



STRATEGIC MANAGEMENT



UNIT 1
STRATEGY AND PROCESS

INTRODUCTION

- ▶ Strategic Management is all about identification and description of the strategies that managers can carry so as to achieve better performance and a competitive advantage for their organization.
- ▶ An organization is said to have competitive advantage if its profitability is higher than the average profitability for all companies in its industry.
- ▶ SO HOW DO WE DO IT?





What is a strategy?

- ▶ The word “strategy” is derived from the Greek word “stratēgos”; stratus (meaning army) and “ago” (meaning leading/moving).
- ▶ Strategy is an action that managers take to attain one or more of the organization’s goals.
- ▶ Strategy can also be defined as “A general direction set for the company and its various components to achieve a desired state in the future. Strategy results from the detailed strategic planning process”.
- ▶ Strategy is a tactical course of action which is designed to achieve long term objectives.



Defining Strategy

- As per *Alfred D. Chandler*,
 - ▶ Strategy is “The determination of basic long-term goals and objectives of an enterprise and the adoption of the courses of action and the allocation of resources necessary for carrying out these goals.”



Features of Strategy

- ✓ Top management responsibility
- ✓ Allocation of large amount of resources
- ✓ Impact on long term prosperity of the firm than routine operations
- ✓ Future oriented
- ✓ Consideration of factors in the external environment
- ✓ Significant
- ✓ Considering the stake-holders of the organisation



Importance of Strategy

- ▶ **Strategy is a well defined roadmap of an organization.**
- ▶ It defines the overall mission, vision and direction of an organization.
- ▶ The objective of a strategy is to maximize an organization's strengths and to minimize the strengths of the competitors.
- ▶ Strategy, in short, bridges the gap between “where we are” and “where we want to be”.



Levels of Strategy

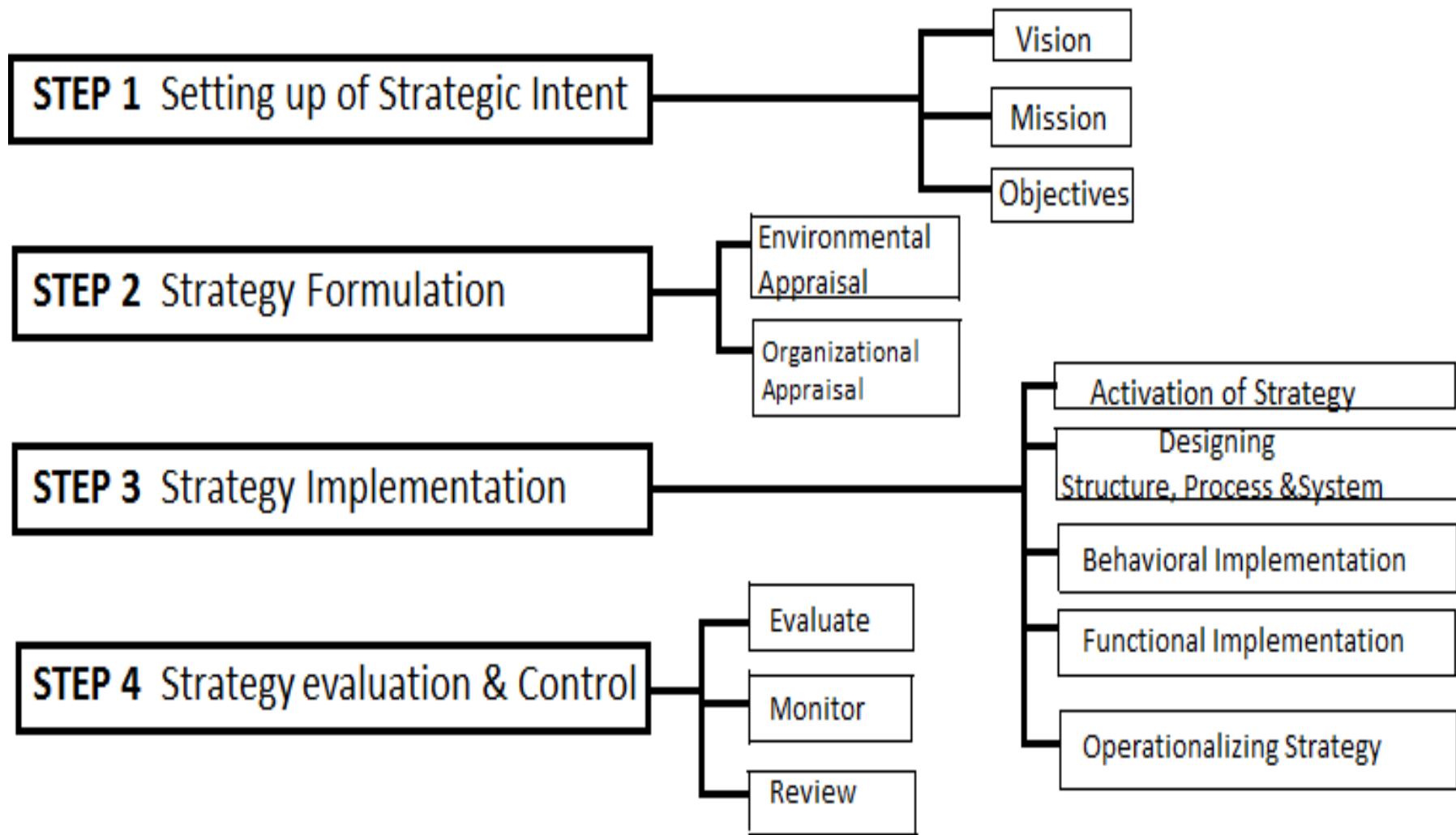


Strategic Management

- ▶ Strategic management is a set of management decisions and actions that determines the long-run performance of a corporation.
- ▶ As per *Fred R. David*, ‘strategic management is an art and science of formulating, implementing and evaluating cross functional decisions that enable an organization to achieve its objectives’.
- ▶ As per *Channon*, ‘strategic management is defined as that set of decisions and actions that result in formulating of strategy and its implementation to achieve the objectives of the corporation’.



Strategic Management Process



Step 1: Strategic Intent

- *Vision* is the statement that expresses organization's ultimate long-run objectives.
- 'what the firm like to become in the near future'
- Vision once formulated is for forever and long lasting for years to come.
- Vision is closely related with strategic intent and is a forward thinking process.
- Example:
 - Microsoft- "to help people and businesses throughout the world realize their full potential"



Developing a strategic vision...

- ▶ Burt Nanus defines vision as a **realistic, credible, attractive future for [an] organization.**
- ▶ **A vision should**
 - ▶ **Attract commitment and energize people**
 - ▶ **Creates meaning in workers' lives**
 - ▶ **Establishes a standard of excellence**
 - ▶ **Bridges the present and the future**



Mission

- It tells who we are and what we do as well as what we'd like to become.
- Mission of a business is the fundamental, unique purpose that sets it apart from other firms of its kind and identifies the scope of its operations in product and market terms.
- Example:
 - Microsoft- 'Empower every person and every organization on the planet to achieve more'.



Understanding Mission..

- ▶ Mission must be **feasible** and attainable. It should be possible to achieve it.
- ▶ Mission should be **clear** enough so that any action can be taken.
- ▶ It should be **inspiring** for the management, staff and society at large.
- ▶ It should be **precise** enough, i.e., it should be neither too broad nor too narrow.
- ▶ It should be **unique** and distinctive to leave an impact in everyone's mind.
- ▶ It should be **analytical**, i.e., it should analyze the key components of the strategy.



Goals

- ▶ A goal is a desired future state or objective that an organization tries to achieve.
- ▶ Goals specify in particular what must be done if an organization is to attain mission or vision.
- ▶ Goals make mission more prominent and concrete.

Features of Goals:

- ▶ These are **precise and measurable**.
 - ▶ These look after **critical and significant** issues.
 - ▶ These are **realistic** and challenging.
 - ▶ These must be achieved within a **specific time** frame.
 - ▶ These include both **financial as well as non-financial components**.
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Objectives

- These are the end results of planned activity that state what is to be accomplished by when and should be quantified if possible and their achievement should result in the fulfillment of a corporation's mission.
- Objectives state specifically how the goals shall be achieved.
- Following are the areas for setting objectives- profit objective, marketing objective, production objective, etc.

Features of objectives:

- ▶ These are not single for an organization, but **multiple**.
 - ▶ Objectives should be both **short-term as well as long-term**.
 - ▶ Objectives must respond and react to changes in environment, i.e., they must be **flexible**.
 - ▶ These must be feasible, **realistic and operational**.
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Strategy Formulation

- *Strategy formulation* refers to the process of choosing the most appropriate course of action for the realization of organizational goals and objectives and thereby achieving the organizational vision.
- For choosing most appropriate course of action, appraisal of organization and environmental is done with the help of SWOT analysis.



Environmental Appraisal

- The environment of any organization is "the aggregate of all conditions, events and influences that surround and affect it".
- It is dynamic and consists of External & Internal Environment .
- The external environment includes all the factors outside the organization which provide opportunities or pose threats to the organization.
- The internal environment refers to all the factors within an organization which impart strengths or cause weaknesses of a strategic nature.



Organizational Appraisal


- It is the process of observing an organizational internal environment to identify the strengths and weaknesses that may influence the organization's ability to achieve goals.
- The analysis of corporate capabilities and weaknesses becomes a pre-requisite for successful formulation and reformulation of corporate strategies.
- This analysis can be done at various levels: functional, divisional and corporate.



Strategy Implementation

- *Strategy implementation* is the action stage of strategic management. It refers to decisions that are made to install new strategy or reinforce existing strategy.
- *Designing structure, process & system-* Strategy implementation includes the making of decisions with regard to organizational structure, developing budgets, programs and procedures in order to accomplish certain activities.



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- ***Functional Implementation-*** Functional implementation is carried out through functional plan and policies in five different areas- marketing, finance, operation, personnel and Information management.
 - ***Behavioral Implementation-*** It denotes mobilizing employees and managers to put and formulate strategies into action and require personal discipline, commitment and sacrifice. It depends upon manager's ability to motivate employees.
 - ***Operationalizing strategy-*** It includes establishing annual objectives, devising policies, and allocating resources.
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Strategy Evaluation & Control

Strategy evaluation

- It is the primary means to know when and why particular strategies are not working well.
- It is the process in which corporate activities and performance results are monitored so that actual performance can be compared with desired performance.
- Thus strategic evaluation activities include reviewing external and internal factors that are the basis for current strategies.



- *Strategic control*

- In this step, organizations determine what to control i.e., which objectives the organization hopes to accomplish, set control standards, measure performance, Compare the actual with the standard, determine the reasons for the deviations and finally taking corrective actions and review the policies and activities if needed.



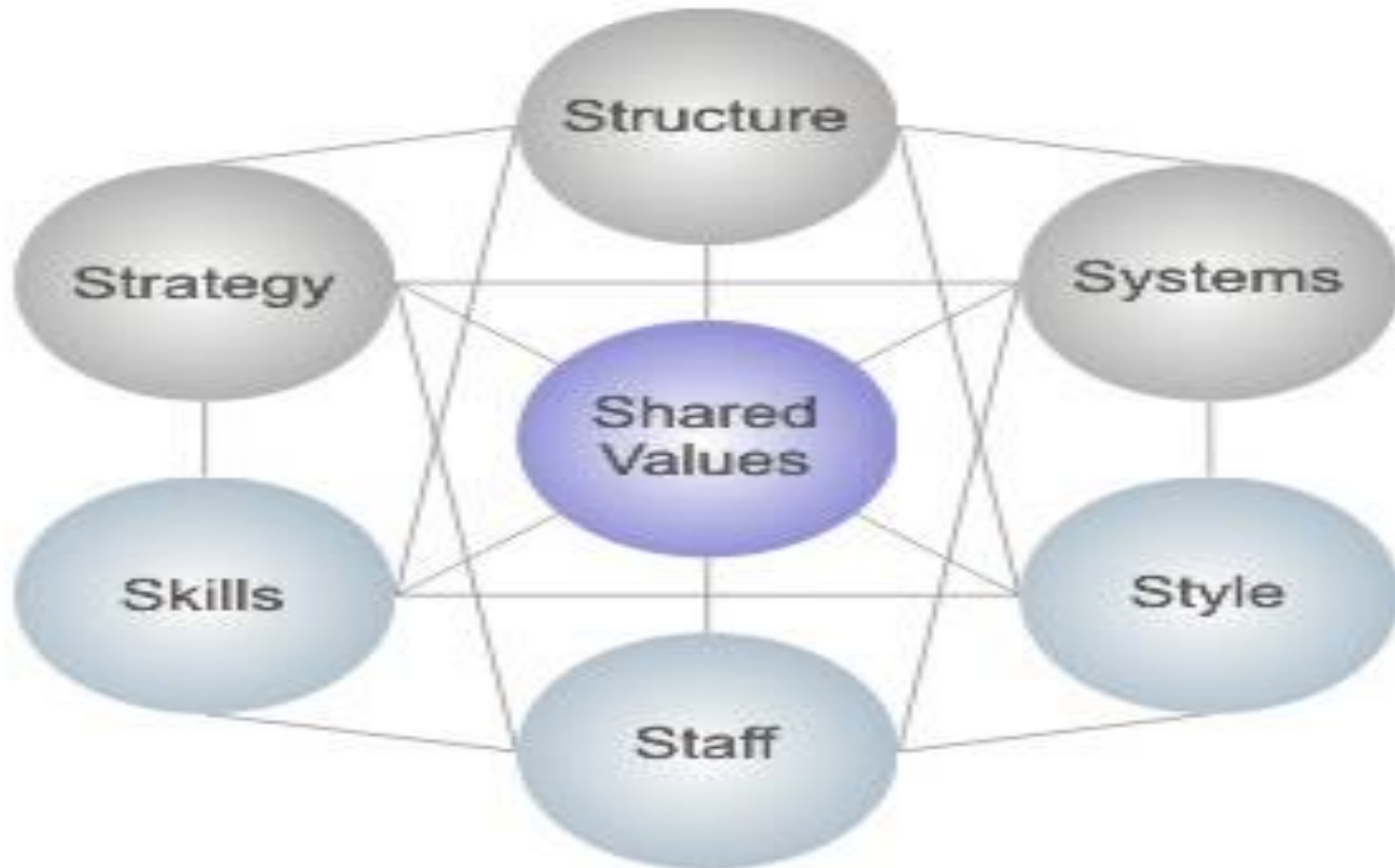
Strategy and Tactics

- ▶ In a business environment, firms use various techniques, to survive, compete and grow in the long run. These techniques can be called as tactics and strategy.
- ▶ **Tactics** are the actions, projects or events, to reach a particular point or the desired end, whereas the **Strategy** is defined as a game plan, which can help the organization to achieve its mission and objectives.



BASIS FOR COMPARISON	TACTICS	STRATEGY
Meaning	A carefully planned action made to achieve a specific objective is Tactics.	A long range blue print of an organization's expected image and destination is known as Strategy.
Concept	Determining how the strategy be executed.	An organized set of activities that can lead the company to differentiation.
Nature	Preventive	Competitive
What is it?	Action	Action plan
Focus on	Task	Purpose
Formulated at	Middle level	Top level
Risk involved	Low	High
Approach	Reactive	Proactive
Flexibility	High	Comparatively less
Orientation	Towards the present conditions	Future oriented

The 7-s Framework of setting objectives



7-s Framework

- ▶ **Hard Elements**

- Strategy
- Structure
- Systems

- ▶ **Soft Elements**

- Shared values
- Skills
- Staff
- Style



McKinsey 7s model

- ▶ **McKinsey 7s model** is a tool that analyzes firm's organizational design by looking at 7 key internal elements: strategy, structure, systems, shared values, style, staff and skills, in order to identify if they are effectively aligned and allow organization to achieve its objectives.”
 - ▶ It was developed in 1980s by McKinsey consultants Tom Peters, Robert Waterman and Julien Philips and is considered **one of the most popular strategic planning tools.**
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McKinsey 7s model

- ▶ The goal of the model was to show how 7 elements of the company can be aligned together to achieve effectiveness in a company.
- ▶ The key point of the model is that all the seven areas are interconnected and a change in one area requires change in the rest of a firm for it to function effectively.



Uses of 7-s Framework

- ▶ The most common uses of the framework are:
 - To facilitate organizational change.
 - To help implement new strategy.
 - To identify how each area may change in a future.
 - To facilitate the merger of organizations



Areas of 7s Framework

- ▶ **Strategy** is a plan developed by a firm to achieve sustained competitive advantage and successfully compete in the market.
- ▶ **Structure** represents the way business divisions and units are organized and includes the information of who is accountable to whom.
- ▶ **Systems** are the processes and procedures of the company, which reveal business' daily activities and how decisions are made.
- ▶ **Skills** are the abilities that firm's employees perform very well. They also include capabilities and competences.



Areas of 7s Framework

- ▶ **Staff** element is concerned with what type and how many employees an organization will need and how they will be recruited, trained, motivated and rewarded.
- ▶ **Style** represents the management style of company's leaders.
- ▶ **Shared Values** are called 'superordinate goals' and are the core values of the company.

