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Paper Title: Business Strategy & Ethics

Unit No.: 1 (One)

Title: Overview of Strategic Management

Lecture No: 1 (One)

Title: Nature and Value of Strategic Management

Academic Script

Introduction:

Hello friends, welcome to one of the most interesting session wherein we will be discussing about strategy. Chapter One explores the concept of strategy. It begins with an explanation of the term strategy and nature value and scope of strategic management. Before starting a session, let me ask you first some questions if you ever thought of them. Why do organizational people use strategy in certain way in an organizational environment? What are different levels of strategy?

The chapter then explores the idea of corporate strategy and strategy planning. The chapter proceeds forward with a look at value and benefits of strategic management. The chapter concludes with thoughts on the equation: good strategy + good strategy execution = good management.

1. Nature and value of strategic Management:

- **What is strategy?**

  It is a plan of action designed to achieve a long term or overall aim.

  It is an integrated and coordinated set of commitments and actions designed to exploit core competencies and gain a competitive advantage.

  It consists of management's ***"action plan"*** to

- ➔ Grow the business
- ➔ Attract and please customers
- ➔ Compete successfully
- ➔ Conduct operations
- ➔ Achieve target levels of organizational performance.

It consists of ***competitive moves*** and ***business approaches*** used by managers to run the company.

- **The Hows That Define a Firm's Strategy**

- ◆ ***How*** to grow the business
- ◆ ***How*** to please customers
- ◆ ***How*** to outcompete rivals
- ◆ ***How*** to manage each functional
  piece of the business (R&D, production, marketing, HR, finance, and so on)
- ◆ ***How*** to respond to changing market conditions
- ◆ ***How*** to achieve targeted levels of performance.

- **What is strategic management?**
  It is defined as the set of decisions and actions that result in the formulation and implementation of plans designed to achieve a company's objectives.

- **What is an internal environment?**

  An organizations internal environment is composed of the elements within the organization, including current employees, management and especially corporate culture, which defines employee behavior.

- **What is an External environment?**

  External environment is composed of all the outside factors or influences that impact the operation of business.

  The business must act or react to keep up its flow of operation. The external environment can be broken down into two types:

- The Micro environment
- The macro environment

- **The Micro environment:** The micro environment consists of the factors that directly impact the operation of a company.
- **The Macro environment:** The macro environment consists of general factors that a business typically has no control over. The success of the company depends on its ability to adapt.

The modern executive has to deal effectively with internal environment as well as external environment that affect the growth and profitability of a firm. The external environment includes suppliers, competitors, government agencies and customers. Internal environment includes employees, workers etc.

2. Nature and Scope of strategic Management:

Strategic management is well organized approach that is based on effective principles and process of management to recognize the corporate objective or a mission of business. It establishes suitable target to assure the objectives, identify existing opportunities and restrains in the environment, and develop a logical realistic process to accomplish company objective.

Strategic management is both the process and beliefs to determine and control the organizational affiliation in its vibrant environment. It is a process to describe approaches and procedures to help management become accustomed to the current business environment through the use of objectives and strategies.

The scope defines services and products the firm will provide and markets like geographic, sectoral or demographic. It also includes markets, products, geographies, technologies and processes. The scope of strategic management also defines the activities the firm will not undertake. Most of the companies those are bombarded with opportunities to venture out their current scope of activities and about benefits of bringing outsourced activities in house.

3. Concept of strategy:

The meaning of the word ‘strategy’ may mean different things to different people. For some people, strategy is about giving importance to an action, whereas others may think of it as an action plan or a blue print for achieving an objective.

According to Greek writer Xenophon strategy implies understanding/ knowing the business one intends to do. As per this definition, strategy involves the understanding/ knowing the business, a focus on the future and a step forward towards action.

According to Kenneth R. Andrews strategy means the major objective, goals/ purpose as well as the plans/ processes and policies for attaining them. By this definition one is right to assume that strategy will take into consideration the contemporary values and the culture in focus on the future business opportunities.

According to Kenichi ohmae defined strategy as the method/action by which an enterprise aims to differentiate itself from its rivals. In this definition authors underscores the competitive strategic strength as well as the capabilities required to be built up. It also involves satisfying the needs of customers as the driving force for the strategy.

Strategy is the direction and market scope of an organization over the long term for business advantages. Strategy is about direction where business men trying to get in for a longer period, markets scope means what kind of business activities are involved in such markets, business advantages which business can perform better than the rivals, resources like finance, technical competence are required to compete in the market**,** internal and external environment which affects business ability to compete and stakeholders who have power in and around the business.

Pattern of actions and business approaches that defines a company's strategy.

4. Levels of strategy: there are four levels of strategy management

4.1 Corporate level strategy: Top management of an organization makes such decision. It covers action dealing of objectives of firm allocation of resources and coordination of performance of all sub units of business. These types of decisions are the most value oriented.

4.2 Business level strategy: It is used and applicable for those kinds of organizations which are having more than one or different strategic business units which cover different segments. This type of strategy is created for each such segment.

4.3 Functional level strategy: it relates with single functional operation and activities of organization. These are more tactical in nature. Most of the time it deals with restricted plan for specific function. It is also known as operational level strategy.

4.4 Operational level strategy: it is the total pattern of decisions which shape the long term capabilities of any type of operations and their contribution to the overall strategy.

It is the tool that helps to define the methods of producing goods or a service offered to the customer.

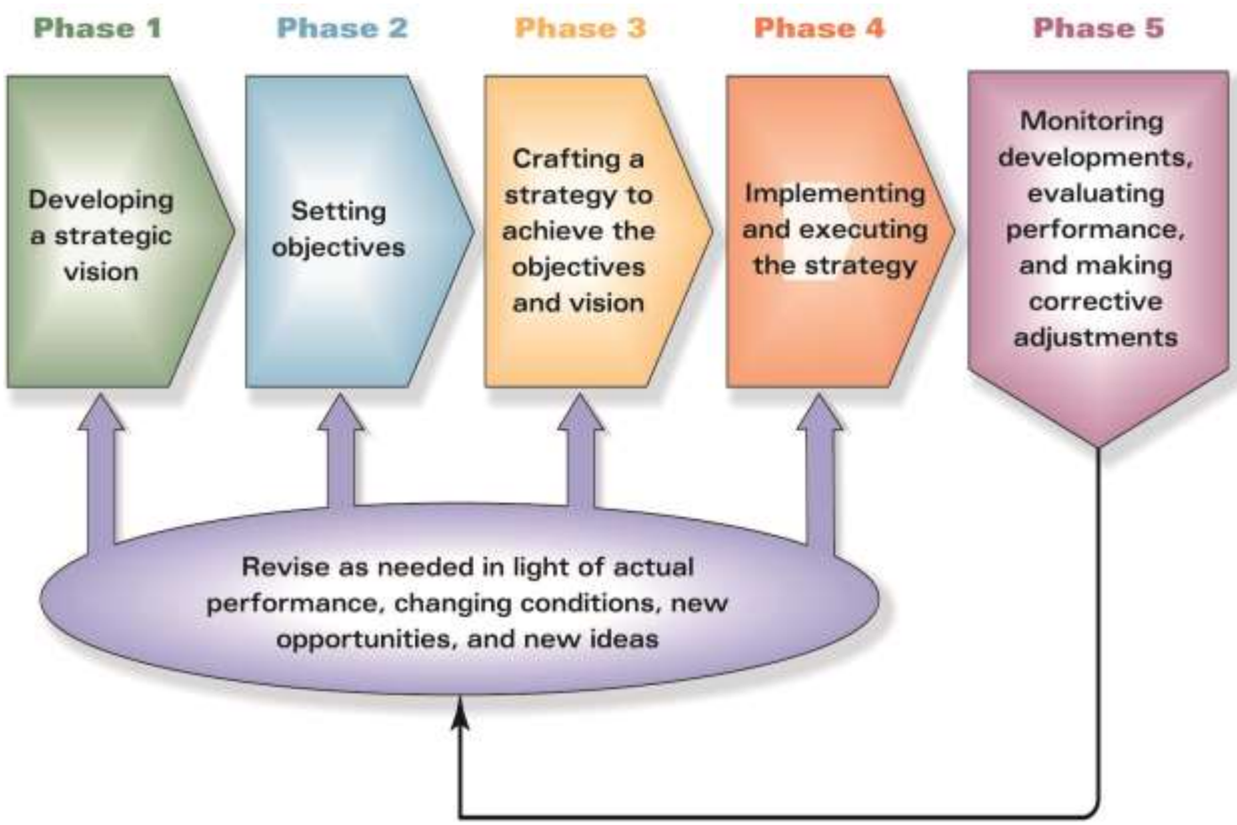
5. Corporate strategy: It is concerned with the overall purpose and scope of the business to meet stakeholder's expectations. Corporate strategy always stated explicitly in a mission statement. It is often influenced by investors in the business and heavily acts to guide strategic decision making in the business.

A corporate strategy is a tool a company uses to limit the allocation of its resources to the best available business investment opportunities.

A company conveys the message of its corporate strategy to individual business units to take performance and establishes the expectations of internal and external stakeholders, or those with an interest in the success of a company.

Corporate strategy improves competitive position of the company. It focuses growth profit and performance of company.

6. Strategic planning: Strategic planning is as important as strategic process. Most mature companies have a systematic and formal strategic planning routine as their process.



Developing a Strategic Vision

Phase 1 of the Strategy-Making Process.

- It Involves thinking strategically about
  - Future direction of company
  - Changes in company's product/market/customer technology to improve
    - Current market position
    - Future prospects

A *strategic vision* describes the route a company intends to take in developing and strengthening its business. It lays out the company's strategic course in preparing for the future.

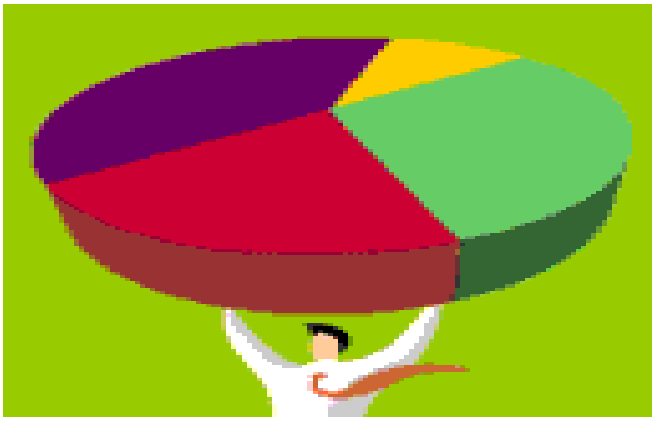
In the company with multiple units of business , it is asked to develop a plan for itself for each units thereafter it is revised , get reviewed or aggregated by more senior managers as the plan 'move up ' organization. Following are the elements of strategic planning process.

Setting Objectives

Phase 2 of the Strategy-Making Process

- ***Purpose*** of ***setting objectives***
  - Converts vision into specific performance targets
  - Creates yardsticks to track performance

- ***Well-stated objectives*** are
  - → ***Quantifiable***
  - → ***Measurable***
  - → Contain a ***deadline*** for achievement



Importance of Setting Stretch Objectives

- ***Objectives*** should be set at levels that ***stretch*** an organization to
  - → Perform at its full potential, delivering the best possible results
  - → Push firm to be more inventive
  - → Exhibit more urgency to improve its business position
  - → Be intentional and focused in its actions

Crafting a Strategy

Phase 3 of the Strategy-Making Process

- ***Strategy-making*** involves ***entrepreneurship***
  - → Actively searching for opportunities to do new things

    or

- ➔ Actively searching for opportunities to do existing things in new or better ways

- ◆ ***Strategizing*** involves

    - ➔ Developing timely responses to happenings in the external environment

      and

    - ➔ Steering company activities in new directions dictated by shifting market conditions

Implementing and Executing Strategy

Phase 4 of the Strategy-Making Process

- ◆ ***Operations-oriented*** activity aimed at performing core business activities in a strategy-supportive manner
- ◆ ***Tougher*** and ***more time-consuming*** than ***crafting strategy***
- ◆ ***it*** include ***Key tasks***
    - ➔ Improving efficiency of strategy being executed
    - ➔ Showing measurable progress in achieving targeted results

Evaluating Performance and Making Corrective Adjustments

Phase 5 of the Strategy-Making Process

- ◆ ***Tasks*** of crafting and implementing the strategy are ***not*** a ***one-time exercise***
  - ➔ Customer needs and competitive conditions change
  - ➔ New opportunities appear; technology advances; any number of other outside developments occur
  - ➔ One or more aspects of executing the strategy may not be going well
  - ➔ New managers with different ideas take over
  - ➔ Organizational learning occurs
- ◆ All these trigger a need for ***corrective actions*** and ***adjustments*** on an as-needed basis

Monitoring, Evaluating, and Adjusting as Needed

- ◆ *Taking actions* to *adjust* to the march of events tends to result in one or more of the following
  - ➔ Altering long-term direction and/or redefining the mission/vision
  - ➔ Raising, lowering, or changing performance objectives
  - ➔ Modifying the strategy
  - ➔ Improving strategy execution

7. Value and benefits of Strategic Management:

Benefits of Strategic Management: strategic management provides financial, non-financial benefits to the organization.

7.1 Financial benefits: It has been shown in many studies that firms that engage in strategic management are more profitable and successful than those that do not have the benefits of strategic planning and strategic management.

When firms engage in forward looking planning and careful evaluation of their properties, they have control over the future, which is necessary in the fast changing business landscape of the 21^{st} century.

7.2 Nonfinancial benefits:

1. It provides direction to future problems.
2. It gives clear objectives to employees.
3. It gives direction to employees for future organization.
4. It provides effective results compared to non strategic management organization.
5. It benefits cost saving to the organization.
6. It motivates and satisfies employees.
7. Decision making becomes faster and better through strategic management.

8. Risk of Strategic Management: There are many risks of strategic management.

8.1 No specific objectives and measurable outcomes: it will be difficult to determine without measurable outcomes if strategy implementation is going as per the plan.

8.2 **Unrealistic expectation from managers and employees.** Strategic planning activities, it sometimes creates unrealistic expectation from managers and employees

8.3 **Success groove:** there is no guarantee of tomorrow's advantage among competitors in today's success. When a company has decided its goal, so is the path which will get you there so more precisely you can visualize your ultimate goal, the more clearly you will understand how to achieve it among your competitors

8.4 **Time:** It consumes more time in strategic identification formulation and implementation for managers to solve day to day problems.

8.5 **Uncertain chain of implementation:** strategic planning is done by top level management where as its implementation is done at all levels of an organization.

8.6 **Culture of change:** change is challenging in the organization. Culture change has raised due to development in technology, political beliefs, religious ideas and environmental factors also change cultural beliefs.

Summary:

The tasks of crafting and executing company strategies are the heart and soul of managing a business enterprise and winning in the marketplace. A strategy of a company is a game plan which management is using to conduct its operation, please and attract customers, successfully compete with rivals and strengthen the long term competitive position, financial performance of company, and stake out a market position and achieve organizational goal. Crafting and executing strategy are core management function.