

Unit I

Strategic Management

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**Learning use creativity,
creativity leads to thinking,
thinking provides knowledge,
knowledge makes you great !**

APJ

Unit I

- **Meaning of Strategy and Strategic Management (I)**
- **Strategic management model (II)**
- **Characteristics of strategic management (III)**
- **Formality in strategic management (III)**



What is Strategy?

- Large-scale, future-oriented plan for interacting with the **competitive environment** to achieve objectives
 - Company's "**game plan**"
 - Framework for **managerial decisions**
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Strategy as the determinant of the **long-term goals** of the enterprise. – *Chandler*

Strategy as the pattern of objectives, purposes, or goals and plans for achieving these goals. *Andrews*

Strategy as the **common thread** among a firm's activities. - *Ansoff*

Strategy

- An effective strategy is one that creates **competitive advantages** for the business that are sustainable over time.
- Resources possessed by an organization that is **innovative, unique, durable and not easily imitable**.
- Comes by striving to exploit the relevant resources of the individual organization when compared with its competitors.
 - **Relevance** – means the identification of resources that are **better than those of competitors, persuasive** to the customer and available from the range of strengths contained inside the organization.

Core areas of Strategy

- **Strategic Analysis**
 - Environment
 - Resources
 - Vision, mission & objectives
- **Strategic Development**
 - Options
 - Rational selection
 - Finding strategic route
- **Strategic Implementation**
 - Resource Allocation
 - Strategic planning & control
 - People issues & change

What is Strategic Management ?

The set of decisions and actions that result in the **formulation** and **implementation** of plans designed to achieve a company's objectives.

- **Process** of specifying an organisation's objectives, developing policies and plans to achieve these objectives and allocating resources so as to implement the plans.
- **Recognizes** that **formulation** and **implementation** of strategies are related parts of the same process and that operational managers should be involved in the whole process.
- **Highest level of managerial** activity provides overall direction to the whole enterprise.

Three Levels of Strategy

- 1. Corporate level**
- 2. Business level**
- 3. Functional level**

Levels of Strategy

1. Corporate strategy

- Concerned with the **overall purpose** and **scope of business** to meet **stakeholder expectations**
- Heavily influenced **by investors** in the business and acts to guide strategic decision-making throughout the business.
- Often stated explicitly in **mission statement**
- Decisions tend to be more **value oriented**, more conceptual and less concrete than decisions at the business or operational level.
- Decisions are often characterized by greater risk, cost and profit potential causing a greater need for flexibility and longer time horizons.

Levels of Strategy

2. Business Level

- Concerned with **how a business competes successfully** in a particular market.
- Concerns strategic **decisions** about **choice of products**, meeting needs of customers, gaining advantage over competitors, exploiting or creating new opportunities etc.

Levels of Strategy

3. Functional/ Operational level

- Divided into operational areas – **marketing, HR** etc
- Constitutes resources, processes and skills that will deliver the organisation's strategy and there must be a **close integration between corporate level strategy and decisions taken at operational levels.**
- Aligned with corporate level strategy

Red Ocean Vs. Blue Ocean Strategy

Student Presentation

Reference: Fundamentals of Strategic Management, D.R. Bhandari, Page No. 9

Pearce & Robinson, 2003

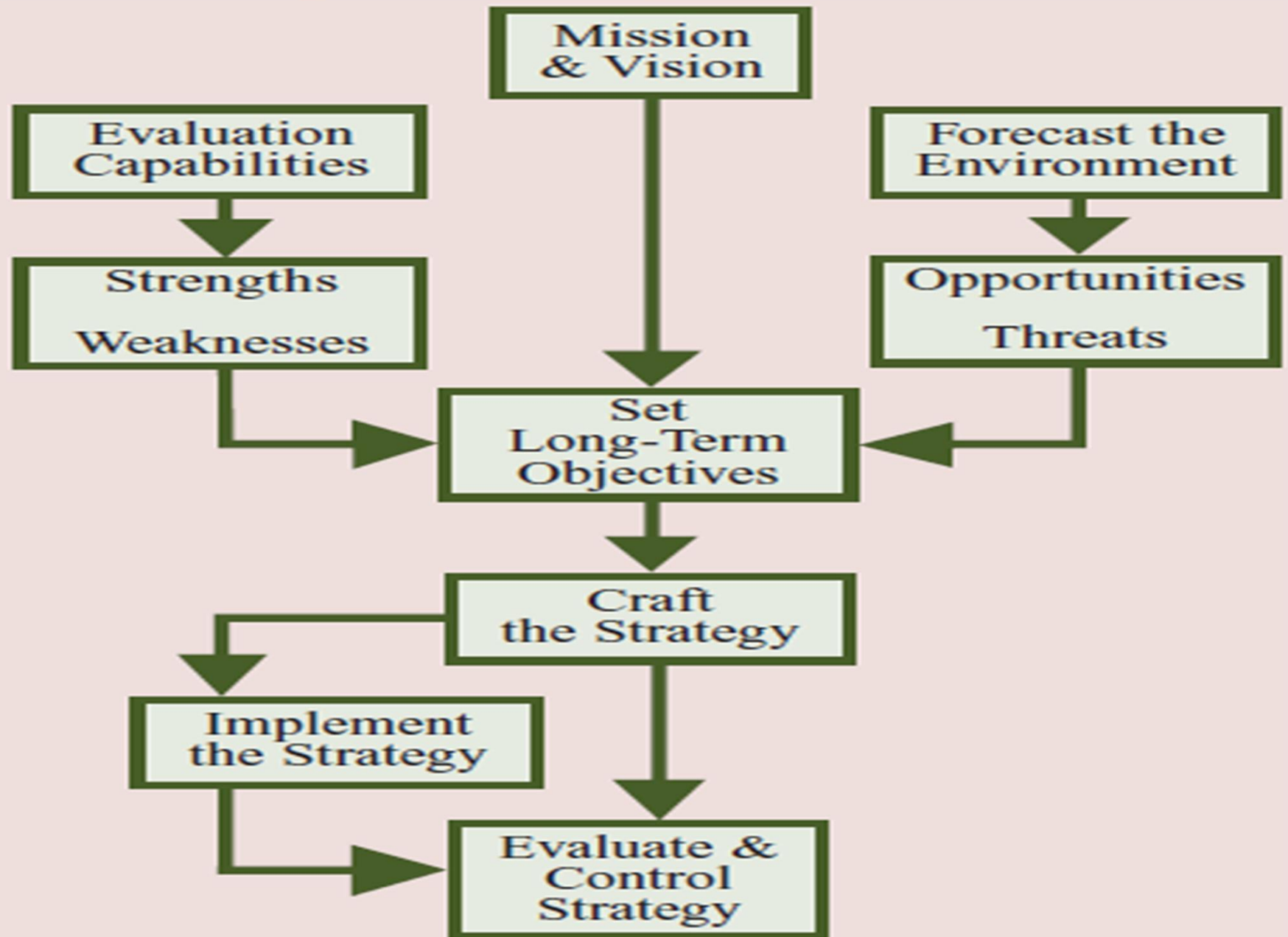
Essence of strategic management comprises 9 critical tasks
(i.e Value of Strategic Management)

- 1. Formulate the company's mission, including broad statements about its purpose, philosophy and goals.**
- 2. Conduct analysis that reflects the company's internal conditions and capabilities.**
- 3. Assess the company's external environment, including both the competitive and the general contextual factors.**
- 4. Analyse the company's options by matching its resources with the external environment.**
- 5. Identify the most desirable options by evaluating each option in light of the company mission.**

Pearce & Robinson, 2003

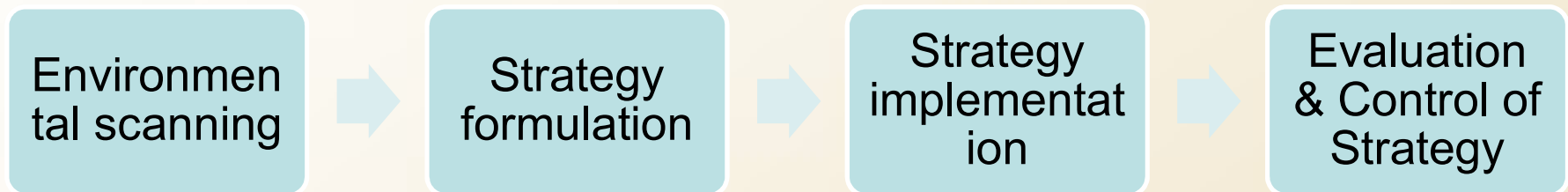
6. Select a set of long-term objectives and grand strategies that will achieve the most desirable options.
7. Develop annual objectives and short-term strategies that are compatible with the selected set of long-term objectives and grand strategies.
8. Implement the strategic choices by means of budgeted resource allocations in which the matching of tasks, people structures, technologies and reward systems is emphasized.
9. Evaluate the success of the strategic process as an input for future decision-making.

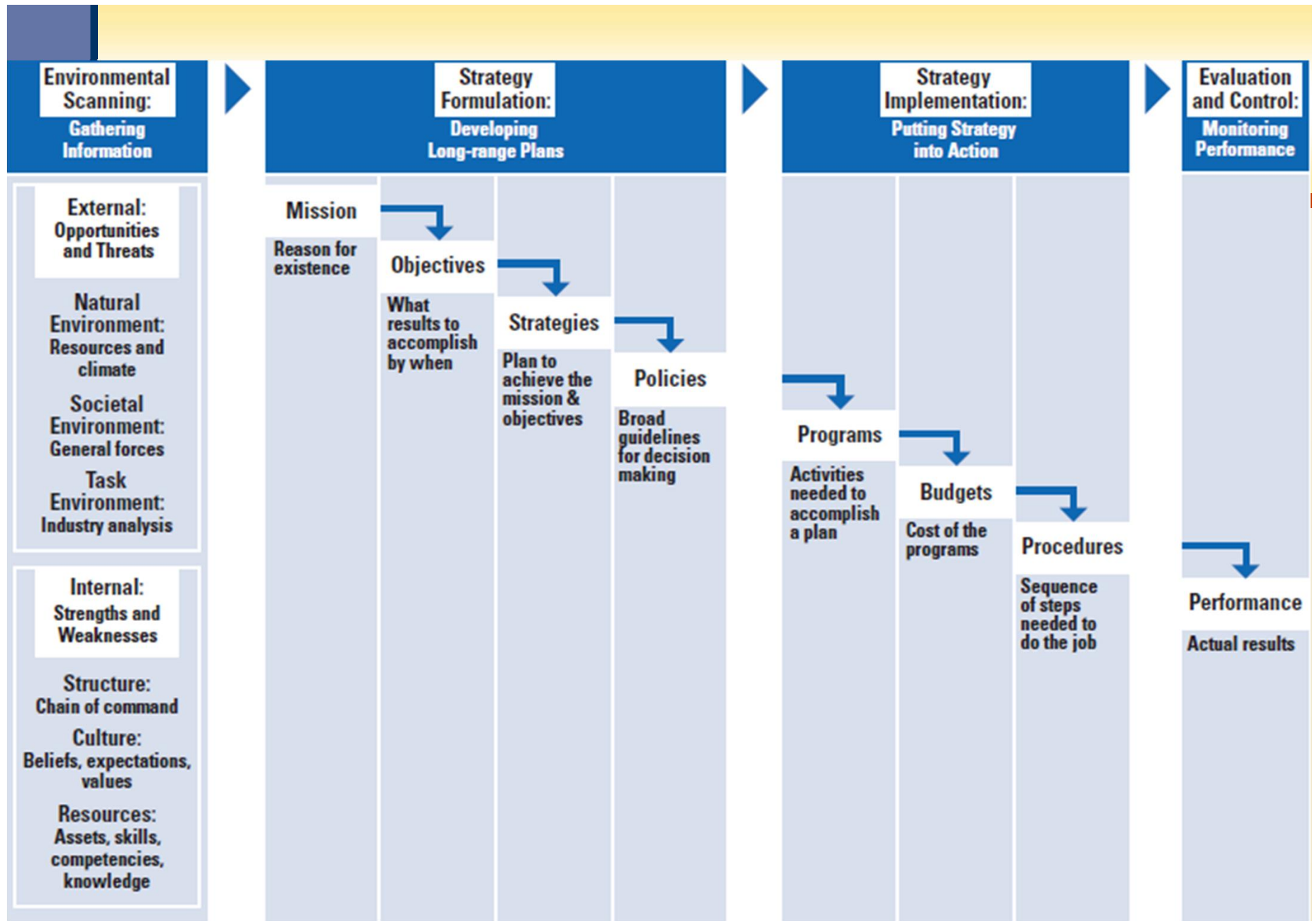
Strategic Management Model



The Strategic Management Process

The basic elements of strategic management process are:





The Strategic Management Process

Environmental scanning

- Environmental scanning refers to a process of collecting, scrutinizing and providing information for strategic purposes. It helps in analyzing the internal and external factors influencing an organization. After executing the environmental analysis process, management should evaluate it on a continuous basis and strive to improve it.

The Strategic Management Process

Strategy Formulation-

Strategy formulation is the process of deciding best course of action for accomplishing organizational objectives and hence achieving organizational purpose. After conducting environment scanning, managers formulate corporate, business and functional strategies.

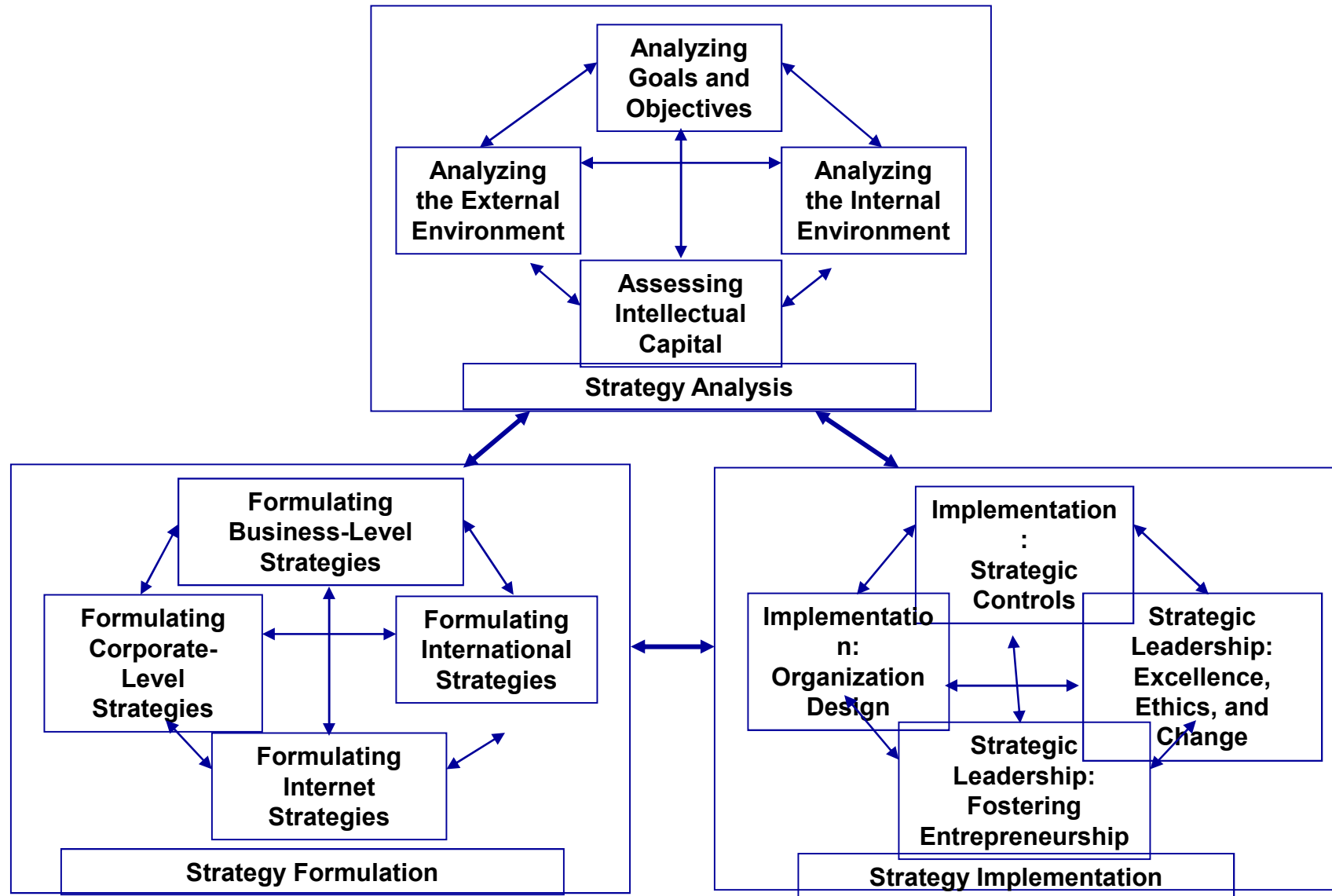
Strategy Implementation-

Strategy implementation implies making the strategy work as intended or putting the organization's chosen strategy into action. Strategy implementation includes designing the organization's structure, distributing resources, developing decision making process, and managing human resources.

The Strategic Management Process

- **Strategy Evaluation-** Strategy evaluation is the final step of strategy management process. The key strategy evaluation activities are: appraising internal and external factors that are the root of present strategies, measuring performance, and taking remedial / corrective actions. Evaluation makes sure that the organizational strategy as well as it's implementation meets the organizational objectives.

The Strategic Management Process



Characteristics of Strategic Management

1. Directed towards overall objectives
 2. Includes multiple stakeholders in decision making
 3. Incorporate both short-term and long term objectives
 4. Tradeoff (balance) between effectiveness and efficiency
 5. Competitive advantage : Better than others
 6. Strategic fit : Organizational capabilities with opportunities
 7. A means only: It is not end itself
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Formality in Strategic Management

- ***Why is formality first ?***

Does it require standardization, written form, well communicated ?????

- ***Definition***

- Degree to which participants, responsibilities, authority, and discretion in decision making are specified

- ***Forces affecting degree of formality***

- Size of organization
- Predominant management styles
- Complexity of environment
- Production process
- Problems
- Purpose of planning system

Modes of Formality in Strategic Management

1. **Entrepreneurial Mode** : Strategic decisions are made by powerful leader might be CEO based on Vision statement
2. **Adaptive Mode**: No proactive search, based on stable environment
3. **Planning Mode**: Comprehensive and formal planning