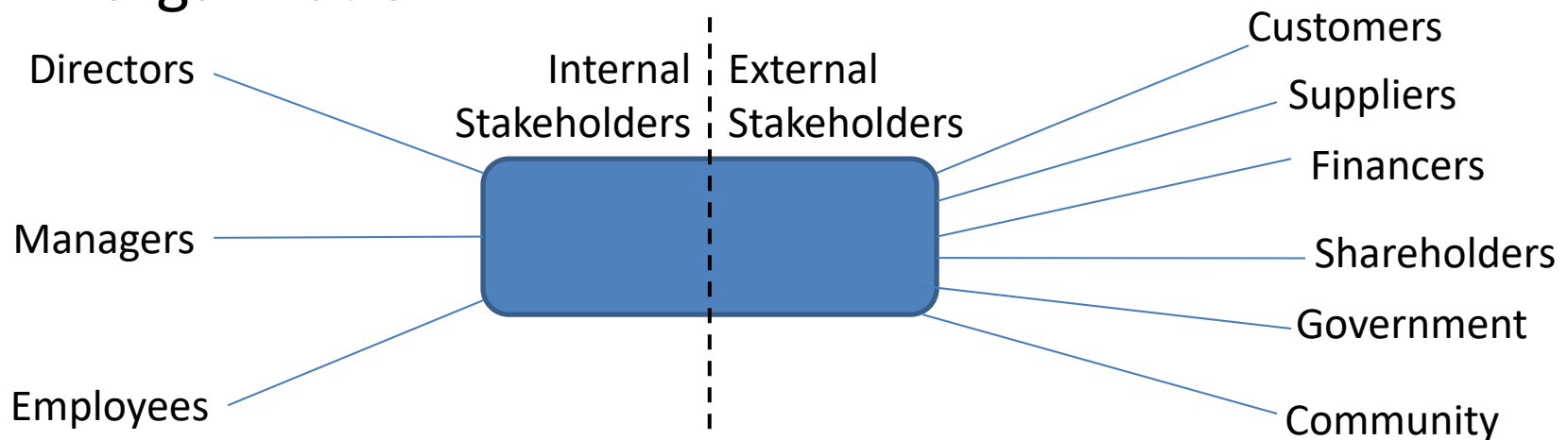# Essentials of Management
Strategic Planning Process

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Stakeholder

Stake holder is a person who has a 'stake' in the firm. Dictionary meaning of the word 'stake' is a share or interest, specially financial, in property, a person or a business venture and the like.

Stake holders can be internal or external to the organization.

Directors

Internal Stakeholders | External Stakeholders

Customers

Suppliers

Financers

Managers

Shareholders

Government

Employees

Community

Essentials of Management

Stakeholder… (cont'd)

- These interest groups influence not only the final selection of the strategy but also its very formulation.

- Therefore its crucial for managers to analyze their relative importance and expectations.

- The purpose of business is to provide value for a broad range of stake holders.

Stakeholders & their interests

Stakeholder Group	Examples of Value Provided
Stock holders	Stock price appreciation and dividends
Customers	Products and services
Employees	Employment, wages, personal growth opportunities
Suppliers	Revenue through sales, growth opportunities
Local Community	Jobs, economic development, civic development
Society at large	Economic health and security, environmental protection
Trade associations	Political strength, operating funds

Fiscal & Social Responsibility

- A firm's obligations to stock holders is referred as fiscal responsibility, while obligations to firm's stake holders is known as social responsibility.

- One of the management's most important role is to strike an acceptable balance between the firm's fiscal responsibilities and its social responsibilities.

Strategy

"Means to an end. The end concerns the purpose and objectives of the organization."

-J. L. Thompson

"The word strategy is used to describe the direction that the organization chooses to follow in order to fulfill its mission."

-R. Bennet

"The major courses of action that an organization takes to achieve its goals are called strategies."

-Hellriegel, Jackson, Slocum

Strategy and Policy

Strategies and policies are closely related

Policies	Strategies
Policies guide managers in using discretion in decision making.	Strategies are broad and general programs of action/ courses of action that imply commitment of resources for the purpose of reaching long-term objectives.
The essence of policy is discretion.	Strategy concerns the direction in which human and material resources will be applied in order to increase the chance of achieving selected objectives.

Strategy and Policy…(cont'd)

- Certain major policies and strategies may be essentially the same.

  Examples:

  - *Develop only those new products that fit into company's market structure.*

  - *Growth through acquisition or growth through expansion.*

Strategies and policies… A direction to Plans…

- Strategies and policies give direction to plans.

- They provide a framework for plans and serve as the basis for the development of tactics and other managerial activities.

    Eg:- Develop only those new products that fit into company's market structure.

- If managers are to be effective, strategies and policies must be put into practice by means of operational plans. **Tactics** are the action plans through which strategies are executed.

Strategies and policies…
A direction to Plans…

Example of IBM's venture into retail market:

- They set up IBM product centers, to sell PCs, typewriters, which were decorated in red.

- But, the bright colors alarmed the customers and irritated the sales people.

- The product centers were staffed with IBM personnel with no retail experience but with thorough product knowledge.

- They intimidated the customers with little computer language.

- Later IBM corrected both tactical mistakes by switching to subdued colors for décor and giving formal sales training to their personnel.

Areas of Strategizing

- New or changed products and services

- Marketing

- Growth

- Finance

- Organization

- Personnel

- Public relations

Strategic Planning Process
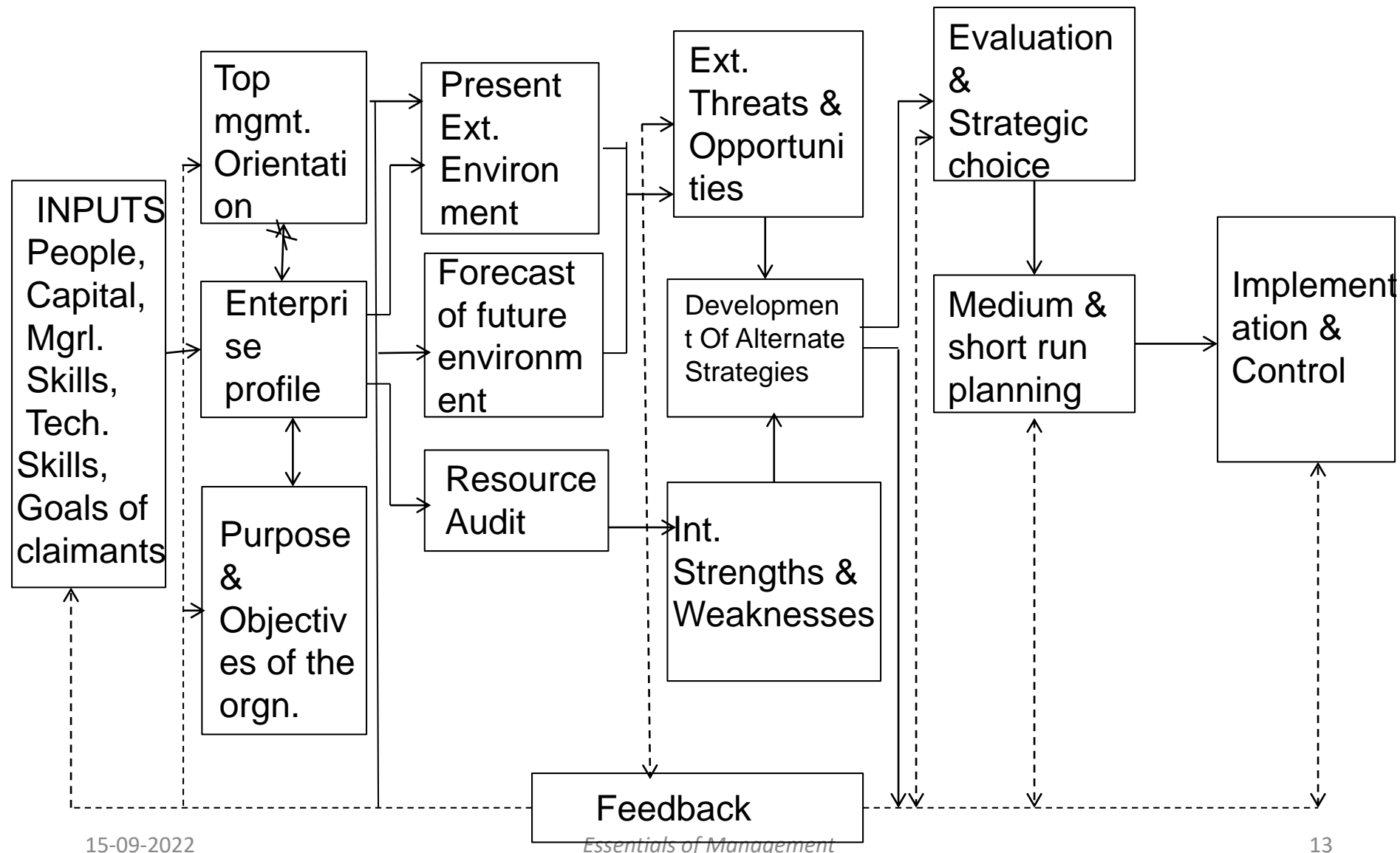
Tools to develop Strategy

❑Critical question analysis

❑SWOT analysis

❑Business portfolio analysis

❑Porter's Model for Industry Analysis