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Strategic PLANNING

BUSINESS POLICY AND STRATEGIC MANAGEMENT



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definition

Without a strategy the organization is like a ship without a rudder.

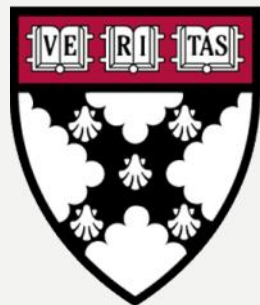
- Joel Ross and Michael Kami

**Strategic management is not a box of tricks or a bundle of techniques.
It is analytical thinking and commitment of resources to action.**

- Peter Drucker

BUSINESS POLICY AS A DISCIPLINE

The origins of business policy can be traced back to 1911, when Harvard Business School introduced an integrative course in management aimed at the creation of general management capability.



**HARVARD
BUSINESS SCHOOL**

MEANING & NATURE OF MANAGEMENT

The term 'management' can be used in **two major contexts** :

- 1) 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, materials, and technology into a functioning whole.
- 2) The functions and processes of management are wide-ranging but closely interrelated.

Peter Drucker: Management is a function, a discipline, a task to be done, and managers practice this discipline, carry out the functions and discharge these tasks.



definition [Strategy]

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

- William F. Glueck

Strategy is consciously considered and flexibly designed scheme of corporate intent and action to achieve effectiveness, to mobilise resources, to direct effort and behaviour, to handle events and problems, to perceive and utilise opportunities, and to meet challenges and threats to corporate survival and success



STRATEGY

PROACTIVE

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



REACTIVE

Reactions to unanticipated developments and fresh market conditions.



Proactive Strategy



CORPORATE STRATEGY

Corporate strategy is basically the growth design of the firm; it spells out the growth objective - the direction, extent, pace and timing of the firm's growth.

Characteristics of a Corporate Strategy :

1. It is generally long-range in nature, though it is valid for short-range situations also has short-range implications.
2. It is action oriented and is more specific than objectives.
3. It is multipronged and integrated.
4. It is flexible and dynamic.
5. It is generally meant to cope with a competitive and complex setting.
6. It flows out of the goals and objectives of the enterprise
7. It provides unified criteria for managers in function of decision making.



WHAT DOES CORPORATE STRATEGY ENSURE ?

Corporate strategy in the first place **1) ensures the growth of the firm** and **2) ensures the correct alignment** of the firm with its environment.

Basically the purpose of corporate strategy is to harness the **opportunities available in the environment, countering the threats** embedded therein.

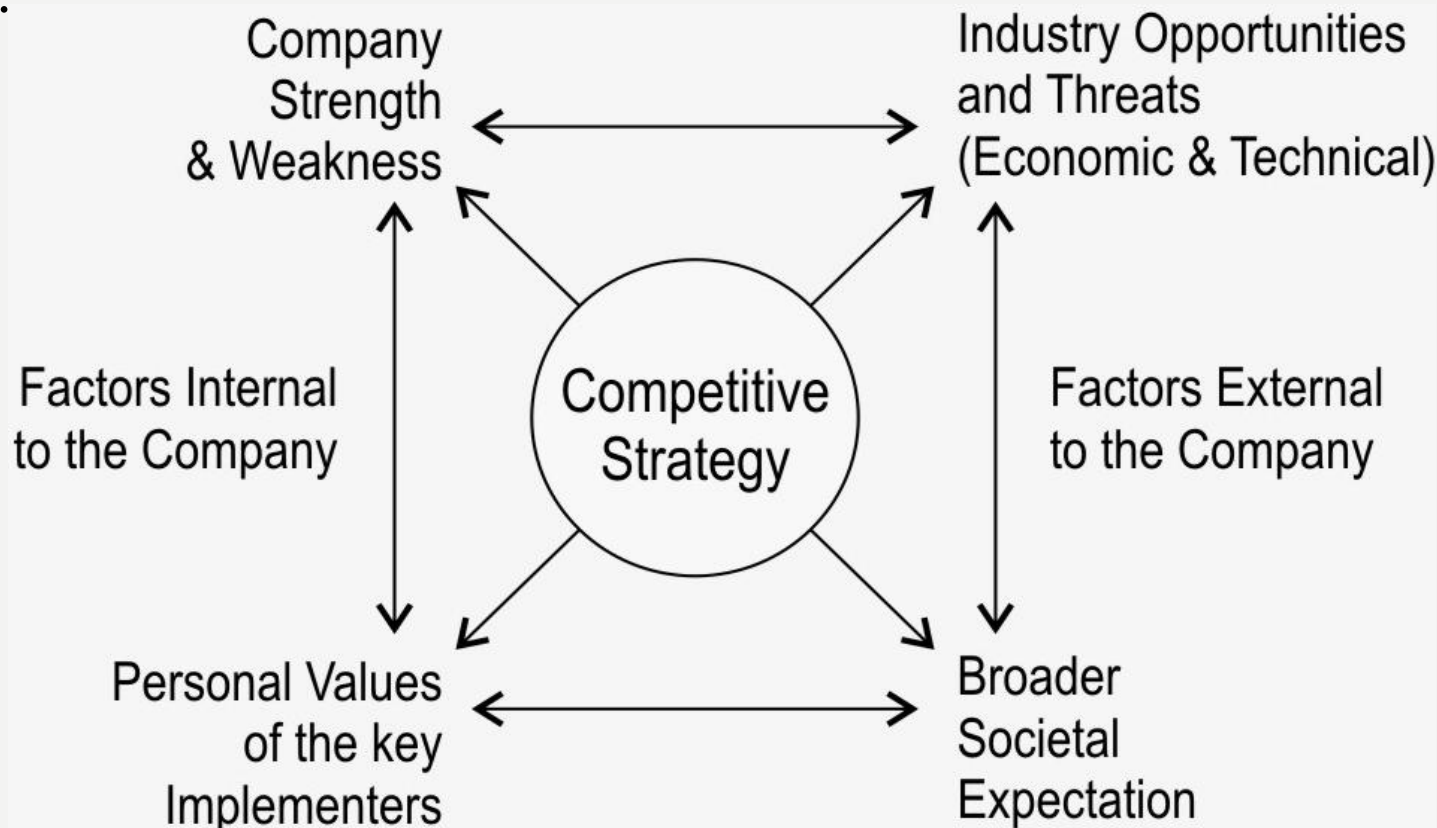
BUSINESS
Opportunities



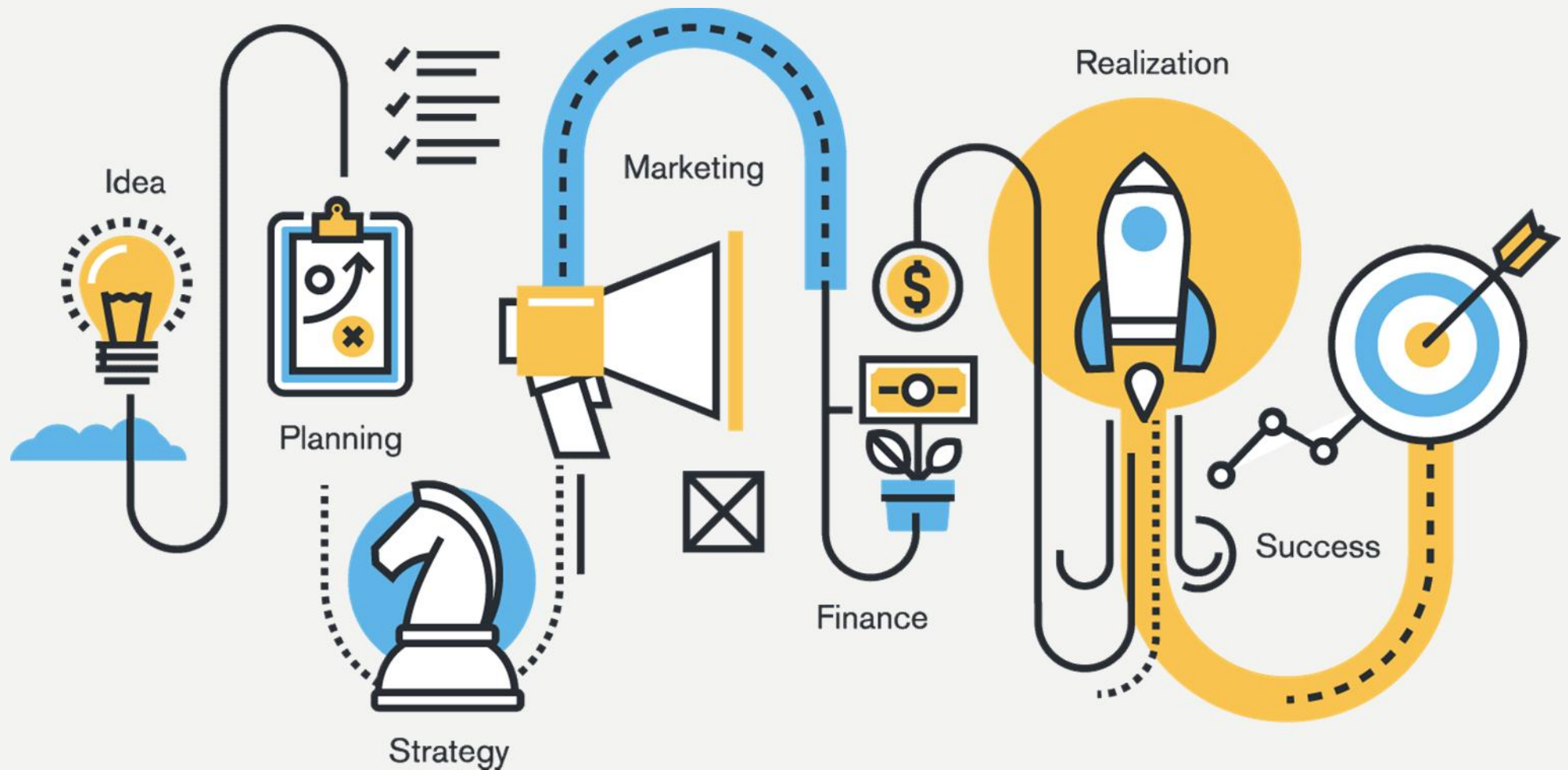
THREATS

THE DYNAMICS OF COMPETITIVE STRATEGY

The competitive strategy evolves out of consideration of several factors that are external to the firm. Context in which competitive strategy is formulated is as below:



STRATEGIC MANAGEMENT



definition [Strategic Management]

The term strategic management refers to the managerial process of forming a strategic vision, setting objectives, crafting a strategy, implementing and executing the strategy, and then over times initiating whatever corrective adjustments in the vision, objectives, strategy, and execution are deemed appropriate





OBJECTIVES

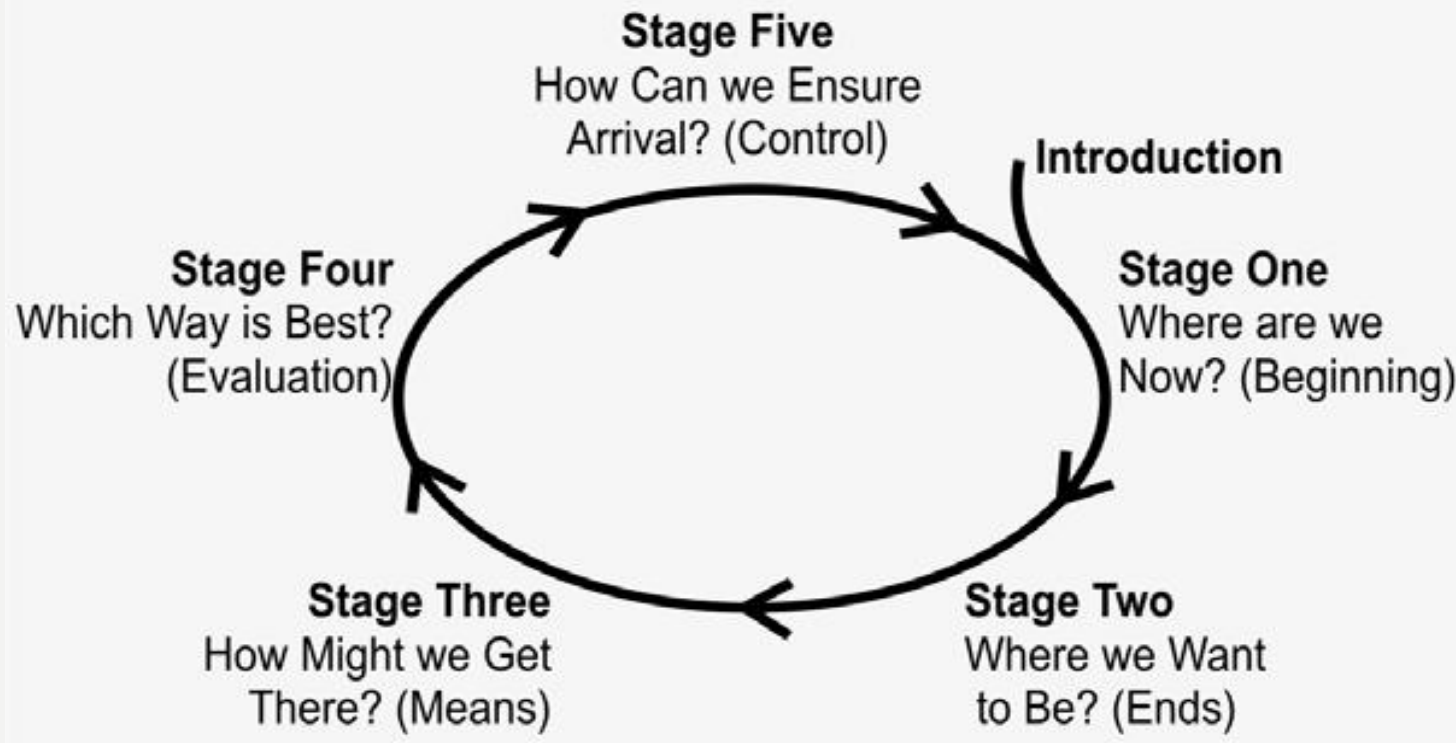
Strategic planning, an important component of strategic management, involves developing a strategy to meet competition and ensure long-term survival and growth.

The overall objectives of strategic management are two fold:

1. To create competitive advantage, so that the company can outperform the competitors in order to have dominance over the market.
2. To guide the company successfully through all changes in the environment.

FRAMEWORK

The basic framework of strategic process can be described in a sequence of five stages as shown in the figure below :



IMPORTANCE

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

The major benefits of strategic management are:

- 1) Strategic management helps organisations to be more proactive instead of reactive in shaping its future.
- 2) 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.
- 3) Strategic management is concerned with ensuring a good future for the firm.
- 4) Strategic management serves as a corporate defence mechanism against mistakes and pitfalls.
- 5) Strategic management helps organisation to evolve certain core competencies and competitive advantages that assist in its fight for survival and growth.



STRATEGIC DECISION MAKING



Decision making is a managerial process and function of choosing a particular course of action out of several alternative courses for the purpose of accomplishment of the organizational goals.

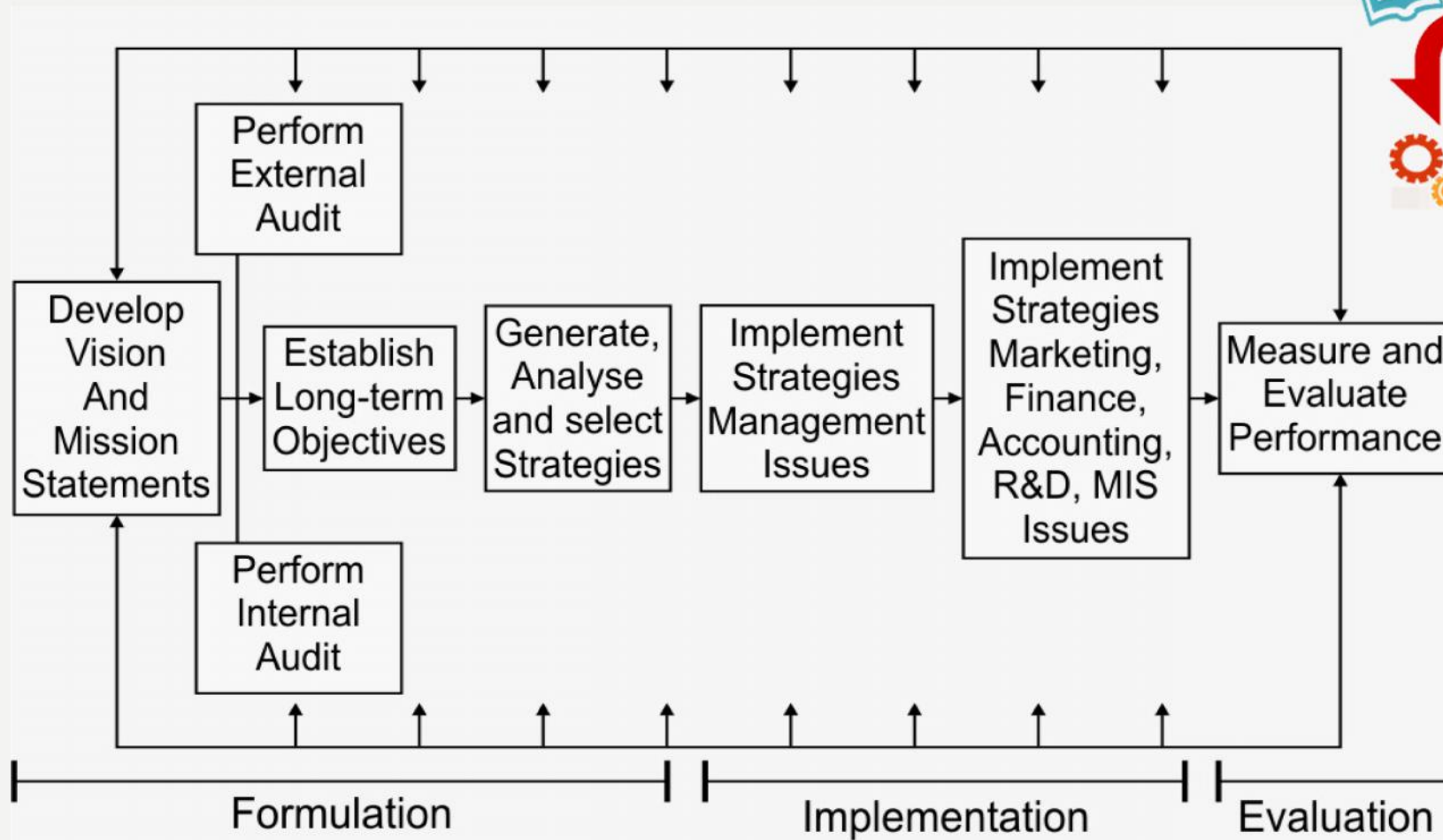
Strategic decisions are different in nature than all other decisions which are taken at various levels of the organization during day-to-day working of the organizations.

DIMENSIONS

The major dimensions of strategic decisions are given below:

- 1) Strategic issues require top-management decisions
- 2) Strategic issues involve the allocation of large amounts of company resources
- 3) Strategic issues are likely to have a significant impact on the long term prosperity of the firm
- 4) Strategic issues are future oriented
- 5) Strategic issues usually have major multifunctional or multi-business consequences
- 6) Strategic issues necessitate consideration of factors in the firm's external environment

STRATEGIC MANAGEMENT MODEL



VISION, MISSION & OBJECTIVES

How can you lead if you do not know where are you going?

- **George Newman, The Conference Board**

Management's job is not to see the company as it isbut as it can become.

- **John W Teets, CEO, Greyhound Corporation**





A Strategic vision is a road map of a 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.

The three elements of a strategic vision:

1. Coming up with a mission statement that defines what business the company is presently in and conveys the essence of “Who we are and where we are now?”
2. Using the mission statement as basis for deciding on a long-term course making choices about “Where we are going?”
3. Communicating the strategic vision in clear, exciting terms that arouse organization wide commitment.



How to develop 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.

Many successful organizations need to change direction not in order to survive but in order to maintain their success.

A well-articulated strategic vision creates enthusiasm for the course management has



According to **Glueck & Jauch**, mission is answer to the question ‘what business are we in’ that is faced by corporate-level strategist.

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 capabilities, customer focus, activities, and business makeup

Why organization should have

1. To ensure unanimity of purpose within the organization.
2. To provide a basis for motivating the use of the organization's resources.
3. To develop a basis, or standard, for allocating organizational resources.
4. To establish a general tone or organizational climate
5. To serve as a focal point for those who can identify with the organization's purpose and direction
6. To facilitate the translation of objective and goals into a work structure
7. To specify organizational purposes and the translation of these purposes into goals
8. One of the roles of a mission statement is to give the organization its own special identity, business emphasis and path for development
9. A company's business is defined by what needs it trying to satisfy
10. Technology, competencies and activities are important in defining a company's business because they indicate the boundaries on its operation.
11. Good mission statements are highly personalized – unique to the organization 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.

The firm should raise and answer certain basic questions concerning its business, such as:

1. What is our mission?
2. What is our ultimate purpose?
3. What do we want to become?
4. What kind of growth do we seek?
5. What business are we in?
6. Do we understand our business correctly and define it accurately in its broadest connotation?
7. Do we know our customer?
8. Whom do we intend to serve?
9. What human need do we intend to serve through our offer?
10. What brings us to this particular business?
11. What would be the nature of this business in the future?
12. In what business would we like to be in, in the future?



Objectives are open-ended attributes that denote the future states or outcomes. Goals are close-ended attributes which are precise and expressed in specific terms. Thus the goals are more specific and translate the objectives to short term perspective.

Objectives are organizations performance targets – the results and outcomes it wants to achieve. They function as yardstick for tracking an organizations performance and progress.

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



1. Objectives should define the organization's relationship with its environment.
2. They should be facilitative towards achievement of mission and purpose.
3. They should provide the basis for strategic decision-making.
4. They should provide standards for performance appraisal.
5. Objectives should be understandable.
6. Objectives should be concrete and specific
7. Objectives should be related to a time frame
8. Objectives should be measurable and controllable
9. Objectives should be challenging
10. Different objectives should correlate with each other
11. Objectives should be set within constraints

STRATEGIC LEVELS IN ORGANISATIONS

Corporate Level

CEO, Board of Directors,
other senior executives and
corporate staff

Head Office

Business Level

Divisional managers
and staff

Division A

Division B

Division C

Functional Level

Functional managers

Business
Functions

Business
Functions

Business
Functions

Market

Market

Market

CHARACTERISTICS OF STRATEGIC MANAGEMENT DECISIONS AT DIFFERENT LEVELS

Characteristic	Level of Strategy		
	Corporate	Business	Functional
Type	Conceptual	Mixed	Operational
Measurability	Value judgments dominant	Semi quantifiable	Usually Quantifiable
Frequency	Sporadic or Periodic	Periodic or Sporadic	Periodic
Relation to present activities	Innovative	Mixed	Supplementary
Risk	Wide Range	Moderate	Low
Profit Potential	Large	Medium	Small
Cost	Major	Medium	Modest
Time horizon	Long Range	Medium Range	Short Range
Flexibility	High	Medium	Low
Cooperation Required	Considerable	Moderate	Little

The End