leadership, Differentiation and Focus strategies.

Functional-Level Strategies: Functional-level strategies are formulated by lower-level management or department heads responsible for specific functional areas, such as marketing, finance, operations, or human resources. These strategies align with business-level strategies and focus on achieving functional objectives. These strategies include Marketing strategies, financial strategies, Operations strategies, Research & Development strategy and Human Resource strategies.

In conclusion, management at all levels develops strategies that align with the organization's goals. Corporate-level strategies determine the overall direction, business-level strategies focus on competitive advantage within specific markets, and functional-level strategies aim to achieve functional objectives in support of the broader strategies.