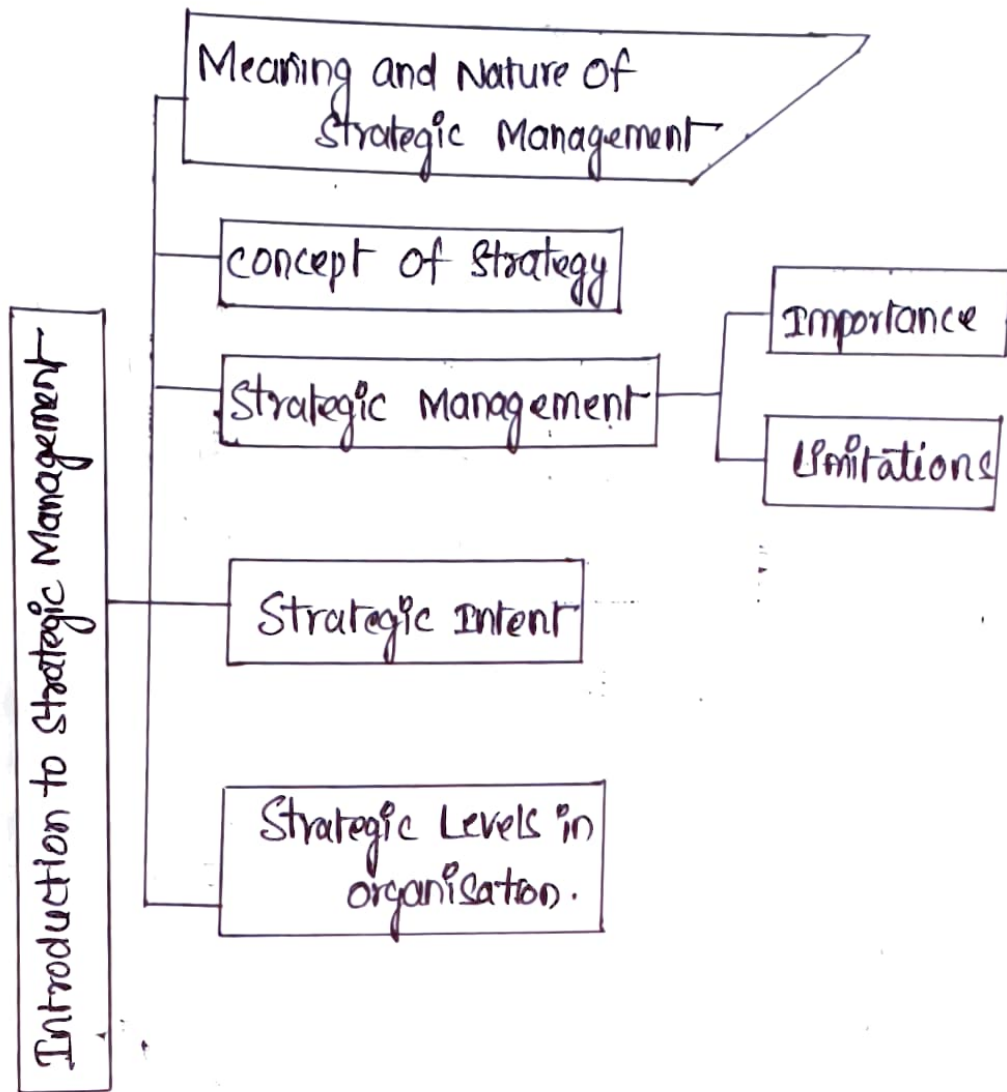


Chapter -1
Introduction to Strategic Management

Chapter overview



1. Management:

To understand the concept of Strategic management, we need to have a basic understanding of the term "management". The term management is used in two senses.

(a) It is used with reference to key group in an organization in charge of its affairs.

- Their task is to bring together the dispersed resources

- manpower

- money

- material

- Technology

MMTC

- The survival and success of any organization depends to a large extent on competence and character of its management

(b) The term management is also used with reference to set of interrelated functions and processes which includes:

- planning

- organising

- staffing

- Directing and

- controlling

2. Strategy:

1. Strategy relates to ways, the business decides to respond to dynamic and often hostile environment.

2. Strategy as a long range blue print of organizations

desired image. →

direction

& Destination i.e. what it wants to do be

what it wants to do

how it wants to do and

where it wants to go.

→ common thread among **organization's activities** and **product markets** that defines the essential nature of business that the organization has (or) planned to be future.

- Igor H. Ansoff.

→ A unified, comprehensive and integrated plan designed to assure that basic objectives of the enterprise are achieved.

- William F. Gluek

3. Strategy is consciously chosen and flexibly designed scheme of corporate intent and action to

- mobilise resources
- Direct human effort and behaviour
- handle events and problems
- perceive and utilise opportunities and
- meet challenges and threats for corporate survival and success.

4. Strategy is a gameplan used by management to

- take market position
- conduct its operations
- attract and satisfy customers
- compete successfully and
- achieve organizational objectives.

→ Strategy is no substitute for sound, alert and responsible management

→ Strategy can never be perfect, flawless and optimal.

3. Strategy is partly proactive and partly reactive

- ①. A company's strategy is typically a blend of
- proactive actions on the part of managers to improve market position
 - Reactions to unanticipated developments and fresh market conditions in the dynamic environment

② Proactive strategy is a planned strategy, whereas reactive strategy is a adaptive reactions to changing circumstances.

③ In proactive strategy, organization will analyse all possible scenarios in the environment. create strategic framework after proper planning. Set procedures and work in a predetermined manner.

④ However, in reality

no company can forecast both internal and external environment exactly. everything cannot be planned in advance.

It is not possible to anticipate moves of rival firms

- customer behaviour
- evolving technologies and so on

⑤ further, There can be a significant deviation between what was visualized and what actually happens.

Therefore, strategies need to be modified in the light of environmental changes.

⑥ When market and competitive conditions takes an unexpected turn
(or) some aspects of company's strategy hits a stone wall

↓
Some kind of reaction / adjustment is required.

⑦ Hence, reactive strategy is triggered by changes in the environment and provide means to cope up with negative factors (or) take advantage of emerging opportunities.

4. Strategic Management:



Meaning:

Strategic management is a managerial process of

- Developing a vision
- Setting objectives
- crafting a strategy
- Implementing and evaluating the strategy
- Taking corrective action which are deemed appropriate over a period of time.

Objectives:

1. To Create competitive advantage so that the company can gain advantage over the competitor.
2. To guide the company through all the changes in the environment.

Benefits/Importance:

1. SM gives direction to the company to move ahead by defining goals and mission. **Goals and objectives are in line with vision of the company.**
2. SM helps the organisation to be proactive instead of reactive in shaping its future. **organisations are able to take advantage of first mover.**
3. SM provides frame work for all major decisions of an enterprise such as decisions on
 - Businessess
 - products
 - markets
 - manufacturing facilities
 - Investments and organisational structure

4. Strategic management seeks to prepare the organisation to face the future and act as a pathfinder to various business opportunities.
 - organisations are able to identify the available opportunities and identify ways and means to reach them
5. SM serves as a corporate defense mechanism against mistakes and pitfalls. It helps org. to avoid costly mistakes in
 - product market choices
 - (∞)
 - Investments.
6. SM helps to enhance longevity of the business.
 - with the state of competition and dynamic environment it may be challenging for organizations to survive in long run.
7. SM helps the organisation to develop certain core competencies and competitive advantages that would facilitate assist in its fight for survival and growth

Limitations :

1. Environment is highly complex and turbulent. It is difficult to understand complex environment and exactly pinpoint how it will shape up in future. estimates might go wrong and strategies might be renewed.
2. Strategic Management is a time consuming process. organisation spend a lot of time in preparing, communicating the strategies that may impede daily operations and negatively impact routine business. strategies need lot of time in formulation and implementation.
3. Strategic management is a costly process : Strategic management adds lot of expenses to an organisation.
 - Expert Strategic planners need to be engaged
 - resources are required
 its really costly for organisation.

4. Difficult to estimate competitive responses It is really difficult to clearly estimate competitive responses. Where all organisations are trying to move strategically.

5. Strategic Intent:

1. Strategic intent refers to purposes of what the organisation strives for

Senior managers must define.

→ "what they want to do" and

→ "why they want to do"

2. "Why they want to do" represents strategic intent of the firm. Clarity in strategic intent ~~clearly~~ is extremely important for future success and growth of an enterprise. irrespective of its nature and size.

3. Strategic intent can be understood as philosophical base of Strategic management.

4. Strategic intent gives an ~~at~~ idea of what the organisation desires to attain in future.

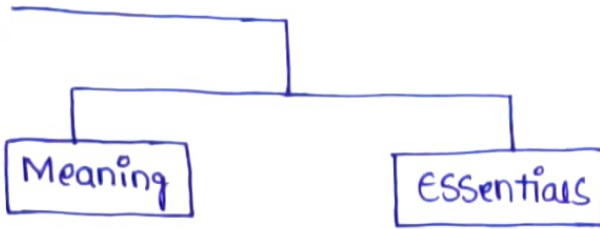
5. Strategic intent could be in the form of vision and mission statements for organisation at corporate level.

It could be expressed as Business definition and Business model at business level of organisation

Elements :



→ Vision:



* Meaning:

1. Vision implies the blueprint of companies future position
2. It describes where the organisation wants to land
3. It depicts the organisation's aspirations.
4. It provides glimpse of what organisation would like to become in future.
↳ భవిష్యత్తులో ఏ స్థాయిలో ఉండాలని కోరుకుంటుంది
5. Every organisation required to follow its vision.
6. Top management views about
 - company's direction
 - future product
 - customer
 - market
 - Technology
7. vision focuses on where we are to go

CTC FM

↓
మనం ఎక్కడికి వెళ్ళాలి.

Example:

Apple Incorporation CEO Tim cook defined the vision of the company as "we believe that we are on the face of the earth to make great products and that's not changing"

* Essentials of Strategic vision :

- Think Creatively
- Intelligent
- Create enthusiasm
- Clear in direction

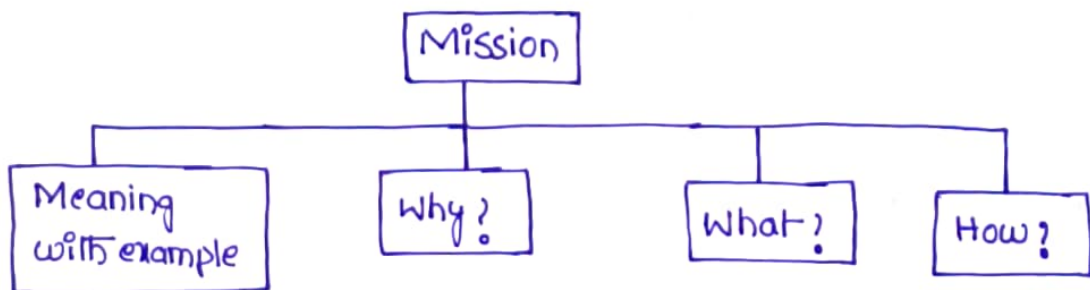
1. The Entrepreneurial challenge in **developing a Strategic vision** is to think creatively about how to prepare a company for future.
2. **Forming a Strategic vision** is an exercise in intelligent entrepreneurship.
3. A **well articulated Strategic vision** creates enthusiasm among members of the organisation.
4. The **Best worded vision Statement** clearly illuminates the direction in which organisation is headed.

→ Mission :

→ "present business scope"

→ "What businesses we are in and what we do"

→ "Who we are and what we can do"



Meaning :

1. Mission explains the reason for existence of firm
2. It is designed to help potential shareholders and investors understand the purpose of firm.
3. Mission tells "what businesses are we in and what we do"
మేము ఏ బిజినెస్‌లో ఉన్నాము & మేము ఏమి చేస్తున్నాము.
4. Mission ~~clearly~~ clearly Statement clearly/broadly describes an organisation
 - present business capability
 - customer focus
 - activities and
 - business make upabc p
5. Mission focuses on "who we are and what we do"
మనం ఎవరు మరియు మనం ఏమి చేస్తున్నాము

Example :

Apple's mission has been defined as "to bring best user experience to its customers through innovative hardware, software and services"

* Why should an organisation have a mission?

1. To ensure unanimity of purpose within the organisation
2. To develop a basis, or standard, for allocating organisational resources
3. To provide a basis for motivating the use of organisation's resources.
4. To establish general tone (or) organizational climate, to suggest a business like operation.
5. To serve as a focus point for those who can identify with the organisation's purpose and direction
6. To facilitate the translation of objective and goals into a work structure involving the assignment of tasks

to responsible elements within the organisation.

7. To specify organisational purposes and translation of these purposes into goals in such a way that

cost

time and

performance parameters can be accessed and controlled

* How?

Mission Statement should reflect philosophy of the organisation that is perceived by senior managers.

A good mission statement should be

↓
Narrow/
Broad

- precise

- clear

- feasible

- distinctive and

- motivating

Following points are useful while writing mission of a company.

→ one of the roles of mission statement is to ~~iden~~ give the organisation its own identity

Business emphasis and

path for development

- one that typically sets it apart from other similar positioned companies

→ A company's business is defined by what needs it is trying to satisfy which customer groups it is targeting and Technologies and competencies it uses and activities it performs.

→ Good mission statements are unique to the organisation for which they are developed.

* What is our mission

→ Every business must clarify the corporate mission

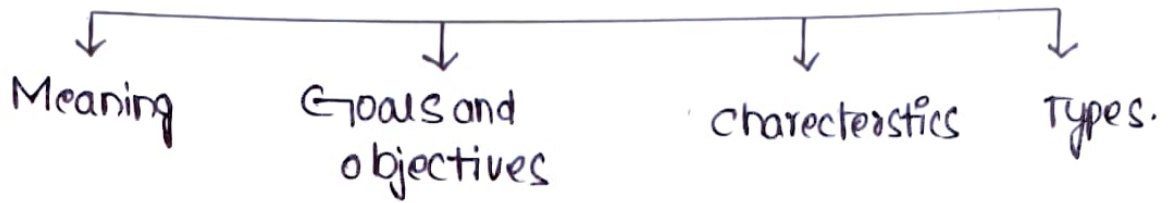
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Define accurately the business the firm is engaged in

→ Following questions must be answered. -

1. What is our mission ?
2. What is our ultimate purpose ?
3. What do we want to become ?
4. What kind of growth do we seek ?
5. What businesses are we in ?
6. Do we understand the business correctly and define it accurately in its broadest connotation ?
7. Whom do we intend to serve ?
8. What human need \rightarrow do we intend \rightarrow to serve through offer
9. What brings us to this particular business ?
10. What would be the nature of ^{this} business in future ?
11. In what business would we like to be in, in the future ?

Mission \rightarrow purpose \rightarrow become \rightarrow growth \rightarrow business.

→ Goals and objectives :



* Meaning :

1. Business organisation translate their vision and mission into Goals and objectives.
2. Objectives are **organisational performance targets** is the result & outcome it wants to achieve.
3. They provide meaning and direction to organisation.

* Difference between Goals and objectives

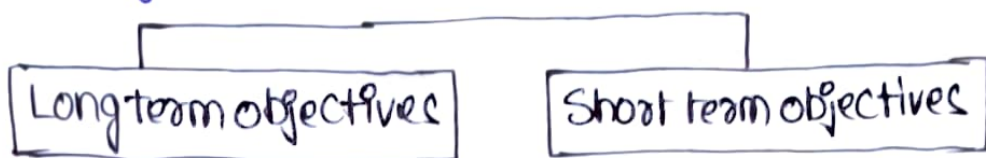
1. Goals are open ended attributes that denotes future states (or) outcomes. objectives are close ended attributes which are precise and expressed in specific terms.
2. Goals are end results,
→ the organisation attempts to achieve whereas time based measurable targets to be achieved over a period of time

* Characteristics of objectives

Objectives to be meaningful must possess the following characteristics

1. Objectives should define Organisations' relationship with its environment
2. Objectives should be facilitative towards achievement of mission and purpose.
3. They should provide
 - basis for Strategic decision making
4. → Standards for performance appraisal
5. They should be
 - 6 → concrete and specific
 - 7 → related to time frame
 - 7 → measurable and controllable
 - 8 → challenging
9. Different objectives should correlate with each other.
10. Objectives should be set within the constraints of organisational resources and external environment.

* Types of objectives :



Long term objectives :

for

1. Long term objectives are longer frame usually for 2-5 years

2. Strategic planners commonly establish long term objectives in these 7 areas.

→ Profitability

→ Productivity

→ Competitive position

→ Employee development

→ Employee relations

→ Technological Leadership

→ Public Responsibility

Short term objectives :

1. Short term objectives are of shorter time frame usually quarterly (or) annually.

2. Short term objectives serve as steps towards achieving long term objectives.

→ Values :

* What are values ?

- values are deep rooted principles which guide an organisation's **decisions and action**.
- values often reflect the values of the company's founder.

* Why values are important ?

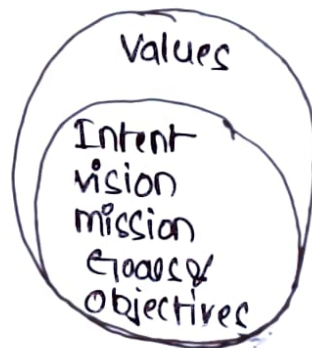
- A company's values sets the tone for how the people of think and behave, especially in situations of dilemma.
- It builds a strong foundation and focus on **longevity of company's success**.
- Even employees prefer to work with employers whose values resonate with them.

Covid 19
Pandemic

During this time, leaders of organisation put people before everything else.

This diagram represents the inter-connection of intent, vision, mission, goals and objectives, and values

" values remain the core content "



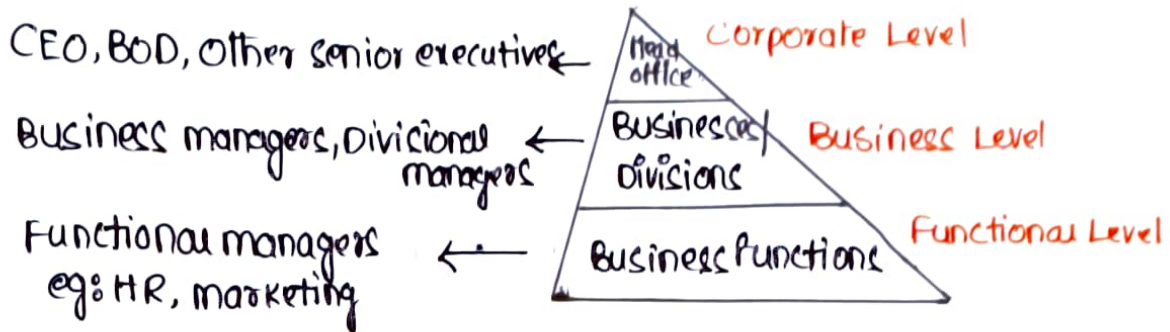
Is intent is bigger concept than values ?

↓
Not Right

6. Strategic Levels in the organisation

Generally there are three main levels of management-

1. Corporate Level
2. Business Level
3. Functional Level



1. Corporate Level :

Corporate Level consists of CEO, BOD, Other Senior executives and corporate staff

ROLE

- oversee the development of strategies for whole organisation
- Define mission & goals of organisation
- Determining what businesses it should be in
- Allocating resources among different businesses
- providing Leadership for the organisation

Other points

- managing divestment and acquisition process
- Ensuring that strategies company pursues are consistent with maximizing shareholders wealth.

2. Business Level :

Business level consists of Business managers
General managers
Divisional heads.

ROLE :

- Development of strategies for **Individual business** is the responsibility of business level managers
- Strategic role of these managers is to translate
↓
General statements of direction and intent
↓ that
comes from corporate level
↓ into
concrete strategies for individual business

3. Functional Level :

Functional Level consists of functional managers like
Finance managers, HR managers, marketing managers etc.

ROLE :

- Responsible for **specific business functions** or **to one activity**
- major role is to develop functional strategies in their area that help to fulfill objectives set by corporate level managers and communicated by business level managers.
- provide information that makes it possible for business and corporate level managers to formulate realistic and attainable strategies [because they are closer to customers]
- Responsible for strategy implementation [execution of upper level plans]

7. Network of relationship between three levels:

There are three major types of network of relationship between levels & also amongst the same level of a business.

Functional
& Divisional
Relationship

Horizontal
Relationship

Matrix
Relationship

Functional and Divisional Relationship:

1. It is a relationship, where each function (or) a division is headed by function / division head who reports directly to the head. [Corporate Level managers]
2. Functions may be like Finance, HR, marketing etc. while divisions may depend on the type of the product.
3. eg: Toys manufacturer → Kids toys
Teenagers toys could be the divisions.

Horizontal Relationship: (Flat structure)

1. All positions, from top to staff level are in the same hierarchical position [Flat structure where everyone is considered at same level]
2. This leads to openness and transparency in work culture and focused more on **idea sharing and innovation**
3. This type of relationships between levels is more suitable for **Startups** where the need to share ideas with speed is more desirable.

Matrix Relationship:

1. It features a grid-like structure of levels in an organisation with teams formed with people from various departments that are built for temporary based projects.
2. This relationship helps manage huge conglomerates with ease, where it is impossible to manage every single team independently.
3. There are more than one business level managers for each functional level teams.
4. Useful for large organisations.