CHAPTER – 1

INTRODUCTION TO STRATEGIC MANAGEMENT

1.1 INTRODUCTION

This chapter is an attempt to highlight the concepts and significance of 'strategic management'.

1.2 MEANING AND NATURE OF STRATEGIC 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, such as:

(a) It is used with reference to a **key group in an organisation in-charge of its affairs**. In relation to an organisation, management is the chief organ entrusted with the task of making it a purposeful and productive entity, by undertaking the task of bringing together and integrating the disorganised resources of manpower, money, material, and technology, which are then combined into a functioning whole.

(b) The term 'Management' is also used with reference to a set of interrelated functions and processes carried out by the management of an organisation (the key group of individuals mentioned in point (a) to attain its objectives). These functions include Planning, Organising, Directing, Staffing and Control. The functions or sub-processes of management are wide-ranging but closely interrelated.

Management is an influence process to make things happen, to gain command over phenomena, to induce and direct events and people in a particular manner. Influence is backed by power, competence, knowledge and resources. Managers formulate organisational goals, values and strategies, to cope with, to adapt and to adjust themselves with the behaviour and changes in the environment.

1.3 CONCEPT OF STRATEGY

The very incorporation of the idea of strategy into business organizations is intended to unravel complexity and to reduce uncertainty caused by changes in the environment. Strategy seeks to relate the goals of the organization to the means of achieving them. Strategy is the game plan that the management of a business uses to take market position, conduct its operations, attract and satisfy customers, compete successfully, and achieve organizational objectives.

We may define the term 'strategy' as a long-range blueprint of an organization's desired image, direction and destination, i.e., what it wants to be, what it wants to do, how it wants to do things, and where it wants to go. Following are also important other definitions are to understand the term:

Igor H. Ansoff : The common thread among the organization's activities and product-markets that defines the essential nature of business that the organization has or planned to be in future.

William F. Glueck: A unified, comprehensive and integrated plan designed to assure that the basic objectives of the enterprise are achieved.

Important to note that strategy is no substitute for sound, alert and responsible management. It must be recognised that strategy can never be perfect, flawless and optimal. It is in the very nature of strategy that it is flexible and pragmatic to take care of sudden emergencies, pressures, and avoid failures and frustrations. In a sound strategy, allowances are made for possible miscalculations and unanticipated events.

In large organisations, strategies are formulated at:

- the corporate, (Top Managers are formulating)
- divisional, and
- functional levels

Strategy is partly proactive and partly reactive: A company's strategy is typically a blend of:

- Proactive actions on the part of managers to improve the company's market position and financial performance.

- Reactions to unanticipated developments and fresh market conditions in the dynamic business environment.

In other words, a company uses both proactive and reactive strategies to cope up the uncertain business environment. Proactive strategy is planned strategy whereas reactive strategy is adaptive reaction to changing circumstances.

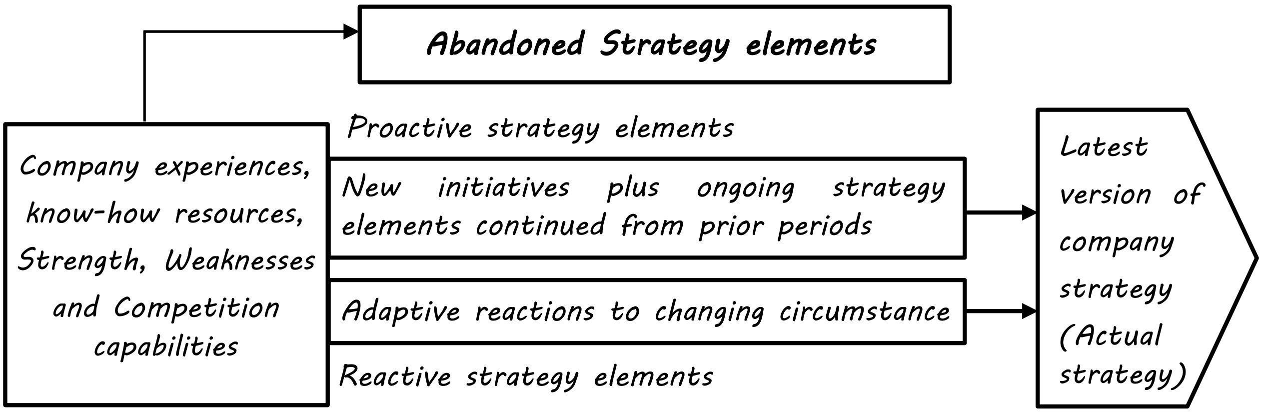


Figure: A company's actual strategy is partly planned & partly reactive

Thus, strategy partly is deliberate and proactive, standing as the product of management's analysis and strategic thinking about the company's situation and its conclusions about how to position the company in the marketplace and tackle the task of competing for buyer's patronage.

However, not every strategic move is the result of proactive planning and deliberate management design. Things happen that cannot be fully anticipated or planned for. When market and competitive conditions take an unexpected turn or some aspect of a company's strategy hits a stone wall, some kind of strategic reaction or adjustment is required. Hence, partially, a company's strategy is always developed as a reasoned response to unforeseen developments in the business environment as well as the situations within the firm.

Crafting a strategy thus involves stitching together a proactive/intended strategy based on prior successful experience and then adapting pieces of successful reactions as circumstances surrounding the company's situation change or better options emerge - a reactive/adaptive strategy.

Strategy helps unravel complexity and reduce uncertainty caused by changes in the environment. It also means to identify existing problems and solving them by executing revolutionary ideas. It would be pertinent to mention one such **example** in the recent times, that is UPI, Unified Payments Interface. UPI has changed the entire digital payments landscape in India and has now even gone global. A true example of Made in India for the world. It was all because of a well-planned identification of existing problem statement, formulating a strategy putting it to perfect execution.

Is this a Strategy?

A ketchup brand making a healthier ketchup with less sugar and preservatives to attract more customers by letting parents feel safe about their kid's consuming ketchup. Can this be called a strategy?

Yes, it is a business strategy to fight competition and to adapt with changing external environment (people becoming health conscious is external environment factor)

1.4 STRATEGIC MANAGEMENT - IMPORTANCE AND LIMITATIONS

The term 'strategic management' refers to the managerial process of developing a strategic vision, setting objectives, crafting a strategy, implementing and evaluating the strategy, and finally initiating corrective adjustments were deemed appropriate. The process does not end, it keeps going on in a cyclic manner.

The importance of Strategic Management essentially lies in enabling an organisation to perform better than its competitors and its own past and present performance.

The overall objectives of strategic management are two-fold:

- To create competitive advantage (something unique and valued by the customer), so that the company can outperform the competitors in all aspects of organisational performance.
- To guide the company successfully through all changes in the environment. That is to react in the right manner.

Strategic management involves developing the company's vision, environmental scanning (both external and internal), strategy formulation, strategy implementation and evaluation and control.

Originally called, business policy, strategic management emphasizes the monitoring and evaluation of external opportunities and threats in the light of a company's strengths and weaknesses and designing strategies for the survival and growth of the company.

1.4.1 Importance of Strategic Management

Formulation of strategies and their implementation have become essential for all organizations for their survival and growth in the present turbulent business environment. 'Survival of the fittest 'as propagated by Charles Darwin is the only principle of survival for all organizations, where 'fittest' are not the 'largest' or 'strongest' organizations but those who can change and adapt successfully to the changes in business environment.

Businesses follows the war principle of 'win or lose', and only in a small number of cases, win-win situation arises. Hence, each organization has to build its competitive advantage over the competitors in the business warfare in order to win. This can be done only by following the process of strategic management - strategic analysis, formulation and implementation, evaluation and control of strategies.

The major benefits of strategic management are:

- The strategic management gives a direction to the company to move ahead. It helps define the goals and mission.
- Strategic management helps organisations to be proactive instead of reactive in shaping its future. Organisations are able to analyse and take actions instead of being mere spectators.
- Strategic management provides frameworks for all major decisions of an enterprise such as decisions on businesses, products, markets, manufacturing facilities, investments and organisational structure.
- Strategic management seeks to prepare the organisation to face the future and act as pathfinder to various business opportunities.
- Strategic management serves as a corporate defence mechanism against mistakes and pitfalls. It helps organisations to avoid costly mistakes in product market choices or investments.
- Strategic management helps to enhance the longevity of the business. With the state of competition and dynamic environment it may be challenging for organisations to survive in the long run.
- Strategic management helps the organisation to develop certain core competencies and competitive advantages that would facilitate assist in its fight for survival and growth.

1.4.2 Limitations of Strategic Management

The presence of strategic management cannot counter all hindrances and always achieve success. There are limitations too, attached to strategic management. Let us discuss them briefly:

- **Environment is highly complex and turbulent:** It is difficult to understand the complex environment and exactly pinpoint how it will shape-up in future. The organisational estimate about its future shape may awfully go wrong and jeopardise all strategic plans. The environment affects as the organisation has to deal with

suppliers, customers, governments and other external factors. Thus, relying on a business strategy blindly could go absolutely wrong if the environment is turbulent. **For example,** Two-Wheeler Electric Vehicles brands counted on strategic benefits they would have because of the huge push from the government for electric mobility. However, customers are getting reluctant to purchase EVs due to the safety concerns amid the frequent incidents of battery's catching fire. So, strategy cannot overcome a turbulent environment.

- **Strategic management is a time-consuming process:** Organisations spend a lot of time in preparing, communicating the strategies that may impede daily operations and negatively impact the routine business. Planning and strategizing are important but putting them in action is where the actual success lies. Similar to us students, planning and strategizing what to study, from where and at what time of the day to study, consumes so much of our actual study time that by the time we have to study, we are almost exhausted.
- **Strategic management is a costly process:** Strategic management adds a lot of expenses to an organization. Expert strategic planners need to be engaged, efforts are made for analysis of external and internal environments devise strategies and properly implement. These can be really costly for organisations with limited resources particularly when small and medium organisation create strategies to compete. Strategic Management requires experts, and these experts are costly resources. Thus, the process as a whole required good amount of funds to be spent.
- In a competitive scenario, where all organisations are trying to move strategically, it is difficult to clearly estimate the competitive responses to a firm's strategies. It is quite difficult to gauge the strategic planning of competitors because most of these decisions are taken within closed doors by the top management. **For example,** Apple changed the market dynamics of the speaker industry by choosing to remove 3.5mm audio jack from iPhones. Now, to be relevant in the market, all major speaker brands had to put concentrated efforts to develop their own true wireless speakers (TWS) and compete with new entrants.

Why do businesses opt for strategic management even with its limitation?

Strategic Management is a time consuming and costly process, yet all organization's want to do indulge into it? Why?

Because even though it has its limitations, its importance outweighs its shortcomings.

A business cannot operate and succeed without proper strategic management.

1.5 STRATEGIC INTENT (VISION, MISSION, GOALS, OBJECTIVES AND VALUES)

Strategic intent can be understood as the philosophical base of strategic management. It implies the purposes, which an organisation endeavours to achieve. It is a statement that provides a perspective of the means, which will lead the organisation, reach its vision in the long run. Strategic intent gives an idea of what the organisation desires to attain in future. It answers the question what the organisation strives or stands for? It indicates the long-term market position, which the organisation desires to create or occupy and the opportunity for exploring new possibilities.

Strategic intent provides the framework within which the firm would adopt a predetermined direction and would operate to achieve strategic objectives. Strategic intent could be in the form of vision and mission statements for the organisation at the corporate level. It could be expressed as the business definition and business model at the business level of the organisation.

Strategic intent is generally stated in broad terms but when stated in precise terms it is an expression of aims to be achieved operationally, i.e., goals and objectives.

1. **Vision:** Vision implies the blueprint of the company's future position. It describes where the organisation wants to land. It depicts the organisation's aspirations and provides a glimpse of what the organisation would like to become in future. Every sub system of the organisation is required to follow its vision.

2. **Mission:** Mission delineates the firm's business, its goals and ways to reach the goals. It explains the reason for the existence of the firm in the society. It is designed to help potential shareholders and investors understand the purpose of the firm. A mission statement helps to identify, 'what business the firm undertakes.' It defines the present capabilities, activities, customer focus and role in society.

3. **Goals and Objectives:** These are the base of measurement. Goals are the end results, that the organisation attempts to achieve. On the other hand, objectives are time-based measurable targets, which help in the accomplishment of goals. These are the end results which are to be attained with the help of an overall plan, over the particular period. However, in practice, no distinction is made between goals and objectives and both the terms are used interchangeably.

The vision, mission, business definition, and business model explain the philosophy of the organisation but the goals and objectives represent the results to be achieved in multiple areas of business.

4. **Values/ Value System:** Values are the deep-rooted principles which guide an organisation's decisions and actions. Collins and Porras succinctly define core values as being inherent and sacrosanct; they can never be compromised, either for convenience or short-term economic gain. Values often reflect the values of the company's founders—Hewlett-Packard's celebrated "HP Way" is an example. They are the source of a company's distinctiveness and must be maintained at all costs.

1.5.1 Vision

Top management's views about the company's direction and the product- customer-market-technology focus constitute the strategic vision for the company. Strategic vision delineates management's aspirations for the business, providing a panoramic view of the "where we are to go" and a convincing rationale for why this makes good business sense for the company. Strategic vision thus points out a particular direction, charts a strategic path to be followed in future, and moulding organisational identity. A clearly articulated strategic vision communicates management's aspirations to stakeholders and helps steer the energies of company personnel in a common direction. For instance, Henry Ford's vision of a car in every garage had power because it captured the imagination of others, aided internal efforts to mobilize the Ford Motor Company's resources, and served as a reference point for gauging the merits of the company's strategic actions.

- **HDFC Bank Ltd.,** one of the largest banks in India has clearly defined its Vision of being a world class Indian bank. This vision helps them keep in mind, "where we want to go", as the central thought of their strategic decision making.

- **LIC Ltd.**, the largest insurance company of India has defined its visions as - A trans-nationally competitive financial conglomerate of significance to societies and Pride of India.
- **Apple Inc.'s** 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 a strategic vision

- The entrepreneurial challenge in developing a strategic vision is to think creatively about how to prepare a company for the future.
- Forming a strategic vision is an exercise in intelligent entrepreneurship.
- A well-articulated strategic vision creates enthusiasm among the members of the organisation.
- The best-worded vision statement clearly illuminates the direction in which organisation is headed.

1.5.2 Mission

A mission is an answer to the basic question 'what business are we in and what we do'. It has been observed that many firms fail to conceptualise and articulate the mission and business definition with the required clarity. Such firms are seen to fumble in the identification of opportunities and fail in formulating strategies to make use of opportunities. Firms working to manage their organisation strategically cannot be lax in the matter of mission and business definition, as the two ideas are absolutely central to strategic planning.

Why should an organisation have a mission?

- To ensure unanimity of purpose within the organisation.
- To develop a basis, or standard, for allocating organisational resources.
- To provide a basis for motivating the use of the organisation's resources.
- To establish a general tone or organisational climate, to suggest a business- like operation.
- To serve as a focal point for those who can identify with the organisation's purpose & direction.
- To facilitate the translation of objective and goals into a work structure involving the assignment of tasks to responsible elements within the organisation.
- To specify organisational purposes and the translation of these purposes into goals in such a way that cost, time, and performance parameters can be assessed and controlled.

Mission statements broadly describe an organisations present capability, customer focus, activities, and business makeup.

- **HDCF Bank** has two-fold mission: first, to be the preferred provider of banking services for target retail and wholesale customer segments. The second is to achieve healthy growth in profitability, consistent with the bank's risk appetite.
- **LIC Ltd.'s** Mission is - Ensure and enhance the quality of life of people through financial security by providing products and services of aspired attributes with competitive returns, and by rendering resources for economic development.
- **Apple's** mission has been defined as - "to bring the best user experience to its customers through innovative hardware, software, and services."

Mission statement should reflect the philosophy of the organisations that is perceived by the senior managers. A good mission statement should be precise, clear, feasible, distinctive and motivating.

Following points are useful while writing a mission of a company:

- One of the roles of a mission statement is to give the organisation its own special identity, business emphasis and path for development – one that typically sets it apart from other similarly positioned companies.
- A company's business is defined by what needs it is trying to satisfy, which customer groups it is targeting and the technologies and competencies it uses and the activities it performs.
- Good mission statements are – unique to the organisation for which they are developed.

What is our mission? And what business are we in?

The well-known management experts, Peter Drucker and Theodore Levitt were among the first to agitate this issue through their writings. They emphasised that as the first step in the business planning endeavour, every business firm must clarify the corporate mission and define accurately the business the firm is engaged in. They also explained that towards facilitating this task, the firm should raise and answer certain basic questions concerning its business, such as:

- What is our mission?
- What is our ultimate purpose?
- What do we want to become?
- What kind of growth do we seek?
- What business are we in?
- Do we understand our business correctly and define it accurately in its broadest connotation?
- Whom do we intend to serve?
- What human need do we intend to serve through our offer?
- What brings us to this particular business?
- What would be the nature of this business in the future?
- In what business would we like to be in, in the future?

At the time these two experts raised this issue, the business managers of the world did not fully appreciate the importance of these questions; those were the days when business management was still a relatively simple process even in industrially advanced countries like the US. It was only in subsequent years that captains of industry all over the world understood the significance of the seemingly simple questions raised by Drucker and Levitt.

Mission amplifies what brings the firm to this business or why it is there, what existence it seeks and what purpose it seeks to achieve as a business firm. In other words, the mission serves as a justification for the firm's very presence and existence; it legitimises the firm's presence.

According to Peter Drucker, every organisation must ask an important question "What business are we in?" and get the correct and meaningful answer. The answer should have marketing or external perspective and should not be restated to the production or generic activities of business. The table given below will clarify and highlight the importance of external perspective.

What business are we in?

Company	**Production-oriented answer**	**Marketing-oriented answer**
Indian Oil	We produce oil and gasoline products.	We provide various types of safe and cost-effective energy.
Indian Railways	We run a railroad.	We offer a transportation and material-handling system.
Lakme	In the factory, we make cosmetics.	In the retail outlet, we sell hope.

1.5.3 Goals and Objectives

Business organisation translates their vision and mission into goals and objectives. As such the term objectives are synonymous with goals, however, some authors make an attempt to distinguish the two. Goals are open-ended attributes that denote the future states or outcomes. Objectives are close-ended attributes which are precise and expressed in specific terms. Thus, the Objectives are more specific and translate the goals to both long term and short-term perspective. However, this distinction is not made by several theorists on the subject. Accordingly, we will also use the term interchangeably.

Objectives are organisation's performance targets – the results and outcomes it wants to achieve. They function as yardsticks for tracking an organisation's performance and progress.

HDFC can have multiple short term and long term objectives which align with the overall vision and mission of the Bank.

Objectives with strategic focus relate to outcomes that strengthen an organisation's overall business position and competitive vitality. Objectives, to be meaningful to serve the intended role, must possess the following characteristics:

- Objectives should define the organisation's relationship with its environment.
- They should be facilitative towards achievement of mission and purpose.
- They should provide the basis for strategic decision-making.
- They should provide standards for performance appraisal.
- They should be concrete and specific.
- They should be related to a time frame.
- They should be measurable and controllable.
- They should be challenging.
- Different objectives should correlate with each other.
- Objectives should be set within the constraints of organisational resources and external environment

A need for both short-term and long-term objectives: As a rule, a company's set of financial and strategic objectives ought to include both short-term and long-term performance targets. Having quarterly or annual objectives focuses attention on delivering immediate performance improvements. Targets to be achieved within three to five years' prompt considerations of what to do now to put the company in position to perform better down the road. A company that has an objective of doubling its sales within five years can't wait until the third or fourth year to begin growing its sales and customer base. By spelling out annual (or perhaps quarterly) performance targets, management indicates the speed at which longer-range targets are to be approached.

Long-term objectives: To achieve long-term prosperity, strategic planners commonly establish long-term objectives in seven areas.

- Profitability
- Productivity
- Competitive Position
- Employee Development
- Employee Relations
- Technological Leadership
- Public Responsibility

Long-term objectives represent the results expected from pursuing certain strategies. Strategies represent the actions to be taken to accomplish long-term objectives. The time frame for objectives and strategies should be consistent, usually from two to five years.

Short-range objectives can be identical to long-range objectives if an organisation is already performing at the targeted long-term level. For instance, if a company has an ongoing objective of 15 percent profit growth every year and is currently achieving this objective, then the company's long-range and short-range objectives for increasing profits coincide. The most important situation in which short-range objectives differ from long-range objectives occurs when managers are trying to elevate organisational performance and cannot reach the target in just one year. Short-range objectives then serve as steps toward achieving long term objective.

Clearly established objectives offer many benefits. They provide direction, allow synergy, aid in evaluation, establish priorities, reduce uncertainty, minimize conflicts, stimulate exertion, and aid in both the allocation of resources and the design of jobs.

1.5.4 VALUES

"Business, as I have seen it, places one great demand on you: it needs you to self- impose a framework of ethics, values, fairness and objectivity on yourself at all times." - Ratan N Tata, 2006 (Source: TATA Group Website)

A few common examples of values are – Integrity, Trust, Accountability, Humility, Innovation, and Diversity. But why are values so important?

A company's value sets the tone for how the people of think and behave, especially in situations of dilemma. It creates a sense of shared purpose to build a strong foundation and focus on longevity of the company's success. Employees prefer to work with employers whose values resonate with them – the ones they can relate to in their daily work and personal life. Interestingly, majority of consumers say that they would prefer to buy products and services from companies that have a purpose that reflects their own value and belief system. Hence, values have both internal as well as external implications.

For reference, a lot of values were put to actions during Covid 19 pandemic when leaders of the organisations put people before everything else. It projected how deep the foundation of the oragnisations' were and how important it was for them to uphold their core values.

Intent vs Values - Which is a broader concept?

Sandeep, a human resource manager thinks that Intent is a bigger concept than Values. Is he right?

Sandeep is not right, as Values and Intent are two different concepts. Intent is the purpose of doing business while values are the principles that guide decision making of business. They both go hand in hand, while the intent is sometimes driven by values. So values more or so is wider than Intent.

1.6 STRATEGIC LEVELS IN ORGANISATIONS

A typical large organization is a multi-divisional organisation that competes in several different businesses. It has separate self-contained divisions to manage each of these businesses. **For example**, Patanjali has healthcare, FMCG, Organic Foods, Medicinal Oils and Herbs, and various different businesses. It has separate divisions which work within themselves to sustain each of these businesses.

Generally, there are three main levels of management:

- Corporate level
- Business level
- Functional level

General Managers are found at the first two of these levels, but their strategic roles differ depending on their sphere of responsibility.

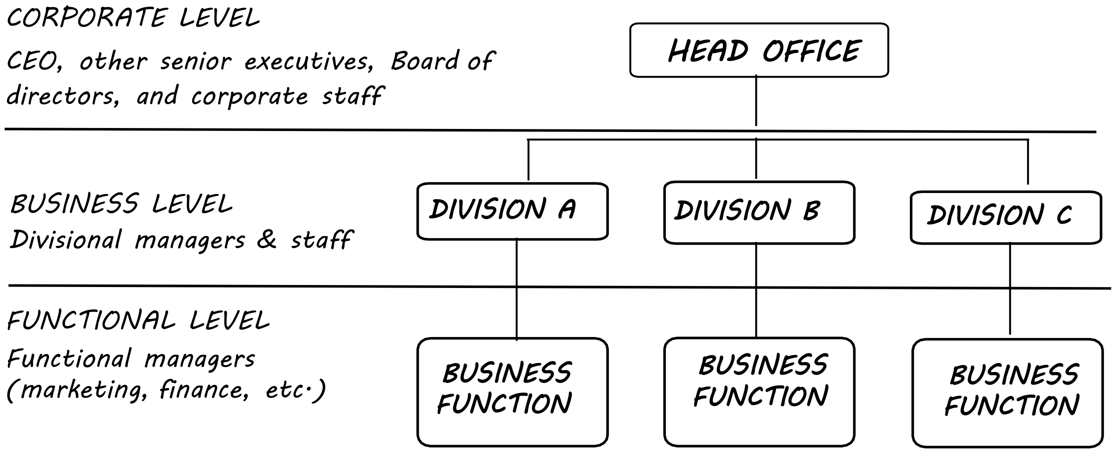
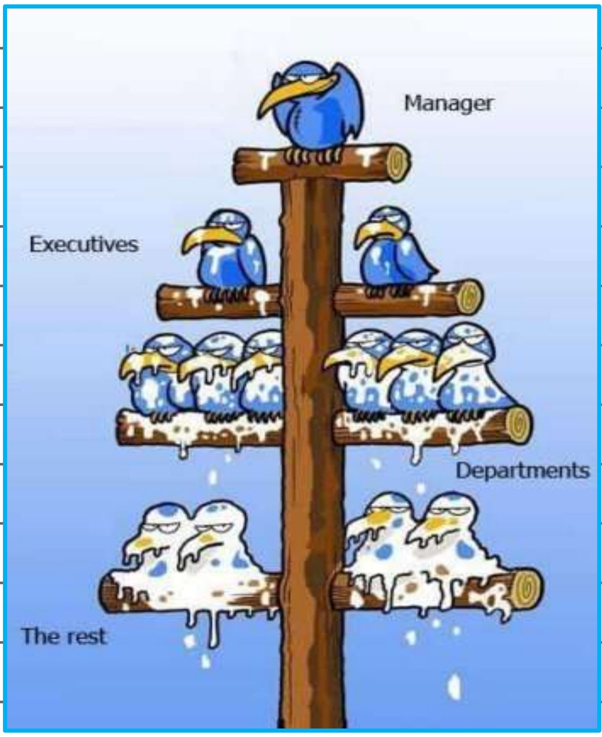


Figure: Levels of strategic management

An organization is divided into a number of segments that work together to bring a particular product or service to the market. If a company provides several and/or different kinds of products or services, it often duplicates these functions and creates a series of self-contained divisions (each of which contain its own set of functions) to manage each different product or service. The general managers of these divisions then become responsible for their particular product line. The overriding concern of the divisional managers is healthy growth of their divisions. They are responsible for deciding how to create a competitive advantage and achieve higher profitability with the resources and capital they have at their disposal. Such divisions are called **Strategic Business Units (SBUs)**.

The corporate level of management consists of the Chief Executive Officer (CEO), other senior executives, the board of directors, and corporate staff. These individuals participate in strategic decision making within the organization. The role of ***corporate-level managers*** is to oversee the development of strategies for the whole organization. This role includes defining the mission and goals of the organization, determining what businesses it should be in, allocating resources among the different businesses, formulating and implementing strategies that span individual businesses, and providing leadership for the organization as a whole.

__For example__, Ahmedabad headquartered Adani Group is an Indian multinational conglomerate active in a wide range of businesses, including mining, operating ports and airports, power generation and transmission and cement. The main strategic responsibilities of its Group Chairman, Mr. Gautam Adani, are setting overall strategic objectives, allocating resources among the different business areas, deciding whether the firm should divest itself of any of its businesses, and determining whether it should acquire any new ones. In other words, it is up to Mr. Adani and other senior executives to develop strategies that span individual businesses and building and managing the corporate portfolio of businesses to maximize corporate profitability. However, it is not their specific responsibility to develop strategies for competing in the individual business areas, such as financial services. The development of such strategies is the responsibility of those in charge of different businesses called __business level managers__.



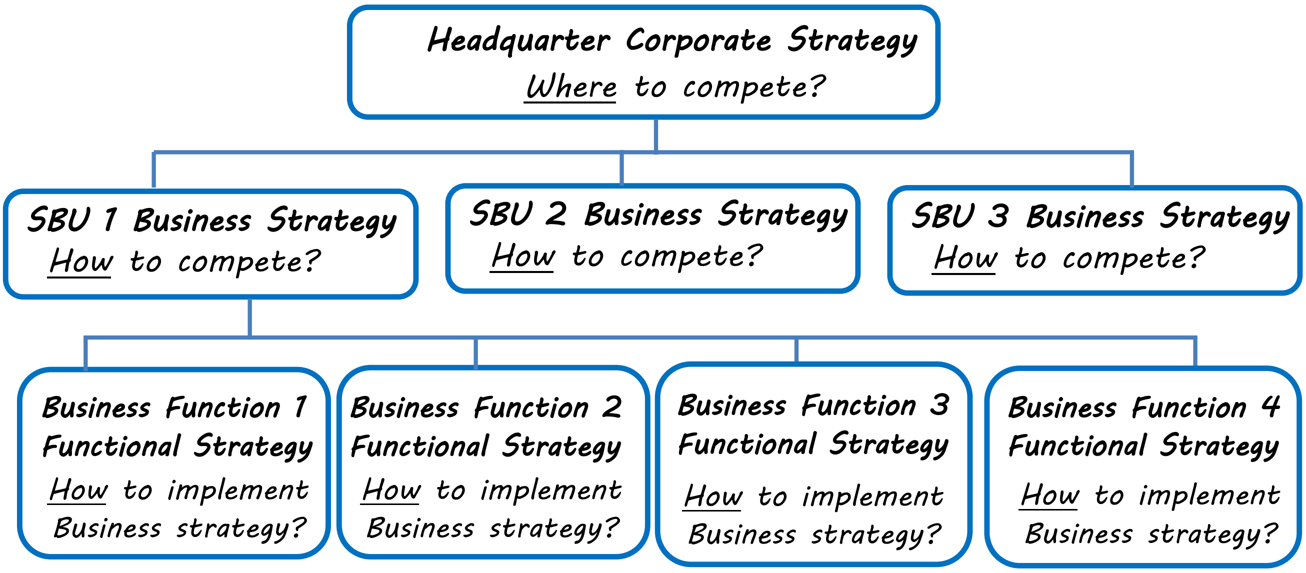
In simple words, corporate level managers provide an organisation level view of strategy and what they want to achieve, but it is on the business level managers to ensure that or their particular business, the one they are responsible for.

Besides overseeing resource allocation and managing the divestment and acquisition processes, corporate-level managers provide a link between the people who oversee the strategic development of a firm and those who own it (the shareholders). Corporate-level managers, and particularly the CEO, can be viewed as the guardians of shareholders' welfare. It is their responsibility to ensure that the corporate and business strategies of the company are consistent with maximizing shareholders' wealth. If they are not, then ultimately the CEO is likely to be held accountable by the shareholders.

As we now know, a strategic business unit is a self-contained division (with its own functions - **For example**, finance, purchasing, production, and marketing departments) that provides a product or service for a particular market. The principal general manager at the business level, or the business-level manager, is the head of the division. The strategic role of these managers is to translate the general statements of direction and intent that come from the corporate level into concrete strategies for individual businesses. Thus, whereas corporate-level managers are concerned with strategies that span individual businesses, business-level managers are concerned with strategies that are specific to a particular business.

Functional-level managers are responsible for the specific business functions or operations (human resources, purchasing, product development, customer service, and so on) that constitute a company or one of its divisions. Thus, a functional manager's sphere of responsibility is generally confined to one organizational activity, whereas general managers oversee the operation of a whole company or division. Although they are not responsible for the overall performance of the organization, functional managers nevertheless have a major strategic role: to develop functional strategies in their area that help fulfill the strategic objectives set by business- and corporate-level general managers.

Functional managers provide most of the information that makes it possible for business- and corporate-level general managers to formulate realistic and attainable strategies. Indeed, because they are closer to the customer than the typical general manager is, functional managers themselves may generate important ideas that subsequently may become major strategies for the company. Thus, it is important for general managers to listen closely to the ideas of their functional managers. An equally great responsibility for managers at the operational level is strategy implementation: the execution of corporate and business-level plans.



Which is better - Top Down Approach or Bottom-Up Approach?

Do you know the concepts of Top-Down and Bottom-Up approach of decision making? A top-down approach to decision making is when decisions are made solely by leadership at the top i.e. corporate level of management, while the bottom-up approach gives all teams across the levels a voice in decision making.

1.6.1 Network of relationship between the three levels

There are 3 major types of networks of relationship between the levels and also amongst the same levels of a business;

- **Functional and Divisional Relationship:** It is an independent relationship, where each function or a division is run independently headed by the function/division head, who is a business level manager, reporting directly to the business head, who is a corporate level manager. Functions maybe like Finance, Human Resources, Marketing, etc. while Divisions may depend on the products like for a toys manufacturer - kids toys, teenager toys, etc. could be divisions.
- **Horizontal Relationship:** All positions, from top management to staff-level employees, are in the same hierarchical position. It is a flat structure where everyone is considered at same level. This leads to openness and transparency in work culture and focused more on idea sharing and innovation. This type of relationship between levels is more suitable for startups where the need to share ideas with speed is more desirable.

♦ **Matrix Relationship:** It features a grid-like structure of levels in an organisation, with teams formed with people from various departments that are built for temporary task-based projects. This relationship helps manage huge conglomerates with ease where it is nearly impossible to track and manage every single team independently. In Matrix relationship - there are more than one business level managers for each functional level teams. It is complex for smaller organisations, but extremely useful for large organisations.