

CHAPTER 1

INTRODUCTION TO STRATEGIC MANAGEMENT

BUSINESS POLICY

- It is a "set of rules" for functions & responsibility of mgt towards these functions
- It "defines the scope" within which decisions can be taken in an organisation
- Basically, these are the "guidelines developed" by an org. to govern its actions.

CONCEPT OF MANAGEMENT

The term management is used in two senses.

FIRST

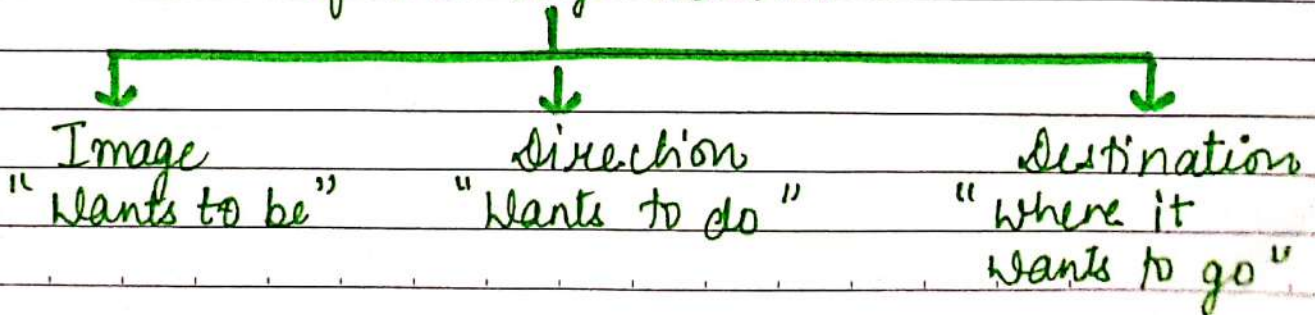
- It is used with reference to a key group in an organisation
- Their task is to bring together the disorganised resources [M⁴: Men, Material, Machinery, Money] into a functioning as a whole
- The survival & success of the org. depends on competence & character of its management.

SECOND

- It is used with reference to a set of functions/ process carried out by the management
- It includes Planning, Organising, Staffing, directing & Controlling.

CONCEPT OF STRATEGY

- Word strategy has something that has to do with the war & ways to win over Energy [WWE] **MC**
- Business have to respond to the adverse & hostile environment, just like military respond to war.
- Strategy is a GAME PLAN that MGT is using to
 - Conduct its operation
 - Attract the customers
 - Compete successfully
 - Achieve Org. objectives
 - Take market position
- Strategy is a LONG RANGE BLUEPRINT of the Org desired



• Strategy is a Scheme of Action to:

[MC = E⁶]

Achieve effectiveness	E = Effectiveness
Mobilize Resources	E = Efficiency [Optimum use of Resources]
Direct Efforts & behaviour	E = Efforts & behaviour \vec{at} Direction
Handles Events & problems	E = Events & problem \vec{at} Handle
Utilizes opportunities	E = Explore & Use opportunities
Meet challenges & Threat	E = Excel to meet challenges & Threat

• Strategy provides an integrated framework for "TOP MGT" to

[S] = make full use of strength

[W] = offset corporate opportunities

[O] = Evaluate & explore opportunities

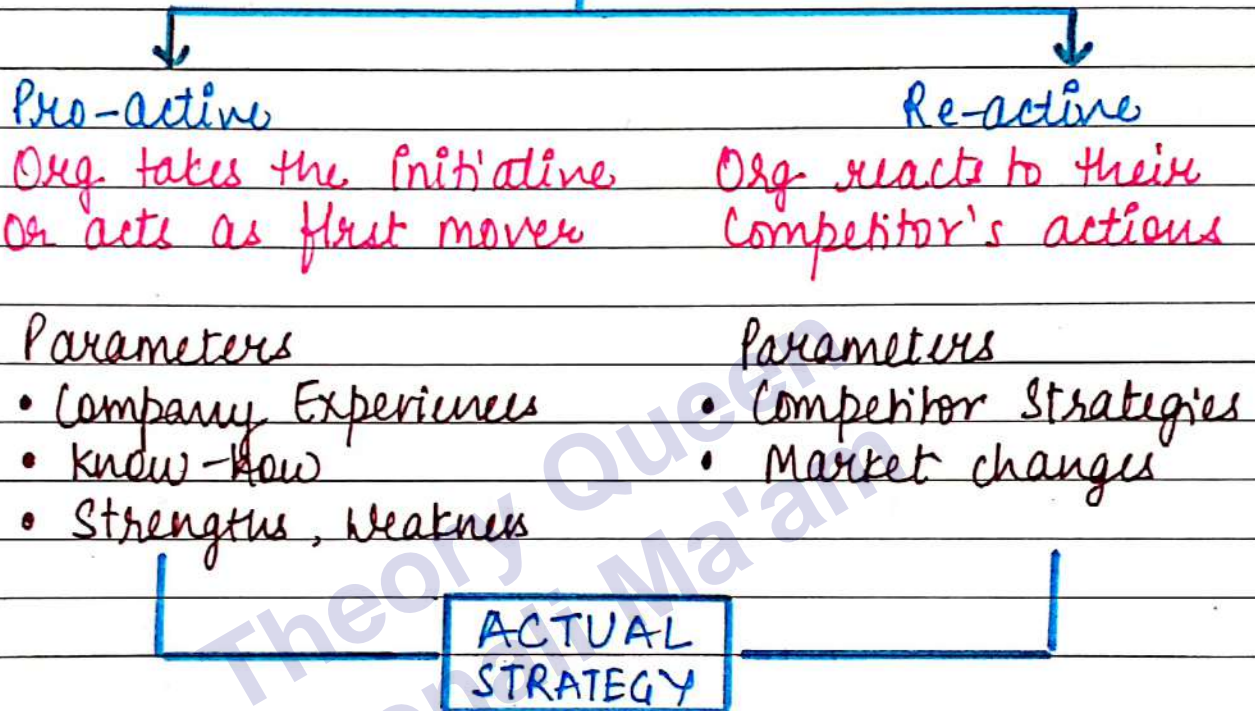
[T] = perceive & meet Threats

&

to make major decisions in general

- STRATEGY IS PARTLY PRO-ACTIVE & PARTLY RE-ACTIVE

Types of strategy



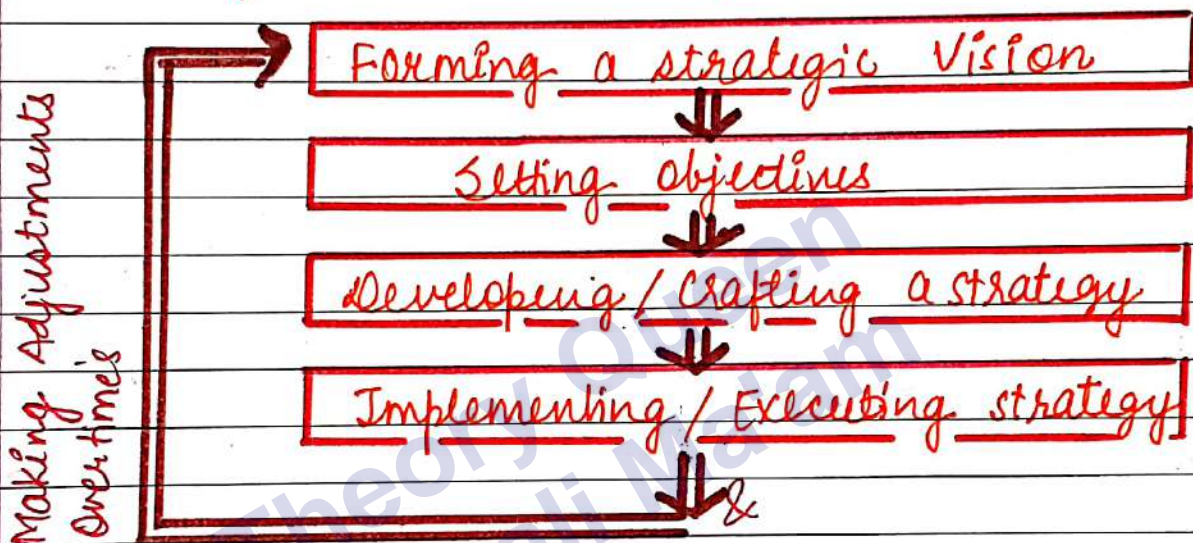
Strategy is NOT a substitute for sound, alert & responsible management.

Strategy is partly pro-active & partly reactive

- Proactive strategies are those, where org takes the initiative or acts as first mover, like phones developed by apple.
- Re-active strategies are those where org reacts to their competitor's actions like samsung/nokia phones development in reaction to apple's phones.
- In Pro-active strategies, the Org. uses its experience, know, strengths & analyzes possible environment scenarios & creates a strategic framework [Though the reality could be different]
- Whereas, Re-active strategies are triggered by changes in the market, competition as a means of reaction.
- A company's strategy is a blend of
 - proactive strategy actions to improve the company's market position & financial performance
 - reactions to unanticipated developments & market conditions.
- Therefore, a company uses both proactive & re-active strategies to cope up in the business environment.

STRATEGIC MANAGEMENT (SM)

- The term SM is a combination of strategy & management
- It refers to the managerial process of



OBJECTIVES OF SM

To Create Competitive Advantage
 so that company can outperform & to have dominance over the market

To guide the company successfully through all changes in the Environment.

IMPORTANCE/BENEFITS OF SM

- Helps Org to be more pro-active instead of Re-active
- Provides framework for all major business decisions
- Serves as a corporate defence mechanism against mistakes
- Helps Org to avoid costly mistakes
- Helps Org to evolve certain core competency
- Ensure a good future for firm.

LIMITATIONS OF SM

[MC = C⁴]

C = Complex = Env't is highly complex

C = Consumes time = SM is a time consuming process

C = Costly = SM is a costly process

C = Clear Vision = NO clear vision about competitive responses.

STRATEGIC LEVELS IN ORGANISATION

Corporate Level

- CEO, BOB, Other Senior Executives

- Role

- Defining Vision, Mission, goals, objectives
- Determining which business we should be in
- Allocating Resources
- Formulating strategies
- Providing Leadership.

Business Level

- Divisional managers, General Managers & staff

- Role

- Translate the statement of direction that come from the Corporate level into concrete strategies for individual business
- Therefore link b/w Corporate & Functional

Functional Level

- Functional Managers like Production Mgr, HR Mgr

- Role

- Responsibility = execute the directions of Corporate level mgt communicated through Business level mgt
- Therefore, they are responsible for ultimate execution of planning.

CORPORATE
LEVEL

HEAD OFFICE

BUSINESS
LEVEL

DIVISION
A

DIVISION
B

DIVISION
C

FUNCTIONAL
LEVEL

Business
functions

Business
functions

Business
functions

LEVELS OF STRATEGIC
MANAGEMENT ...

STRATEGIC MGT IN DIFFERENT ORG

<p style="text-align: center;">NPO</p> <ul style="list-style-type: none"> • Many NPO outperform private firms using SM • NPO's may function as monopoly by producing a product or service that offers little/no measurability of performance 	<p style="text-align: center;">Educational Institution</p> <ul style="list-style-type: none"> • Academic Institutes have join hands with Industries to make graduates more employable • Introduction of Computer, Internet, more modern techniques • Online College Degrees to attract students.
<p style="text-align: center;">Medical Organisation</p> <ul style="list-style-type: none"> • Collaboration with physicians • Backward Integration Strategies <ul style="list-style-type: none"> - Ambulance Services - diagnostic services • Online Medical Ailments • Sharing of Medical Reports (online) 	<p style="text-align: center;">Govt Agencies & Depts.</p> <ul style="list-style-type: none"> • Using taxpayer's money in the most cost-effective way • Motivating employees to participate in SM process • Using SM to develop requests for additional funding.