

# Strategic Management

top mgmt

## i) Corporate Strategy:

→ Portfolio strategy

→ Masterplan for the entire organization

→ includes growth strategy, stability, retrenchment & diversification strategy

## ii) Business Strategy:

→ Competitive strategy

→ How to succeed in chosen business.

→ includes cost leadership, differentiation, focus strategy, Product strategy

## Strategy:

- \* 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:

- i) It is objective oriented
- ii) Future oriented
- iii) It is comprehensive and integrated
- iv) It relates to the environment
- v) It deals with allocation of resources.
- vi) Universally applicable
- vii) Periodic in review
- viii) Applicable to all functional areas

PESTEL factors → Political, Economical, Social, Technological  
Environmental, Legal

### Vision:

- \* A vision statement describes what a company desires to achieve in the long run.
- \* Questions answered by the vision statement:
  - who we are
  - where are we now
  - where are we going
- \* It should be inspirational and aspirational, clear and concise and forward-looking.

### Mission:

- \* It is the statement why the organization exist and what it wants to achieve.
- \* It establishes the purpose of the organization as a whole.
- \* It defines the company's business, its objectives and the approach to reach those objective.
- \* It should be purposeful, customer-focused and actionable.
- \* Characteristics of mission:
  - It should be feasible and attainable.
  - It should be clear.
  - It should neither be too broad nor should be too narrow.
  - It is unique and distinctive.
  - It must be analytical in nature.
  - It should be credible in which all stakeholders should be able to believe it.

### Goals:

- \* Broad, long-term aims that define what you want to achieve.
- \* Provide a general direction and end point.
- \* Specific to each department.
- \* Characteristics features:
  - It is precise and measurable.
  - It focuses on critical & significant issues.

→ It is realistic and challenging

→ It must be achieved within a specific time frame.

→ It includes both financial as well as non-financial components.

### Objectives :

- \* Specific, measurable steps that you take to achieve your goals.
- \* Serve as milestones or smaller targets that lead to accomplishing the overall goal.

### \* Characteristics :

→ Short-term to medium-term

→ It must respond and react to changes in the environment

→ It should be feasible, realistic and operational.

### Strategic Fit :

\* It denotes the degree to which a business matches its capabilities and resources with opportunities materializing in its external environment.

\* Enables companies to adjust to the alterations concerning their business environment and customer requirements.

\* This improves the organization's resilience and allows them to seize opportunities that may arise.

\* It is often visualized through frameworks like SWOT analysis and PEST analysis.

### \* Types :

→ Management fit

→ Marketing fit

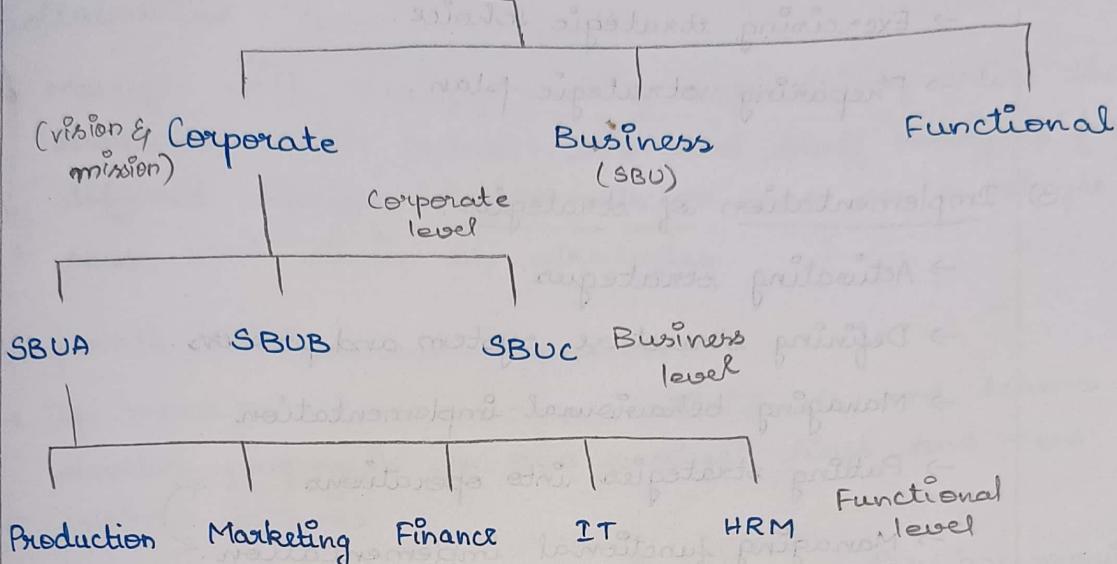
→ Operational fit

### Strategic Intent :

\* Vision, Mission, Goal, strategy defined together is strategic Intent.

- \* Refers to an organization's overarching goal that guides its actions and decision-making process.
- \* It includes vision, mission, goals, objectives, core competencies, strategic fit, alignment and adaptability.

### Levels of Strategy:

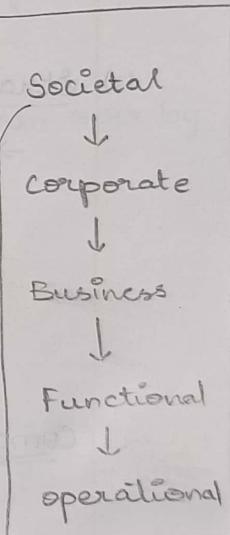


### \* SBU - Strategic Business Unit:

↳ part of business organization which is treated separately for strategic management process.

↳ Also called as profit centre

Based on  
CSR  
(Corporate social responsibility)



### Phases in Strategic Management:

- I) Establishment of strategic intent - The hierarchy of objectives that an organization sets for itself.

#### \* Component of strategic intent:

- Creating and communicating a vision
- Designing a vision statement
- Defining the business
- Adopting the business model

## 2) Formulation of strategies:

- Performing environmental appraisals } SWOT & PESTEL analysis.
- Performing organisational appraisals }
- Formulating corporate level strategies
- Formulating business level strategies
- Undertaking strategic analysis
- Exercising strategic choice.
- Preparing strategic plan.

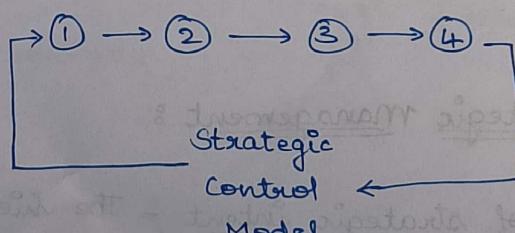
## 3) Implementation of strategies:

- Activating strategies
- Defining structure, system and process.
- Managing behavioural implementation
- Putting strategies into operations
- Managing functional implementation.

## 4) Strategic Evaluation & Control:

- Monitoring and assessing the overall performance of the implemented strategies.
- Adjustments may be made to the strategies or implementation plans to address any issues or changes in the environment.

## Comprehensive Model of Strategic Management:



## Methods of Drafting Strategy:

### 1) Chief Architect Approach:

- CEO assumes the role of chief strategist who is the sole authority of the strategy
- He may design the strategy by brainstorming with subordinates.

## 2) Delegation approach :

- The manager delegates parts of the strategy making task to subordinate, down the line managers in-charge of business units of the department
- Talented people from various parts of the organization form a group and develop new strategic initiative

## 3) Collaborative / Team approach :

- Manager with strategy making responsibility enlist the assistance which includes line and staff managers from different disciplines / departments to work as a single team and devise the strategies.

## 4) Corporate Entrepreneur approach :

- Top management encourages individuals and teams to develop proposals for new product lines and new business ventures.
- Here the executives serve as judges and they are provided with business and budgetary support.
- Entire production process of that product is taken over by that person, not only the strategies.

## Types of Strategies :

### 1) Intended Strategy :

- The strategy that an organization hopes to execute
- They are usually described in detail within the organization's strategic plan.
- No barriers are faced.

### 2) Emergent Strategy :

- It is an unplanned strategy that arises in response to unexpected opportunities and challenges.
- It develops as the organization adapt to their environment.

### 3) Deliberate strategy :

- These strategies are a product of a firm's intended and emergent strategies.

## Environmental appraisal:

- \* 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 multi faceted.
  - It has higher impact on organization

## SWOT Analysis:

### Environmental Appraisal

#### Internal (micro environment)

#### Strength:

- Good Reputation among the customers
- Resources, assets, people
- Experience, knowledge
- Data, Capabilities

#### External (macro environment)

#### Opportunities:

- Economic Boom, favourable demographics shifts
- Arrival of new technology
- Favourable global influences

#### Weakness:

- Gaps in capabilities
- Financial limitations
- Overdependence on a single product line

#### Threats:

- Economic Downturn
- Unfavourable demographic shifts
- New competitors
- Unexpected shifts in consumer choice
- Demanding new regulation, new technology
- Loss of key staff

## Environmental Scanning:

### i) General & Relevant Environment:

- General - external factor present to all organizations in common.
- General - wider perspective of environmental factors
- Relevant - part of General - has maximum influence of organization
- Relevant - immediate concerns of any organization which are confined to a part of General environment
- Relevant - It has high strategic relevance / influence on the organization
- Relevant - vision, mission, purpose & strategies are based on it

### 2) Factors considered for ES:

- Analyse what are the diff. kinds events that has happened
- Course of action related to events - trends
- combination of events and trends - issues
- Modified version to solve the issue - expectations
- We should focus more on the expectation:

#### Events:

- Broad and specific occurrences taking place in different environmental sectors

#### Trends:

- General tendencies or course of action along which events takes place.

#### Issues:

- They the current concerns in response to events and trends.

#### Expectation:

- They are the demands made by interested groups based on the concern for issues.

## SWOT

- 1) Identify / setting the objectives of the org
- 2) Identify S, W, O, T
- iii) Maximizing strength
- ii) Minimizing W
- iii) Capitalize on O
- iv) Protecting the org from T

~~SWOT~~ also called  
TOWS

- 4) Recommending the strategies based on step 3.

~~SWOT~~ also called  
TOWS



### 3) Approaches to Environmental Scanning:

- i) Systematic approach - the information related for ES is collected systematically
- The information related to markets and customers, changes in legislation and regulation which have a direct impact organization activity, govt. policy statements pertaining to the organization could be collected continuously to monitor changes.
  - Continuously collecting information & updating is necessary in systematic approach.

ii) Ad-hoc approach -

- Based on specific environmental issues.
- Org may conduct spl. surveys and studies to deal with specific environmental issues from time to time.
- Eg: An org. has to undertake spl. projects, evaluate existing strategies or device new strategies

iii) Processed form approach



- based on General and Relevant environment approach.
- The org. uses information in a processed form from diff. sources both inside and outside the organization.

### 4) Sources of information for ES:

i) Documentary / Secondary sources.

- Newspaper, magazines, journals, books, govt. publication and annual reports of competitor companies

→ T

ii) Mass media.

- Radio, TV and Internet.

iii) Internal sources

- Company files and documents, internal reports and MOU, MIS (mgmt inf. systems), databases, company employees, sales and staff

iv) External agencies:

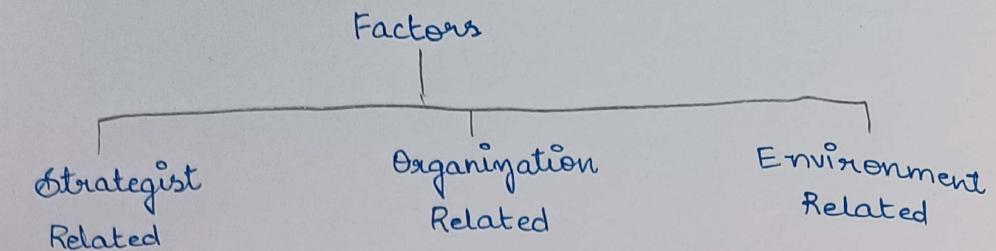
→ customers, marketing intermediaries, suppliers, trade associations & educating institutions.

v) Formal studies:

→ done by employees, market research agencies, consultancies.

vi) Spying and surveillances:

## Factors affecting EA:



→ One who takes care of EA

### Strategist Related:

→ Age, education, experience, motivation level, cognitive style, ability to withstand pressure, individual (or) group (or) interpersonal relationship.

### Organization Related:

→ Nature of business, age of the business, no. of employees, size of business and complexity of market size. It also includes information about climate prevailing on process, technology and people.

### Environment Related:

→ Economic Environment, Technological environment.

### Identification of Environmental Factors:

		Impact on Business (+ve or -ve)		
		High	Medium	Low
Possibility of impact	High	Critical	High Priority	Low Priority
	Medium	HP	HP	LP
	Low	To be watched	LP	LP

Critical - immediate action

High priority - monitored continuously

Low priority - monitored at regular period

## ETOP - Bicycle Company

Env. Sectors	Nature of Impact	Impact of each sector
Economic	↑	Rising disposable income & living standards.
Market	→	Overall industry growth rate not encouraging; Growth rate for niche segments like sports/ trekking is high.
International	↓	Global imports growing; threats of cheap imports is high.
Political	→	Industry too small for any major political attention.
Regulatory	→	Regulatory restrictions are very high.
Social	↑	Environment & health friendly transport option; recreation.
Supplier	→	Rising steel prices, mostly ancillaries and associated companies in small sector supply parts

Technological

↑

Technological upgradation of industry in progress; product innovations such as battery operated & lightweight foldable cycles