

CHAPTER 1

INTRODUCTION

TO STRATEGIC

MANAGEMENT

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STRATEGY

- Strategy is between What we are & What we want to be
- It is framed to achieve goals
- It seeks to relate goals of organization to means to achieve them
- It is Long Range Blue Print of the organization
- Corporate Strategies are formulated by Top Level
- Strategy is partly Pro-Active & partly Reactive
- Strategy is no substitute for sound , alert & responsible management
- It can never be perfect , flawless & optimal
- So always allowances are made for possible miscalculations & unanticipated events

OBJECTIVES OF STRATEGIC MANAGEMENT

- To Create Competitive Advantage , so companies can outperform their competitors
- To Guide Companies successfully through all changes in the environment

IMPORTANCE OF STRATEGIC MANAGEMENT

- **Proactive LCD**
- It helps us in being **Pro-active** instead of being reactive
- It helps to enhance **longevity** of Business by analysing environment
- It serves as **Corporate Defence Mechanism** against mistakes
- It helps to develop **Core Competencies & Competitive Advantage**
- It gives framework for all major **decision** of organization
- It gives **Direction** to the Company to move ahead

LIMITATIONS OF STRATEGIC MANAGEMENT

- **4C's**
- Environment is Highly **Complex** , it is difficult to understand the whole environment & then make strategy
- SM is **time-consuming process** , because it takes lot of time to prepare strategy
- It is **Costly Process** , since it involves Top Level in making decisions
- In Competitive Scenario , it is difficult to estimate **Competitive responses** to our strategy

VISION

- It is set for Future
- It tell us “WHERE WE WANT TO BE “
- It will define Directional Path company should take in product , market , customer or technology
- It will communicate management aspirations to the stakeholders
- It is road map of Company's Future

ESSENTIALS / PRE- REQUISITES OF STRATEGIC VISION (DICE)

- Best Worded Vision gives **Direction** in which Organisation is headed
- Forming a Vision is exercise in **Intelligent Entrepreneurship**
- It helps to think **creatively** about How to Prepare a **Company** for future
- Well Articulated Vision **Creates Enthusiasm** among members of organization

MISSION

- It tells us “WHAT BUSINESS WE ARE IN & WHAT DO WE DO”
- It is the best to Strategic Planning
- It is the present
- It is key to success
- It is the way , How we will get to our Vision
- Many Firms fail to articulate mission with required clarity

WHY WE SHOULD HAVE MISSION ?

- To ensure Common Purpose within organisation
- To establish General tone of organisation
- To develop a basis for allocating resources
- To provide a basis for motivating use of organisational resources
- Serve as “FOCAL POINT” for organisational Purpose & Direction
- It gives Work Structure for achievement of Objectives & Goals
- It specifies Organisational Purpose & translation of these purpose into Goals that can be assessed in terms of Cost ,Time & Performance parameters

GUIDE / TIPS / THINGS TO BE KEPT IN MIND WHILE WRITING MISSION

- It should give special identity to Organisation & path for development – that sets it apart from other similar companies
- They are Unique for the organization for which they are developed
- It is defined by what needs it is trying to satisfy, Customer groups it is targeting ,Technology & Competencies it uses & Activities it Performs

DIFFERENCE BETWEEN VISION & MISSION

VISION	MISSION
It is set for Future	It is always in Present Sense
It tells us “WHERE WE WANT TO BE “	It tells us “WHAT WE ARE & WHAT WE DO”
It is road map of Company’s Future	It defines Purpose of the organization , what it does & Why it does
It is success	It is key to success

OBJECTIVES

- Objectives are precise & expressed in specific terms
- They are framed to achieve Goals
- They are organization's performance targets
- They help in allocation of resources
- They serve as Benchmark for Organisational activity

CHARACTERISTICS OF OBJECTIVES (SMART) - DP

- They are Concrete & Specific
- They should be Measurable & Controllable
- They should be within constraints of Organisation resources & External Environment
- They should relate to time frame
- They should be Challenging
- They provide basis for Strategic **decision making**
- They should provide standards for **Performance** appraisal
- They should help in achievement of mission & **purpose**

LONG TERM OBJECTIVES

- To achieve Long Term Prosperity we establish Long Term Objectives in 7 Areas :
- **CEPT**
- Competitive Position
- Employee Development
- Employee Relations
- Profitability
- Productivity
- Public Responsibility
- Technological Leadership

DIFFERENCE BETWEEN OBJECTIVES & GOALS

OBJECTIVES	GOALS
Objectives are developed to achieve Goals	Purpose to which our efforts are directed
They are SMART Close ended	They are Generic Open Ended
Short term usually	They are long term for 2-5 years . Eg – Market Share , Customer Satisfaction , Brand image , Brand Value , Brand Loyalty , Increase

VALUES – ZERODHA

- A company's set of values like Integrity , Trust , Accountability , Humility , Innovation & Diversity sets tone for How People think & behave , especially in situation of doubt
- It creates a sense of shared purpose to build strong foundation & focus on longevity's of company's success
- Values remain the core of Vision , Mission , Goals , Objectives & putting them all into action
- Vision is followed by Mission , followed by Goals , & finally executing them via real actions

STRATEGIC LEVELS IN ORGANISATION

- **Corporate Level** – It includes CEO , BOD , Other Senior Executives & Corporate Staff
- **Business Level** – It includes Divisional Level Managers & Staff
- **Functional Level** – It includes Functional Managers

CORPORATE LEVEL

- It includes CEO , Other Senior Executive , BOD & Corporate Staff
- They participate in decision making in organization
- They make strategies define mission & goals , which Business we should start & allocate resources in which area

DIVISIONAL LEVEL

- They make strategies of their Business Units , these are Business Level Heads who make strategies specific to their particular Business
- They will report to Strategic Level
- They should listen to ideas of Functional Level managers

FUNCTIONAL LEVEL

- They are responsible for specific Business Functions or operations
- Their responsibility is limited to their Functional area
- They make Functional Strategies which will help to achieve Strategic objectives set by Business & Corporate Level general managers
- They are closer to Customer

3 RELATIONSHIPS BETWEEN LEVELS OF MANAGEMENT

- **Functional & Divisional Relationship** – Each Functional or divisional head runs functions or division independently and reports directly to Business head , which is Corporate Level . Functions can be Production , Finance & Divisions can be kids toys , Teenager toys etc
- **Horizontal Relationship** – In these everyone from Top Level to Staff level employees are considered at same level , more suitable for start-ups , leads to openness & transparency in work culture & focused more on idea sharing & innovation
- **Matrix Relationship** – In these we make teams of people from various departments for temporary task based projects . Eg – Movie Mission Mangal . It helps conglomerates to manage work , where it is impossible to track each functional level team . More than one Business level managers , for each functional level teams . Useful for Large organisations

MATRIX RELATIONSHIPS

- In this entire work is divided into various projects
- For Each Project , we will appoint people from various departments to manage it
- It is used by Big companies , who have several business . Eg
 - Mission Mangal , Google maps







