

CHAPTER 3

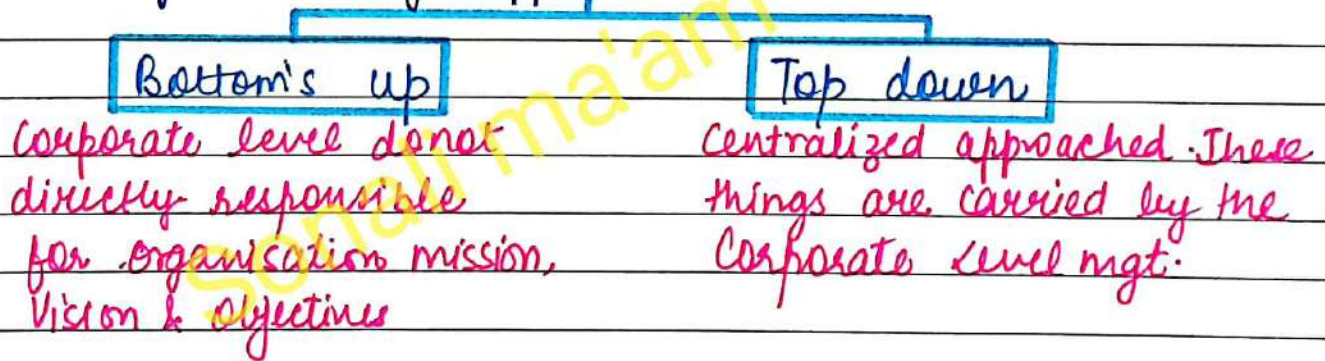
STRATEGIC MANAGEMENT PROCESS

STRATEGIC PLANNING

Meaning

- Process of determining the objectives of the firm
- It determines where an organisation is going over in the next years.

Strategic Planning Approaches



Dealing with Strategic Uncertainty

- Strategic Uncertainty = Unpredictable future trends & Events of business environment
- It can be managed through Scenario analysis
Eg - High GDP growth
- It helps/warns in advance about the possible outcome of future changes / conditions

STRATEGIC DECISION MAKING

↓
Meaning

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Major dimensions

MEANING

- Decision making is a Managerial Process & function of choosing a particular course of action out of several alternatives courses for the accomplishment of Organisational Goals
- Decisions may relate to general day to day operations or they may be strategic in Nature.

MAJOR DIMENSIONS

1 Strategic issues require top mgt decisions
Strategic issues involve thinking in totality of the organisations & also there is a lot of risk involved. Hence, problems calling for strategic decisions require to be considered by Top mgt

2 Strategic issues are future oriented
Strategic thinking involves predicting the future environmental conditions & how to orient for the changed conditions.

3 Strategic Issues necessitate consideration of factors in the firm's External Env't

Strategic focus in org involves orienting its Internal Env't to the changes of External Env't

4 Strategic issues involves the allocation of large amount of company resources

It may require huge financial investment to venture into a new area of business or huge manpower with new set of skills in them

5 Strategic issues usually have multi-functional or multi-business consequences

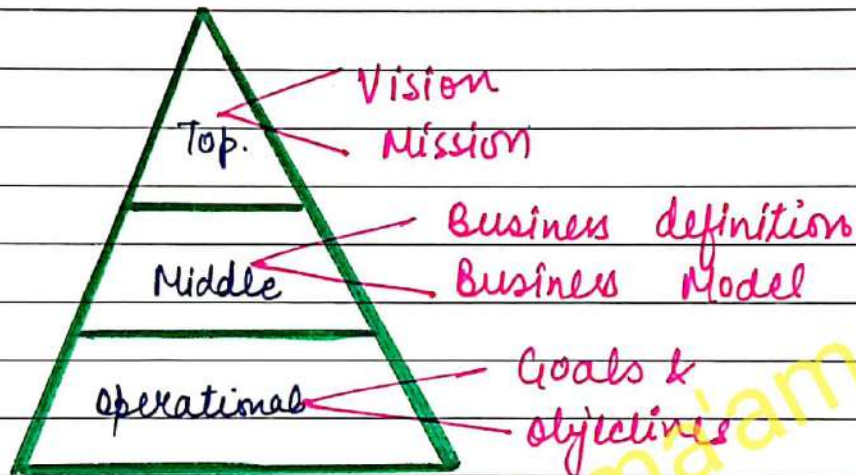
As they involve org in totality, they affect the different sections of the org with varying degree

6 Strategic issues are likely to have significant impact on the long term prosperity of firm

Generally, the results of strategic implementation are seen on a long term basis & not immediately.

STRATEGIC INTENT

- It gives an idea of what the Organisation desires to attain in future
- It could be in the form of Vision & Mission for the organisation at Corporate Level
- It could be expressed as business definition & business model at business level
- It could be stated in precise terms as Goals & Objectives at operational level.



ELEMENTS OF STRATEGIC INTENT

Vision	<ul style="list-style-type: none"> • Blueprint of Company's future position • It describes where org. wants to land • It depicts the org's aspirations • It is a roadmap of company's future
Mission	<ul style="list-style-type: none"> • It explains the reason for existence of the organisation • It helps to understand purpose of Org. • Helps to identify "what business Company undertakes"

Business Definition

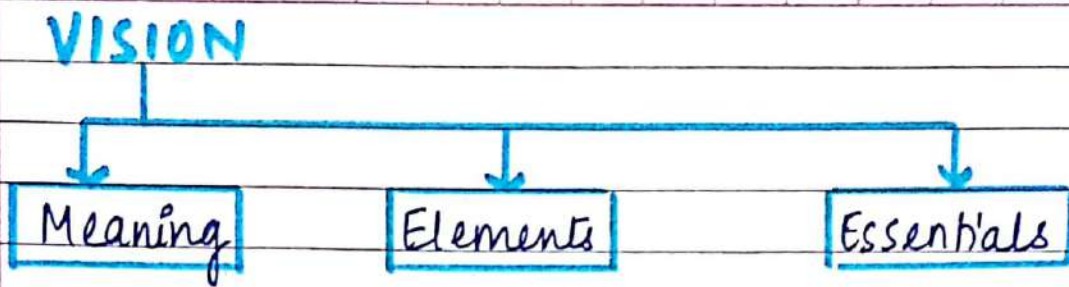
- It explains the business undertaken by the organisation
- It helps in ascertaining strategic business choices [Expansion, Retrenchment]
- Organisational restructuring depends upon Business Definition
[Basically Business ही Define करती है]

Business Model

- It is a Model/Strategy for effective operation of business
- Rival firms use different Models due to their strategic choices

Goals & Objectives

- Goals are end-results
- Objectives are small, time based, measurable targets, which help in the achievement of Goals.
- However, in practice, no difference is there.



Meaning

- (Write points from Elements of Strategic Intent)
- A strategic vision is a road-map of company's future, providing specifics (specifications) about
 - technology & customer focus
 - Geographic & product markets to be pursued
 - Capabilities it plans to develop &
 - kind of company that mgt is trying to create.
- Example → Mac-d
 - to be fastest & freshest Restaurant in the world.

Elements

Forming a mission statement that defines what business the company presently is in & communicates essence of "who we are & where we are now"



Using mission statement as a basis for deciding "where we are going"



Communicating Strategic Vision to the other levels of mgt

Essentials of strategic vision
or

How to develop a strategic vision?

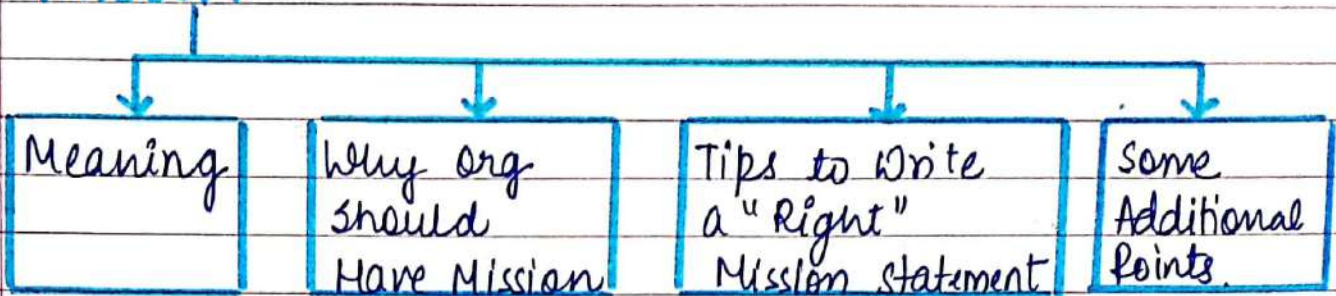
Think creatively about how to prepare company for future

Use intelligent / best brains for forming vision

Clearly define the direction of vision statement which company wants to follow

Create enthusiasm among the members of Org.

MISSION



Meaning

- A company's Mission statement is typically focused on its present business scope.
"Who we are & what we do"
 - A company's mission statement broadly describes an organisation
 - present Capabilities
 - Customer focus
 - Activities
 - Business make up
- [MC = Present ABC]

Why Organisation should have a Mission?

- To ensure unanimity (एकता) of purpose
- To Motivate the Use of Org resources & to allocate them
- To specify org purpose
- To serve as a focal point who can identify with the org purpose & to deter those who are not.

उस पर focus करो, जो Org पर, उसके objective पर focus करता हुआ नजर आ रहा है, बाकी का निकाल दो !!

Tips to write a "Right" Mission statement

- Unique (highly-personalised)
- Reflect business Identity
- Reflect Organisation's present capabilities, activities, business make up, customer focus [Present ABC]
- Reflect the Technologies which org uses
- The Mission should "not" be to earn profit

Some Additional points

- Mission tells us, what brings the firm to this business or why it is there.
- Mission is also expression of vision of org.

CONCLUSION ABOUT VISION & MISSION

VISION

- Outlines what the org wants to be.
- It is a long term view & concentrates on future
- It can be emotive & is a source of inspiration
- For example,
a charity working with the poor might have a vision statement which reads "A world without poverty"

MISSION

- Defines the fundamental purpose of an organisation
- It describes why the org exists & what it does to achieve its vision
- For example,
The charity above might have a mission statement as "providing jobs for homeless and unemployed people"

OBJECTIVES & GOALS

- Objectives are open-ended attributes that denote the future outcomes
- Goals are close-ended attributes which are precise & expressed in specific terms.

Characteristics of Objectives & Goals

[MC: UC-MAS]

U - Understandable

C - Concrete & specific

M - measurable & controllable

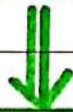
A - Achievable

S - Set with constraints [limit]

STRATEGIC MANAGEMENT MODEL

Strategy Formulation

Organisation formulates strategies by forming long-term vision, mission, objectives considering all their strengths & weaknesses & by looking into opportunities & threats in the envt.



Strategy Implementation

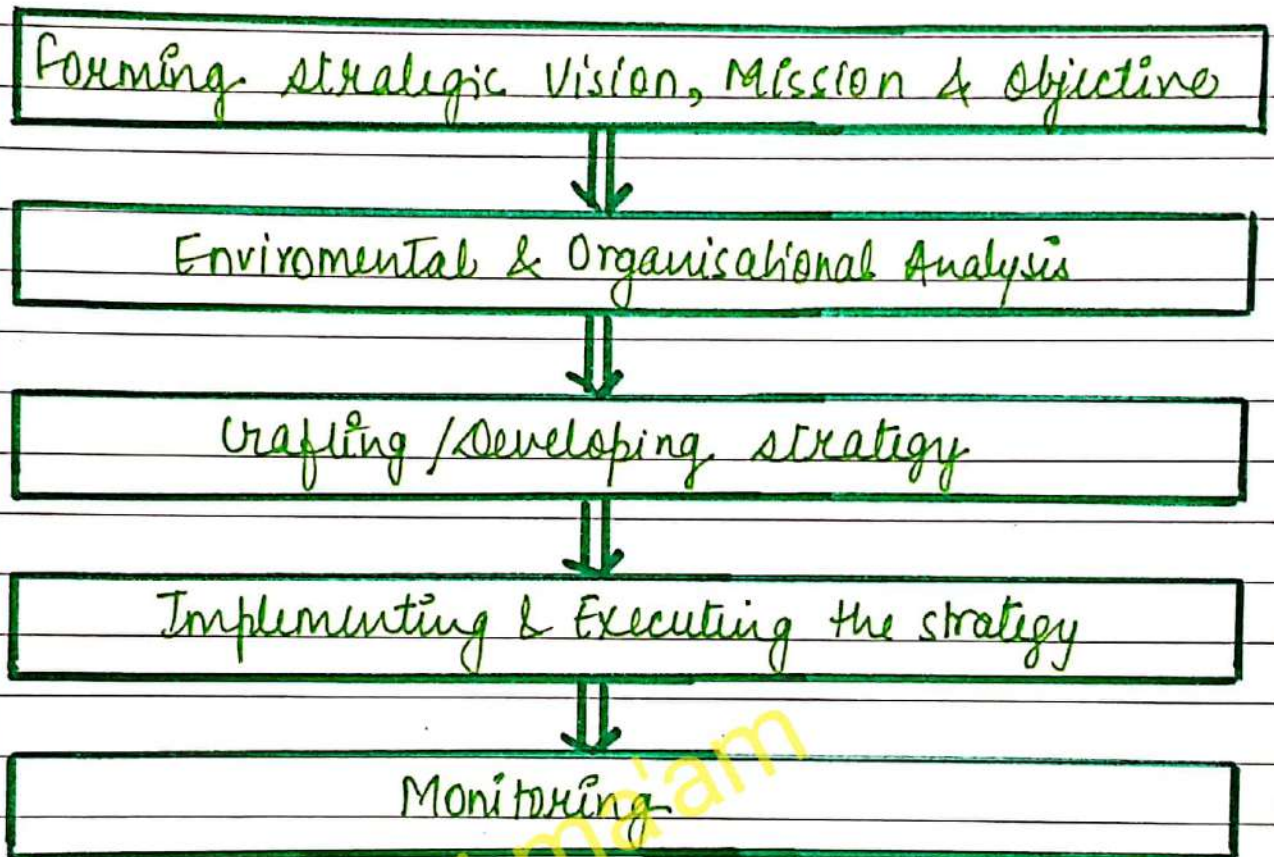
Once the organisation has developed the strategy & is clear about the mission, then it is easy to implement the formulated strategies.



Strategy Evaluation

We all know, business is very dynamic & is governed by uncertain external environment. Therefore, it is necessary that organisation should evaluate their strategies to make adjustments as per the environment needs.

STAGES IN STRATEGIC MANAGEMENT



Vision, Mission & Objective

- Vision:- Write definition of vision
- Mission:- Write definition of Mission
- Objective:- Write meaning of objective.

Environmental & Organisational analysis

- Environmental = External analysis
 - Organisational = Internal analysis
- } SWOT analysis

Formulating / Crafting strategy

- Stability (same business, same volumes)
- Expansion (Related / Unrelated)
- Diversification etc.

Implementing / Executing Strategy

[MC: CID SUM]

- Staffing with the needed skills
- Developing budgets
- Using best-known practices
- Motivating people
- Trying rewards & incentives
- Creating a company culture

Good strategy execution involves strong fits (balance) between strategy &

- Organisation capabilities
- Reward structure
- Internal operating systems
- Org work culture & climate

Monitoring

- If going well → stick to the implemented strategy
 - If not → change as per requirement
- [due to poor strategy, poor execution or both]
to take timely corrective action