Introduction to Strategic Management

CONCEPT OF MANAGEMENT

The term **'management'** is used in two senses such as:

1) It is used with reference to **a key group in an organisation in-charge of its affairs**. In relation to an organization, **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 disorganized resources of manpower, money, materials, and technology into a functioning whole.

   The **survival and success** of an organisation depend to a large extent on the competence and character of its management.

2) The term **'Management'** is also used with reference to **a set of interrelated functions and processes carried out by the management of an organisation to attain its objectives.** These functions include **Planning, Organizing, Directing, Staffing and Controlling**.

Conclusion:

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.

CONCEPT OF STRATEGY

1) A typical dictionary will define the word strategy as something that has to do with **war and ways to win over enemy**. In business organizational context the term is not much different.
2) Strategy is the **game plan** that management uses to **improve market position, conduct its operations effectively, attract and satisfy customers, compete successfully, and achieve organizational objectives.**
3) It's a **long-range blueprint** of an **organization's desired image**, direction and destination **what it wants to be, what it wants to do and where it wants to go.**
4) Strategy is consciously considered and flexibly designed scheme of corporate intent and action
   a) **to mobilise resources,**
   b) **to direct effort and behaviour,**
   c) **to handle events and problems,**
   d) **to perceive and utilise opportunities, and**
   e) **to meet challenges and threats for corporate survival and success.**
5) Strategy provides an **integrated framework for the top management** to search for, **evaluate and exploit beneficial opportunities, to perceive and meet potential threats and crises**, to make full use of resources and strengths, to offset corporate weaknesses

6) However, strategy is **no substitute for sound, alert and responsible management**.
7) Strategy can never be **perfect, flawless and optimal**.
8) It is in the very nature of strategy that it is **flexible and pragmatic;** it is art of the possible. However, in a sound strategy, allowances are made for possible miscalculations and unanticipated events.
9) Strategies are formulated at the **corporate, divisional and functional level**.

For Reference:

Corporate strategies are formulated by the **top managers**. They include the **determination of the business lines, expansion and growth, vertical and horizontal integration, diversification, takeovers and mergers, new investment and divestment areas, R & D projects,** and so on.

These corporate wide strategies need to be **operationalized by divisional and functional strategies** regarding product lines, production volumes, quality ranges, prices, product promotion, market penetration, purchasing sources, personnel development and like.

STRATEGY IS PARTLY PROACTIVE AND PARTLY REACTIVE

A company's strategy is typically a blend of

a) **Proactive actions on the part of managers to improve the company's market position and financial performance.**
b) **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.

Proactive actions	a) A company's current strategy **flows** from both **previously initiated actions** and business approaches that are working well enough to merit continuation, as well as **newly initiated managerial decisions and actions** that strengthen the company's overall position and performance. b) 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.
Reactive actions	a) 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.

	b) Hence, partially, a company's strategy is always d**eveloped as a reasoned response to unforeseen developments** in the business environment as well as the situations within the firm.

Conclusion:

a) **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.**

b) 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.

c) 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.

STRATEGIC MANAGEMENT

1) **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**.
2) The **process does not end**, it keeps going on in a cyclic manner.
3) The overall objectives of strategic management are two fold:
   a) 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.
   b) To guide the **company successfully through all changes** in the environment. That is to react in the right manner.
4) Importance of Strategic Management essentially **lies in enabling** an organisation to **perform better than its competitors** and its own past and present performance. That is, delivering superior returns to the investors, superior value to the customers and superior performance vis-à-vis expectations of the employees, suppliers, government and society.
5) Strategic management **involves developing the company's vision, environmental scanning** (both external and internal), **strategy formulation**, **strategy implementation and evaluation and control.**
6) 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.

IMPORTANCE OF STRATEGIC MANAGEMENT

1) **Formulation** of strategies and their **implementation** have become **essential** for all organizations **for** their **survival and growth** in the present turbulent business environment.
2) **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.
3) 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.
4) The **major benefits of strategic management** are:

a) **Proactive instead of reactive:**

Strategic management helps Organisations to be **more proactive instead of reactive in shaping its future.** Organisations are able to analyse and take actions instead of being mere spectators. Thereby they are able to control their own destiny in a better manner. It helps them in **working within vagaries of environment and shaping it, instead of getting carried away** by its turbulence or uncertainties.

b) **Provides framework for decision making:**

Strategic management provides framework for all the major business decisions of an enterprise such as **decisions on businesses, products, markets, manufacturing facilities, investments and organisational structure**. It provides better guidance to entire organisation on the crucial point - what it is trying to **achieve**.

c) **Pathfinder:**

Strategic management is concerned with **ensuring a good future for the firm**. It seeks to prepare the corporation to face the future and **act as pathfinder to various business opportunities.** Organisations are able to **identify the available opportunities** and identify ways and means as how to reach them.

d) **Act as a corporate defence:**

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.

e) **Helps in developing core competencies:**

Over a period of time strategic management **helps organisation to evolve certain core competencies and competitive advantages** that assist in its fight for survival and growth.

f) **Provides direction:**

The strategic management gives a **direction to the company to move ahea**d. It defines the goals and mission. It helps management to **define realistic objectives and goals** which are in line with the vision of the company.

g) **Enhancing the longevity:**

Strategic management **helps to enhance the longevity of the business** with the state of competition and dynamic environment it may not be possible for organisations to survive in long run. It helps the organization to take a clear stand in the related industry and makes sure that it is not just surviving on luck.

LIMITATIONS OF STRATEGIC MANAGEMENT

The presence of strategic management cannot counter all hindrances and always achieve success. There are limitations attached to strategic management. These can be explained in the following lines:

1) **Environment is highly complex and turbulent**

a) 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.

b) The environment affects as the organisation has to deal with suppliers, customers, governments and other external factors.

c) 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

2) **Strategic management is a time-consuming process**

a) Organisations **spend a lot of time** in preparing, communicating the strategies that may **impede** daily operations and **negatively impact** the routine business.

b) **Planning and strategizing** are important but **putting them in action** is where the **actual success lies.**

For example - 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. Similarly in business if way too much time is spent on planning and formulating, then it might not be as fruitful.

3) **Strategic management is a costly process**

a) 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.

b) These can be really costly for organisations with **limited resources** particularly when **small and medium organisation** create strategies to compete.

c) Strategic Management **requires experts**, and these **experts are costly resources**. Thus, the process as a whole required good amount of funds to be spent.

4) <u>Difficult to predict competitive responses</u>

a) 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.

b) 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.

STRATEGIC LEVELS IN ORGANIZATIONS

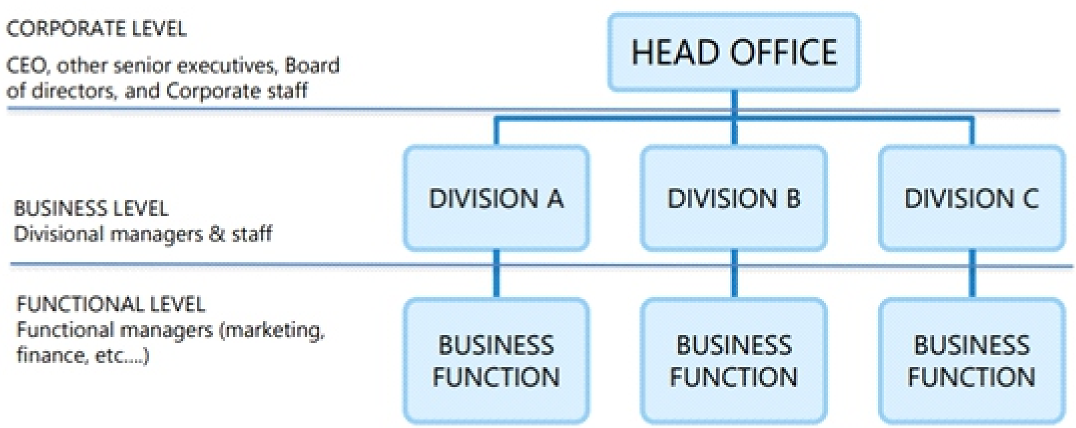
A typical large organization is **a multi-divisional organisation** that **competes in several different businesses**. It has separate self-contained divisions to manage each of these businesses.

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:

1) Corporate level
2) Business level
3) Functional level

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



1) An organization is **divided** into a number of segments that work together to bring a particular product or service to the market.
2) 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.
3) 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.
4) **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).**
5) There are three main levels of management in an organization namely:
   a) **Corporate, level**
   b) **Business level**
   c) **Functional level**

CORPORATE LEVEL MANAGERS

1) It consists of the **chief executive officer (CEO), other senior executives**, the board of directors, and corporate staff.
2) They occupy the **apex of strategic decision making** within the organization.
3) The CEO is the **principal general manager.**
4) 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).
5) Corporate- level managers, and particularly the CEO, can be viewed as **the guardians of shareholder welfare**. It is their responsibility to ensure that the corporate and business strategies that the company pursues are consistent with maximizing shareholder wealth.
6) 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.

The role of a corporate manager includes

a) To oversee the development of strategies for the whole organization.
b) Defining the mission and goals of the organization.
c) Determining what businesses, it should be in.
d) Allocating resources among the different businesses.
e) Formulating and Implementing strategies that span individual businesses.
f) Providing leadership for the organization.

BUSINESS LEVEL MANAGERS

1) It consists of **divisional managers and staff**.
2) The principal general manager at the business level is the **head of the division.**
3) 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**.
4) 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

1) Functional-level managers are **responsible for the specific business functions** or operations (**human resources, purchasing, product development, customer service,** etc.) that constitute a company or one of its divisions.
2) 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.
3) They have a major strategic role that is, to **develop functional strategies** in their areas that help fulfil the strategic objectives set by business and corporate-level general managers.
4) Functional managers provide most of the information that makes it possible for business and corporate-level general managers to formulate realistic and attainable strategies.
5) Thus, a functional manager's **sphere of responsibilities** is generally **confined to one organizational activity,** whereas **general managers oversee the operation** of the whole company or division.
6) Since functional level managers are closer to the customer than the typical general manager is, they 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.
7) 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?

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.

NETWORK OF RELATIONSHIPS BETWEEN THE THREE LEVELS

1) The corporate level decides what the business wants to achieve, while the business level draws ideas and plan to execute the same, which eventually flow down to functional level to execute and achieve results.
2) But there are multiple ways in which all the 3 levels of management are **interlinked**, and interestingly it **depends** on the **organisation as a whole** to decide what kind of network of relationship suits their culture and aspirations.
3) There are **3 major types of networks of relationship** between the levels and also amongst the same levels of a business;

Functional and Divisional Relationships

a) 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.
b) 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 Relationships

a) **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.
b) This type of relationship between levels is **more suitable for startups** where the need to share ideas with speed is more desirable.

Matrix Relationship

a) 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.
b) 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**.

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

1) Strategic Management is defined as a dynamic process of formulation, implementation, evaluation, and control of strategies to realise the organisation's strategic intent.
2) Strategic intent refers to **purposes of what the organization strives for.** Senior managers must define **"what they want to do"** and **"why they want to do"**. **"Why they want to do"** represents strategic intent of the firm.
3) **Clarity in strategic intent is extremely important** for the future success and growth of the enterprise, irrespective of its nature and size.
4) 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.
5) 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
6) Strategic intent **provides the framework** within which the firm would adopt a predetermined direction and would operate **to achieve strategic objectives.**
7) Strategic intent **could be in the form of vision and mission statements** for the organisation at the corporate level.
8) It could be **expressed as the business definition and business model** at the business level of the organisation.
9) 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.

ELEMENTS OF STRATEGIC INTENT

Vision

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

Mission

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

Goals and Objectives

a) These are the base of measurement.
b) **Goals are the end results**, that the organization attempts to achieve.
c) On the other hand, **objectives are time-based measurable targets**, which help in the accomplishment of goals.
d) These are the end results which are to be attained with the help of an overall plan, over the particular period.
e) 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 organization but the goals and objectives represent the results to be achieved in multiple areas of business.

Vales/ Value System

a) 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.
b) 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.

Conclusion-

While **Strategic Intent** is the purpose that an organisation aims to achieve, Values form the omnipresent foundation of each and every decision that the management takes. An organisation without values is like an organisation with no real intent. Let us understand a bit more about values from a business perspective.

THE VISION

1) A Strategic vision is a road map of a company's future – it provides specifics about **technology and customer focus, the geographic and product markets to be pursued, the capabilities it plans to develop, and the kind of company that management is trying to create.**
2) Very early in the strategy making process, a company's senior managers must consider the issue of what directional path the company should take and what changes in the company's product-market-customer-technology focus would improve its current market position and future prospects.
3) Deciding to commit the company to one path versus other pushes managers to draw some carefully reasoned conclusions about how to try to modify the company's business makeup and the market position it should stake out.
4) Top management's views about the company's direction and the product- customer-market-technology focus constitute the strategic vision for the company.
5) 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.
6) Strategic vision thus **points out a particular direction**, **charts a strategic path** to be followed in future, and moulding organisational identity.
7) A clearly articulated strategic vision **communicates management's aspirations** to stakeholders and helps steer the energies of company personnel in a common direction.

Examples

a) **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.
b) **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.
c) **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

a) The **entrepreneurial challenge** in developing a strategic vision is to think creatively about how to prepare a company for the future.
b) Forming a strategic vision is an exercise in intelligent entrepreneurship.
c) A well-articulated strategic vision creates **enthusiasm for the course management has charted and engages members of the organization.**
d) The best-worded vision statement **clearly and crisply illuminates the direction in which organization is headed.**

MISSION (WHO WE ARE AND WHAT WE DO)

1) A mission is an answer to the basic question **'what business are we in and what we do'.**
2) A company's mission statement is typically focused on its **present business scope – "who we are and what we do".** Mission statements broadly describe an organizations present **capability, customer focus, activities, and business makeup.**
3) 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.
4) 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.

Why should an organization have a mission?

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

Examples

a) **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.
b) **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.
c) **Apple's mission** has been defined as - "to bring the best user experience to its customers through innovative hardware, software, and services."

Guidelines in formulating a Mission Statement

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:

a) 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.

b) 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.

c) Good mission statements are – **unique to the organisation** for which they are developed.

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

1) The well-known management experts, **Peter Drucker and Theodore Levitt** were among the **first to agitate this issue** through their writings.

2) They emphasized 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.

3) They also explained that towards facilitating this task, the firm should raise and answer certain basic questions concerning its business, such as:
   a) **What is our mission?**
   b) **What is our ultimate purpose?**
   c) **What do we want to become?**
   d) **What kind of growth do we seek?**
   e) **What business are we in?**
   f) **Do we understand our business correctly and define it accurately in its broadest connotation?**
   g) **Whom do we intend to serve?**
   h) **What human need do we intend to serve through our offer?**
   i) **What brings us to this particular business?**
   j) **What would be the nature of this business in the future?**
   k) **In what business would we like to be in, in the future?**

4) The corporate mission is an **expression of the growth ambition of the firm.** It is, in fact, the firm's future visualised. It provides a dramatic picture of what the company wants to become.

5) It is the **corporation's dream crystallized.** It is a colourful sketch of how the firm wants its future to look, irrespective of the current position. In other words, the mission is a grand design of the firm's future.

6) 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

7) 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.

Company	Production-oriented Answer	Marketing-oriented answer
Indian Railways	We run a railroad	We offer a transportation a material-handling system
Indian Oil	We produce oil and gasolin products	We provide various types safe and cost effective energ
Lakme	In the factory, we mak cosmetics.	In the retail outlet, we s hope

GOALS AND OBJECTIVES

1) Objectives are **organizations performance targets - the results and outcomes it wants to achieve.** They function as **yardstick for tracking an organizations performance and progress.**
2) Business organization **translates their vision and mission into objectives.**
3) As such the **term objectives are synonymous with goals**, however, some authors make an attempt to distinguish the two.
4) **Goals are open-ended attributes** that denote the future states or outcomes.
5) **Objectives are close-ended attributes** which are precise and expressed in specific terms.
6) Thus, the **objectives are more specific and translate the goals to both long-term short-term perspectives. (We use Objectives and goals interchangeably)**

Characteristics of objectives

Objectives, to be meaningful to serve the intended role, must possess the following characteristics:

a) **Objectives should define the organization's relationship with its environment.**
b) **They should be facilitative towards achievement of mission and purpose.**
c) **They should provide the basis for strategic decision-making.**
d) **They should provide standards for performance appraisal.**
e) **Objectives should be concrete and specific**
f) **Objectives should be related to a time frame**
g) **Objectives should be measurable and controllable**
h) **Objectives should be challenging**
i) **Different objectives should correlate with each other**
j) **Objectives should be set within constraints of organizational resources and external environment.**

A need for both short-term and long-term objectives:

a) As a rule, a company's set of financial and strategic objectives **ought to include both short-term and long-term** performance targets.

b) Having quarterly or annual objectives **focuses** attention on delivering immediate performance improvements.

c) Targets to be achieved within **3-5 years** prompt considerations of what to do now to put the company in position to perform better down the road.

d) 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

1) **To achieve** long-term prosperity, strategic planners commonly **establish** long-term objectives in seven areas.
   a) **Profitability**
   b) **Productivity**
   c) **Competitive Position**
   d) **Employee Development**
   e) **Employee Relations**
   f) **Technological Leadership**
   g) **Public Responsibility**
2) Long-term objectives represent the **results expected from pursuing certain strategies, strategies represent the actions to be taken to accomplish long-term objectives.**
3) The **time-frame** for objectives and strategies should be **consistent**, usually from two to five years.
4) Clearly established objectives offer many benefits. **They provide**
   a) direction,
   b) allow synergy,
   c) aid in evaluation,
   d) establish priorities,
   e) reduce uncertainty,
   f) minimize conflicts,
   g) stimulate exertion, and
   h) aid in both the allocation of resources and the design of jobs.

Short-range objectives can be identical to long-range objectives if an organization is already performing at the targeted long-term level.

For instance, if a company has an on-going objective of 15 % 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 organizational performance and cannot reach the long-range target in just one year**.

Short-range objectives then serve as stair-steps or milestones towards achieving long term objective.

VALUES

1) A few common examples of values are - **Integrity, Trust, Accountability, Humility, Innovation, and Diversity**.
2) 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.
3) Employees prefer to work with employers whose values resonate with them - the ones they can relate to in their daily work and personal life.
4) 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**.
5) 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.
6) The graphic represents the interconnection of Intent, Vision, Mission, Goals and Values; **Values remain the center/core** of Vision, Mission, Goals and putting all them to action. Vision is followed by Mission, followed by Goals and finally executing via real actions.

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.

STRATEGIC MANAGEMENT PROCESS (NOT COVERED IN ICAI MODULE)

The basic framework of strategic process can be described as follows:

Stage one: Where are we now? (beginning): Situational Analysis / Strategic Analysis

a) This is the starting point of strategic planning and **consists of doing a situational analysis** of the firm in the environmental context.

b) Here the firm must find out its **relative market position, corporate image, its strength and weakness and also environmental threats and opportunities.**

c) This is also known as **SWOT (Strength, Weakness, Opportunity, Threat) analysis.**

Stage two: Where we want to be? (ends): Goal Setting

a) This is a process of goal setting for the organization after it has **finalised its vision and mission.**

b) A strategic vision is a **roadmap of the company's future** – providing specifics about technology and customer focus, the geographic and product markets to be pursued, the capabilities it plans to develop, and the kind of company that management is trying to create.

c) An organization's Mission states **what customers it serves, what need it satisfies, and what type of product it offers**.

Stage three: How might we get there? (means):

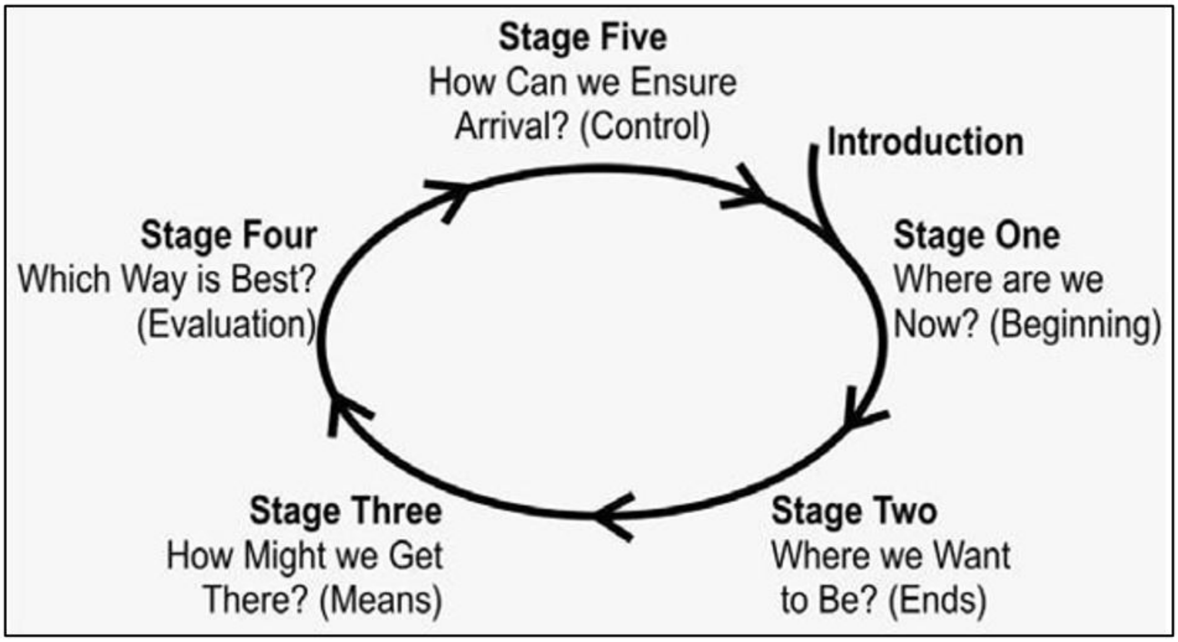
Analysis of alternative / Strategic choices. Here the organization deals with the various strategic alternatives it has.

Stage four: Which way is best? (evaluation): Decision Making / Analysis of alternatives

Out of all the alternatives generated in the earlier stage the **organization selects the best suitable alternative** in line with its SWOT analysis.

Stage five: How can we ensure arrival? (control): Implementation

This is an **implementation and control stage of a suitable strategy**. Here again the organization continuously does situational analysis and repeats the stages again. Thus, strategic management is a continuous on-going process and is not a one-time exercise.


Stage Five
How Can we Ensure
Arrival? (Control)
Introduction
Stage One
Where are we
Now? (Beginning)
Stage Two
Where we Want
to Be? (Ends)
Stage Three
How Might we Get
There? (Means)
Stage Four
Which Way is Best?
(Evaluation)