BUSINESS STRATEGY
UNIT 1

INTRODUCTION TO STRATEGIC MANAGEMENT

WHY STRATEGY?

Discuss why different organizations, despite having similar opportunities and resources, perform differently due to the strategies they formulate and implement

WHAT IS STRATEGY?

Plan of action designed to achieve long-term goals or overall aim. It involves decisions about how to allocate resources, enter markets, and compete against rivals

It is viewed as a planned or emergent cause of action that is expected to contribute to the achievement of organizational goals

CHARACTERISTICS OF STRATEGY:

- Clear and decisive objectives - Set clear, understood, and achievable goals to guide all efforts.
- Maintaining the initiative - control events and maintain freedom of action, rather than just reacting
- Concentration - focus resources on key areas to achieve superiority with fewer resources
- Flexibility - build in flexibility to adapt and reposition as needed
- Coordinated and committed leadership - ensure leaders are aligned and fully committed to to the strategy
- Surprise - Use speed and secrecy to catch competitors off guard
- Security - Secure resources and maintain operational points to prevent surprises from competitors
- Comprehensive and integrated - covers all aspects and aligns different elements towards common goals
- Universally applicable - effective across various contexts and adaptable to different situations
- Periodic in review - regularly assessed and updated to stay relevant and effective

WHY STRATEGY IS MORE COMPLEX?

Strategy is complex due to the constantly changing business environment, the need to balance the interests of multiple stakeholders, the uncertainty and risks involved in decision making, resource constraints, product design, quality and service, and the interdependencies within an organization. These factors make it challenging to develop and implement effective strategies

VISION STATEMENTS:

A vision articulates the position that an organization would like to attain in the distant future. It helps in creating a common identity and a shared sense of purpose

Characteristics:

- It should be inspiring
- It should foster long term thinking
- It should be original and unique
- It should be competitive
- It should be realistic

MISSION STATEMENTS:

Mission refers to the purpose of an organization. Mission states the business reason for the organization’s existence

Characteristics:

- A mission should be realistic and achievable
- It should neither be too broad not be too narrow
- It should not be ambiguous
- It should be distinct

- It should have societal linkage
- It should not be static
- It mission statement should indicate the process of accomplishing objectives

GOALS:

Goals are an intermediate result which is expected to be achieved by a certain span of time. It is a target which an organization wishes to achieve in the long term. It provides the basis for judging the performance of the organization. It is specific to each department

Characteristics:

- Goals must align with the broader vision and mission of the organization
- Goals should have a clear deadline or timeframe for completion
- Goals should be consistent with other goals and strategies within the organization
- Goals should be ranked in order of importance to ensure that the most critical goals are addressed first
- Goals should consider the availability and allocation of resources such as budget, personnel, and technology

OBJECTIVES:

Objectives are the end results of a planned activity. It plays an important role in enhancing the efficiency and effectiveness of an organization

Characteristics:

- They should be specific and unambiguous
- They should have a particular time horizon within which it is expected to be achieved
- They should be flexible enough so that if changes are required, they may be incorporated easily
- They should be attainable, measurable, understandable
- They should help in achievement of the organization's mission and vision
- They should be challenging

SWOT ANALYSIS:

In SWOT analysis and strategy formulation, companies align their strengths with opportunities to maximize potential benefits. They assess weaknesses in relation to opportunities and work to address these weaknesses to leverage opportunities. They also consider threats and adjust strengths to turn threats into opportunities

STRATEGIC FIT

It denotes the degree to which a company matches its capabilities and resources with opportunities materializing in its external environment

It enables companies to adjust to the alterations concerning their business environment and customer requirements. This improves the organization's resistance and allows them to seize opportunities that may arise

STRATEGIC INTENT

It refers to the purpose for which an organization strives for. It covers the vision and mission, business definition and the goals and objectives.

Characteristics:

- It should have an essence of winning
- It should remain stable over a period of time
- It should encourage personal effort and commitment
- It should foster creativity

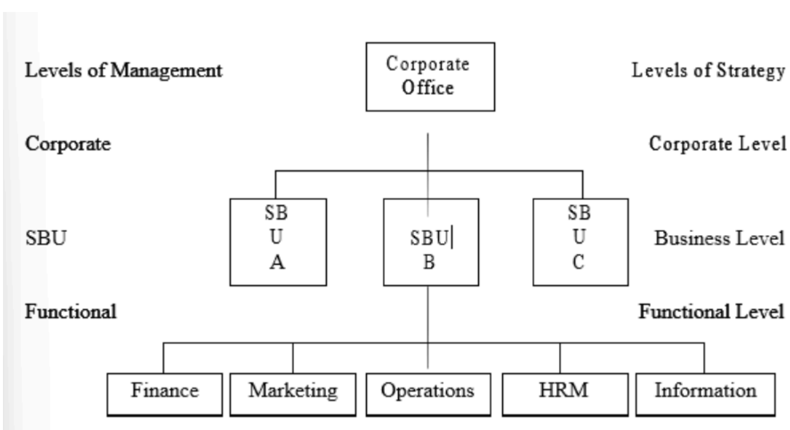
<u>LEVELS OF STRATEGY:</u>

CORPORATE-LEVEL STRATEGIES:

- Overall action plan including all the functions executed by different SBUs.
- It encompasses decisions that affect the entire organization, including the types of businesses or industries the organization will operate on
- Portfolio management - this includes evaluating the performance of various business units and making decisions about acquisition, mergers, or spin-offs
- Growth strategies - determines how the company will grow, whether through market penetration, market development, product development, or diversification
- The plan relates to objectives of the company, resource allocation and coordination of the SBUs for best possible results

BUSINESS-LEVEL STRATEGIES:
- It is concerned with how to compete effectively within a specific market or industry segment
- It focuses on gaining competitive advantage in a particular business unit or product line
- Value proposition - defines the unique value that the business provides to its customers, which distinguish it from competitors
- Complete plan relating to the objectives of SBUs, resources allocated to different functional divisions and coordinate so as to achieve corporate level objectives
- SBU - any part of a business organization which is treated separately for strategic management purpose
- SBUs are also known as profit centres

FUNCTIONAL-LEVEL STRATEGIES:
- Deals with defining objectives of one specific functional area, allocating resources among different operations within the functional area and coordinating between them in order to achieve the SBU and corporate-level objectives
- It focuses on optimizing the performance of specific functions such as marketing, finance, operations, or human resources
- It supports the business unit strategy by addressing the operational aspects of each function
- Performance metrics - establishes key performance indicators to measure the success of functional strategies and ensure they are contributing to broader objectives
- Capability development - focuses on building and enhancing the capabilities and skills of the function to better support strategic goals



STRATEGIC MANAGEMENT PROCESS:

The strategic management process is a systematic approach used by organizations to formulate and implement strategies that help achieve long-term objectives and sustain competitive advantage. It involves a series of steps that guide the organization from analyzing its current situation to executing and monitoring strategies that align with its goals

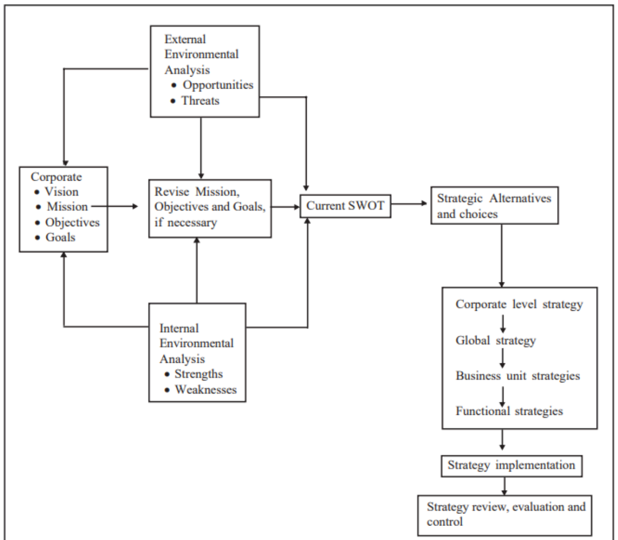


Fig. 1.4: The Strategic Management Process.

PHASES OF STRATEGIC MANAGEMENT:

1. Establishment of strategic intent - the hierarchy of objectives that an organization sets for itself
    a. Components of strategic intent
        i. Creating and communicating a vision
        ii. Designing a vision statement - defines the long-term aspirations of the organization
        iii. Designing the mission statement - articulates the organization's purpose and core objectives
        iv. Core values - fundamental principles that guide decision making and behavior
        v. Defining the business
        vi. Adopting the business model
        vii. Setting objectives
        viii. Strategic objectives - SMART goals aligned with the vision and mission
2. Formulation of strategies
    a. Performing environmental appraisals
    b. Performing organizational appraisals
    c. Strategic alternatives - develop growth, stability and retrenchment options
    d. Strategic choice - select the most viable strategy
    e. Formulate corporate level strategies - manage the portfolio of business and consider diversification
    f. Formulate business level strategies - decide on competitive positioning
    g. Formulate functional level strategies - align departmental strategies with the overall business strategy
    h. Undertake strategic analysis
    i. Exercising strategic choice
    j. Preparing strategic plan
3. Implementation of strategies
    a. Activating strategies
    b. Resource allocation - assign financial, human, and technological resources to strategic initiatives
    c. Defining structure, system and process - design or adjust the organizational structure to support the strategy
    d. Change management - manage transitions and minimize resistance to strategic change
    e. Managing behavioral implementation
    f. Managing functional implementation
    g. Putting strategies into operations
    h. Communication - ensure effective communication of the strategy to all stakeholders

4. Strategic evaluation and control
    a. Monitoring and assessing the overall performance of the implemented strategies
    b. Adjustments may be made to the strategies or implementation plans to address any issues or changes in the environment
    c. Gap analysis - identify the gap between actual performance and desired objectives
    d. Financial analysis - perform regular financial reviews, including ratio analysis, cash flow analysis, and profitability analysis, to assess the financial health of the strategy
    e. Feedback and learning - use evaluation insights for continuous improvement

UNIT 2
SCANNING THE ENVIRONMENT FOR COMPETITIVE ADVANTAGE

ENVIRONMENTAL APPRAISAL:

It is a systematic process used to evaluate the potential impacts of a project, policy, or action on the environment. It involves assessing both the positive and negative effects that a proposed development or activity might have on various environmental factors, such as air and water quality, ecosystems, biodiversity, and human health

CHARACTERISTICS OF ENVIRONMENT:

- It is complex in nature
- All factors of environment are interrelated / integrated with each other
- It is dynamic in nature
- It is multifaceted
- It has higher impact on organization

GENERAL AND RELEVANT ENVIRONMENT:

General:

- It refers to the broader external conditions that affect all organizations, regardless of industry or market
- Macro-level influence - affects all industries and organizations to some extent
- Broad scope - includes wide range of factors like global economic conditions, technological advancements, social trends, and political changes
- Indirect impact - influences business operations in a more indirect and generalized way, rather than through immediate or specific actions
- Long-term trends - often includes trends that develop over a longer period and can lead to significant shifts in the business landscape

Relevant:

- Also known as the task or specific environment, refers to the immediate external factors that directly impact an organization’s ability to achieve its objectives
- Micro-level influence - directly affects specific organizations or industries
- Narrower focus - concentrated on immediate and specific external factors that are closely related to an organization’s activities
- Direct impact - has a more immediate and tangible impact on business decisions, strategies, and operations
- Short to medium-term trends - often involves trends and changes that have a quicker effect on the business environment

ETOP: MICROSOFT

Factor	Threat/Opportunity	Impact Level
Regulatory Scrutiny	Threat: Antitrust scrutiny	High
	Opportunity: Strong compliance programs	Medium
Geopolitical Tensions	Threat: Trade restrictions	Medium
	Opportunity: Diversifying supply chains	Medium
Government Contracts	Opportunity: Public sector partnerships	Medium
Global Economic Uncertainty	Threat: Economic downturns	High
	Opportunity: Cost-effective solutions	Medium
Currency Fluctuations	Threat: Exchange rate volatility	Medium
	Opportunity: Currency hedging	Medium
Cloud Computing Growth	Opportunity: Demand for cloud services	High
Emerging Markets	Opportunity: Expansion into new markets	Medium
Changing Work Patterns	Threat: Remote work shift	High
	Opportunity: Collaboration tools demand	High
Consumer Privacy Concerns	Threat: Data privacy concerns	Medium
	Opportunity: Strong data protection	Medium
Corporate Social Responsibility	Opportunity: Enhanced reputation	Medium
Rapid Technological Changes	Threat: Technological obsolescence	High
	Opportunity: Investment in R&D	High
Cybersecurity Threats	Threat: Sophisticated cyberattacks	High
	Opportunity: Advanced cybersecurity	High
AI and Machine Learning	Opportunity: AI-enhanced products	High
Innovation in Cloud Services	Opportunity: Cloud and IoT innovation	High
Climate Change Regulations	Threat: Compliance costs	Medium
	Opportunity: Sustainable practices	Medium
Sustainability Pressures	Threat: Stakeholder pressure	Medium
	Opportunity: Eco-conscious customers	Medium
Green Technology	Opportunity: Leadership in green tech	Medium
Environmental Initiatives	Opportunity: Carbon neutrality commitment	Medium
Intellectual Property Challenges	Threat: Patent litigation	Medium
	Opportunity: Leveraging IP portfolio	Medium
Compliance Costs	Threat: Rising compliance costs	Medium
Legal Expertise	Opportunity: Strong legal capabilities	Low
IP Portfolio	Opportunity: Additional revenue streams	Medium