Strategic management and business policy

Answers of short notes

1. **Strategic basic unit (SBU)**-it is defined as" parts of a business organisation which is treated separately for strategic management purpose."

*When organisation face difficulty in managing divisional operation due to an increasing diversity, size and number of divisions, it becomes difficult for the top management 2 exercise strategic control.

Advantages:

*It establishes coordination between divisions having common strategic interest

*It facilitates strategic management and control of large, diverse organisation.

*It fixes accountability at the level of distinct business unit.

Disadvantages:

*There are too many different SBU's to handle effectively in a large, diverse organisation.

*Difficulty in assigning responsibility and defining autonomy for SBU heads.

*Addition of another layer of Management between corporate and divisional management

2. **Matrix structure**

*In large organisation there is often a need to work on major products or projects each of which is strategically significant. The result is the requirement of a Matrix type of organisation structure. Such type of a structure is created by assigning functional specialist to work on a special project for a new product or service. For the duration of the project the specialist from different areas form a group or team and report to a team leader. Simultaneously, they may also work in in their respective parent departments. Once the project is completed, the team members revert to their parent department.

Advantages:

*It allows individual specialist to be assigned where their talent is the most needed.

*Fosters creativity because of the cooling off diverse talent.

*It provides good exposure Tu specialist in general management.

Disadvantages:

*Dual accountability creates confusion and difficulty for individual team members.

*It requires a high level of vertical and horizontal combination.

* shared authority may create communication problems.

3. **Vertical fit**

*Vertical fit leads to the alignment of the functional areas to the requirement strategy resulting in strategic management of these functional areas.

*Vertical fat the following type of functional strategies is adopted:

-strategic marketing management which means focusing on the alignment of marketing management within an organisation with its corporate and business strategies gain a strategic advantage.

-Strategic financial management means focusing on the alignment of financial management within an organisation with its corporate and and business strategies to gain a strategic advantage.

-strategic operations management means focusing on the alignment of operations management with in an organisation with its corporate and business strategies to gain a strategic advantage.

-strategic Human Resource Management means focusing on the alignment of human resource management within an organisation with its corporate and business strategies to gain a strategic advantage.

-strategic information management means focusing on the alignment of information management within an organisation with its corporate and business strategies to gain a strategic advantage.

****Horizontal Fit:**

*It leads to the alignment of the activities taking place at the working level and is done through operational implementation.

**Operational implementation is the approach adopted by an organisation to achieve operational effectiveness. When an organisation performs value creating activities optimally and in a way which is better than its competitors, it results in operational effectiveness.

4. **Business processing reengineering (BPR):**

*It was given by **Michael hammer and James champy(1993)** aims at transforming or reinventing organisation for Greater efficiency and deals with the fundamental rethinking and redesigning of business processes to achieve dramatic improvements in cost, quality, service and speed.

5**. Enterprise-wide resource planning (ERP)**

*It is a software packages that link the isolated information centres into an integrated enterprise-wide structure of functional and activity database. These systems are successor to the material requirement planning (MRP-I) manufacturing resource planning (MRP-II) systems, long used for planning and scheduling the time phased materials requirements for operations.

6. **Benchmarking**:

*It is the process aimed at finding the best practices within and outside the industry to which an organisation belongs. The purpose of benchmarking is to find the best performer in an area so that one could match once own performance with them and even surpass them.

7. **Supply chain management:**

*It traverses the whole value chain to manage the procurement of a a whole range of input that are required to produce a product or services so that the process can be performed in an integrated and optimum manner. Vendors, Transporters and buyers become a part of the firm's value chain and the benefits of process improvement and operational effectiveness are shared by all.

8. **Outsourcing**

*It is a variation of the traditional make or buy concept where portion of value chain activities are commissioned to external suppliers on the basis of economic analysis so that the firms on Focus remains on its core competence.

9. **Forward linkage**

*The different elements in strategy formulation starting with the various constituent strategic intent through environmental and organisational appraisal, strategic alternatives, strategic analysis and choice and ending with the strategic plan determine the course that an organisation adopts for itself. With the formulation of new strategies for Re formulation leading to modified strategies many changes have to be effected within the organisation.

***For example**, the organisational structure has to undergo change in light of the requirement of a modified on new strategy. The style of leadership has to be adapted to the formulation of strategies. A whole lot of changes have to be undertaken in operationalizing the formulated strategies. Clearly the strategies formulated provide the direction to implementation. In this way, the formulation of strategies has forward linkages with their implementation.

****Backward linkage**

*Just as implementation is determined by the formulation of strategies the formulation process is also affected by factors related with implementation. Organisation tend to adopt those strategies which can be implemented with the help of the present structure of resources combined with some additional efforts. Such incremental changes, over a period of time take the organisation from **where it is to where it wishes to be.**

*It is to be noted that while strategy formulation is primarily an entrepreneurial activity based on strategic decision making, implementation of strategy is mainly an administrative tasks based on strategic as well as operational decision making. The formulation is a managerial task requiring analysis and thinking, implementation primarily rest on action in doing. This way formulation of strategies depends upon the feedback of the already implemented strategy in the past this is known as backward linkages.

10. **Corporate portfolio analysis:**

*It could be defined as a set of techniques that help strategist in taking strategic decisions with regard to individual products on businesses in a firm's Portfolio. It is primary used for competitive analysis and corporate strategic planning in multi product and multi business firms.

*They may also be used in less diversified firms if these consist of a main business and other minor complementary interest.

*The main advantage in adopting a corporate portfolio approach in a multi product, multi businesses firm is that resources could be channelized at the corporate level to Those businesses that possess the greatest potential.

***For example,** diversify company may decide to divert resources from its cash rich businesses to the more prospective ones which hold the promise of a faster growth so that the company can achieve its corporate level objective in an optimal manner.

*The most popular techniques used for corporate portfolio analysis are: **BCG matrix, GE Nine cell matrix.**