Unit-1
Strategic Management: An Overview

Learning Objectives

After completion of the unit, you should be able to:

- Explain the concept and definition of strategy & strategic management.
- Know the features/characteristics of strategic management.
- Understand the importance of strategic management.
- Explain the different levels of strategy.
- Describe the benefits of strategic management

Structure

1.1 Introduction

Strategic Management is a relatively new discipline focused in the field of management, and provides overall direction to an organization for attaining its objectives and achieving success. It is an ongoing process in which an organization continuously updates its strategies with respect to changes taking place in the ever changing business environment. The top management of an organization concerned with selection of a course of action from among different alternatives to meet the organizational objectives. The process by which objectives are formulated and achieved is known as strategic management and strategy acts as the means to achieve the objective. Strategy is the grand design or an overall 'plan' which an organization chooses in order to move or react towards the set objectives by using its resources. Strategies most often devote a general programme of action and an implied deployment of emphasis and resources to attain comprehensive objectives. An organization is considered efficient and operationally effective if it is characterized by coordination between objectives and strategies. There has to be integration of the parts into a complete structure. Strategy helps the organization to meet its uncertain situations with due diligence. Without a strategy, the organization is like a ship without rudder. It is like a tramp, which has no particular destination to go to. Without an appropriate strategy effectively implemented, the future is always dark and hence, more are the chances of business failure.

1.2 Concept and Definition of Strategy

Concept of Strategy

The word ‘strategy’ has entered in the field of management from the military services where it refers to apply the forces against an enemy to win a war. Originally, the word strategy has been derived from Greek 'strategos' which means Generalship. The word was used for the first time in around 400 BC. The word strategy means the art of the general to fight in war. This connotes the art and science of directing military forces. The strategy, according to a survey conducted in 1974 which asked corporate planners to define what they meant by strategy, “includes the determination and evaluation of alternative paths to an already established mission or objective and eventually, choice of the alternative to be adopted.’’ Simply put, a strategy outlines how management plans to achieve its objectives. Strategy is the product of the strategic management process. Generally, when we talk of organisational strategy, it refers to organisation’s top level strategy. However, strategies exist at other levels also. Chandler made a comprehensive analysis of interrelationships among environment, strategy, and organisational structure. He analysed the history of organisational change in 70 manufacturing firms in the US. While doing so, Chandler defined strategy as: “The determination of the basic long-term goals and objectives of an enterprise and the adoption of the courses of action and the allocation of resources necessary for carrying out these goals”. Chandler refers to three aspects: l Determination of basic long-term goals and objectives. l adoption of courses of action to achieve these objectives, and l allocation of resources necessary for adopting the courses of action.

The dictionary meaning of strategy is, "the art of so moving or disposing the instrument of warfare as to impose upon enemy, the place time and conditions for fighting by one self."

Strategic Management is all about identification and description of the strategies that managers can carry so as to achieve better performance and a competitive advantage for their organization. An organization is said to have competitive advantage if its profitability is higher than the average profitability for all companies in its industry.

Definitions

In management, the concept of strategy is taken in broader terms.

Igor Ansoff (Father of Strategic Management) viewed that in developing strategy, it was essential to systematically anticipate future environmental challenges to an organization, and draw up appropriate strategic plans for responding to these challenges.

"Strategy is organisation's pattern of response to its environment over a period of time to achieve its goals and mission."
In 1960's, **Chandler** defines strategy as "the determination of basic long-term goals and objectives of an enterprise and the adoption of the course of action and the allocation of resources necessary for carrying out these goals"

According to **Glueck**, "Strategy is the unified, comprehensive and integrated plan that relates the strategic advantage of the firm to the challenges of the environment and is designed to ensure that basic objectives of the enterprise are achieved through proper implementation process."

The analysis of the above definition describes the following:

- Unified comprehensive and integrated plan.
- Strategic advantage related to challenges of environment.
- Proper implementation ensuring achievement of basic objectives.
- Michael porter defines strategy as "creation of a unique and valued position involving a different activity from rivals or performs similar activities in different ways."

Michael Porter defines strategy as "creation of a unique and valued position involving a different activity from rivals or performs similar activities in different ways."

1.3 Features/Characteristics

Strategic Management as a distinct field of study has the following features or characteristics:

a. Strategy is Significant because it is not possible to foresee the future without a perfect foresight; the firms must be ready to deal with the uncertain events which constitute the business environment. Therefore we can say that strategy is future oriented.

b. Strategy deals with long term developments rather than routine operations, i.e. it deals with probability of innovations or new products, new methods of productions, or new markets to be developed in future.

c. Strategy is created to take into account the probable behaviour of customers and competitors. Strategies dealing with employees will predict the employee behaviour.

d. Strategy is a blend of internal and external factors of the organization i.e. (SWOT) analysis of the organization.

e. Strategy provides overall framework for guiding organizational thinking and action.

1.4 Need and Importance of Strategy

Planning or designing a strategy involves a great deal of risk and resource assessment, ways to counter the risks, and effective utilization of resources all while trying to achieve a significant purpose.

An organization is generally established with a goal in mind, and this goal defines the purpose for its existence. All of the work carried out by the organization revolves around this particular goal, and it has to align its internal resources and external environment in a way that the goal is achieved in rational expected time.

Undoubtedly, since an organization is a big entity with probably a huge underlying investment, strategizing becomes a necessary factor for successful working internally, as well as to get feasible returns on the expended money.

Strategic Management on a corporate level normally incorporates preparation for future opportunities, risks and market trends. This makes way for the firms to analyze, examine and execute administration in a manner that is most likely to achieve the set aims. As such, strategizing or planning must be covered as the deciding administration factor.

Strategic Management and the role it plays in the accomplishments of firms has been a subject of thorough research and study for an extensive period of time now. Strategic Management in an organization ensures that goals are set, primary issues are outlined, time and resources are pivoted, functioning is consolidated, internal environment is set towards achieving the objectives, consequences and results are concurred upon, and the organization remains flexible towards any external changes.

As more and more organizations have started to realize that strategic planning is the fundamental aspect in successfully assisting them through any sudden contingencies, either internally or externally, they have started to absorb strategy management starting from the most basic administration levels. In actuality, strategy management is the essence of an absolute administration plan. For large organizations, with a complex organizational structure and extreme regimentation, strategizing is embedded at every tier.

Apart from faster and effective decision making, pursuing opportunities and directing work, strategic management assists with cutting back costs, employee motivation and gratification, counteracting threats or better, converting these threats into opportunities, predicting probable market trends, and improving overall performance.

Keeping in mind the long-term benefits to organizations, strategic planning drives them to focus on the internal environment, through encouraging and setting challenges for employees, helping them achieve personal as well as organizational objectives. At the same time, it is also ensured that external challenges are taken care of, adverse situations are tackled and threats are analyzed to turn them into probable opportunities.

1.5 Approaches to Strategy

These different positions on corporate strategy are reflected in its history. After the Second World War, many concepts about strategy were translated from the military into the corporate world. In the 1960s, strategy meant complex and detailed planning based on economic models and detailed forecasts. The credibility of this approach was undermined in the following decades as a result of the impact of significant oil price rises (meaning the assumptions underlying the plans had to be revised). There was also the success of many Japanese companies, for whom detailed planning was apparently less of a priority. One of Mintzberg's earlier contributions to the field was to categorise different approaches to strategy-making. In 1973, he suggested these were:

• The adaptive

• The entrepreneurial

• Planning.

Another influential theorist was Michael Porter, who invigorated the field in 1980 by arguing that corporate strategy should be based on the conditions of the industry, and the company's relative position in that industry. Organisations should identify their strengths (or 'core competencies') and concentrate on or discover markets where those skills could be exploited. The concept of core competencies was relevant for both organic and acquisitive growth, informed diversification and divestment strategies. Porter's focus was on the interface between the organisation and its environment. Competencies Theory was developed into a more 'inside out' focus when Gary Hamel and C. K. Prahalad published their core competencies model in 1990. They took as the starting point for strategy development the core strengths of the organisation, and advised that a core competence was recognised by:

• providing potential access to a wide variety of markets

• making a significant contribution to the benefits of a product as perceived by customers

• being hard to replicate by competitors. Management's role was to create the environment to facilitate the creation of these core competencies.

The competencies themselves were intended to equip entities to adapt quickly to changing environments and to produce innovative, even unexpected, products.

Around the same time, Jack Welch (whose perspectives still influence many business leaders) disbanded his company's planning department of about 200 staff at General Electric in the USA. He argued that the planners were divorced from the front-line, and were too concerned with planning in detail and not enough on competitive positioning and identification of potential markets. Welch devolved responsibility for strategic planning to the heads of GEC's 12 business units, expecting them to be more responsive to change.

Every organization needs a strategy and there are generally the following three approaches to forming this strategy.

Internally-Driven Organizations

Most organizations are internally driven, which means that their strategy is driven by what they have done in the past; their thinking is inside out. The weakness with this strategy is that organization members are not anticipating changes that are happening in the marketplace.

Customer-Driven Organizations

Customer-driven organizations are those who try to by close and ready to listen to the customer. The problem with approach is that these organizations end up trying to be "all things to all people."

Market-Driven Organizations

Lastly, Market-driven organizations base their strategy on making conscious choices about which markets they will serve and how they will add value. High performance organizations not only participate in the strategy process, they also understand which strategy will propel their organizations forward.

1.6 Levels of Strategy

Levels of Strategic Management

It is believed that strategic decision making is the responsibility of top management. However, it is considered useful to distinguish between the levels of operation of the strategy. Typically, three broad levels can be identified as illustrated in Figure 1.1.

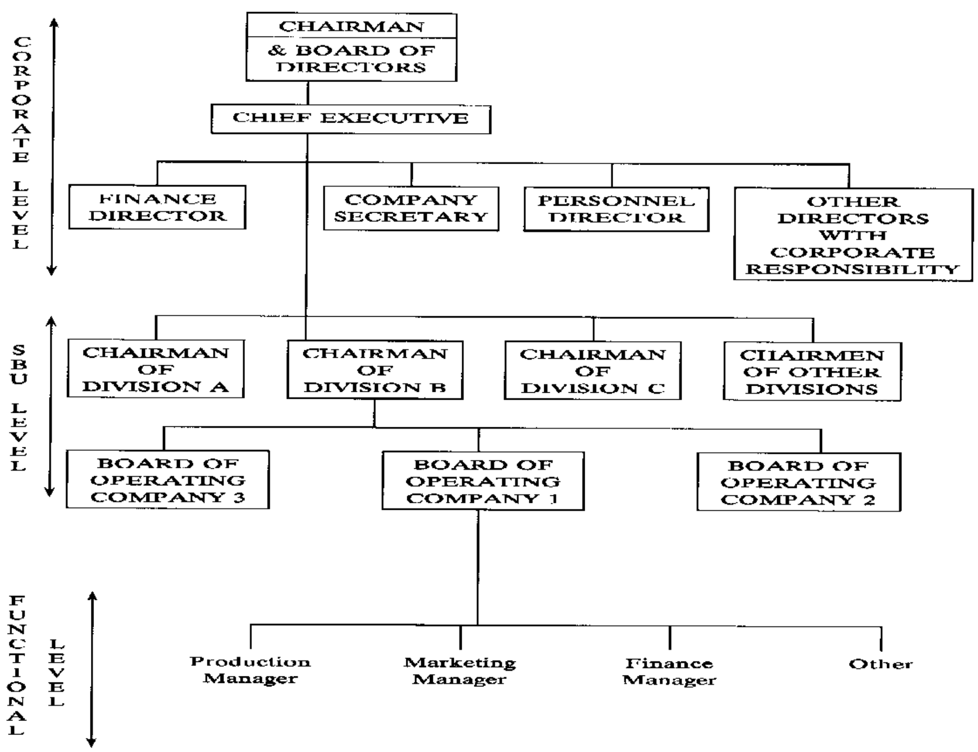

Figure 1:1 - The Levels of Strategy

- Corporate Level
- Business Level
- Functional Level

There are basically two categories of companies- one, which have different businesses organized as different directions or product groups known as profit centres or strategic business units (SBUs) and other, which consists of companies which are single product companies. The example of first category can be that of Reliance Industries Limited which is a highly integrated company producing textiles, yarn, and a variety of petro chemical products and the example of the second category could be Ashok Leyland Limited which is engaged in the manufacturing and selling of heavy commercial vehicles. The SBU concept was introduced by General Electric Company (GEC) of USA to manage product business. The fundamental concept in the SBU is the identification of discrete independent product/ market segments served by the organization. Because of the different environments served by each product, a SBU is created for each independent product/ segment. Each and every SBU is different from another SBU due to the distinct business areas (DBAs) it is serving. Each SBU has a clearly defined product market segment and strategy. It develops its strategy according to its own capabilities and needs with overall organizations capabilities and needs. Each SBU allocates resources according to its individual requirements for the achievement of organizational objectives. As against the multi product organizations, the single product organizations have single Strategic Business Unit. In these organizations, corporate level strategy serves the whole business. The strategy is implanted at the next lower level by functional strategies. In multiple product company, a strategy is formulated for each SBU (known as business level strategy) and such strategies lie between corporate and functional level strategies.

The three levels are explained as follows:

Corporate Level Strategy

At the corporate level, strategies are formulated according to organization wise polices. These are value oriented, conceptual and less concrete than decisions at the other two levels. These are characterized by greater risk, cost and profit potential as well as flexibility. Mostly, corporate level strategies are futuristic, innovative and pervasive in nature. They occupy the highest level of strategic decision making and cover the actions dealing with the objectives of the organization. Such decisions are made by top management of the firm. The example of such strategies includes acquisition decisions, diversification, structural redesigning etc. The board of Directors and the Chief Executive Officer are the primary groups involved in this level of strategy making. In small and family owned businesses, the entrepreneur is both the general manager and chief strategic manager.

Business Level Strategy

The strategies formulated by each SBU to make best use of its resources given the environment it faces, come under the account of business level strategies. At such a level, strategy is a comprehensive plan providing objectives for SBUs, allocation of resources among functional areas and coordination between them for achievement of corporate level objectives. These strategies operate within the overall organizational strategies i.e. within the broad constraints and polices and long term objectives set by the corporate strategy. The SBU managers are involved in this level of strategy. The strategies are related with a unit within the organization. The SBU operates within the defined scope of operations by the corporate level strategy and is limited by the assignment of resources by the corporate level. However, corporate strategy is not the sum total of business strategies of the organization. Business strategy relates with the "how" and the corporate strategy relates with the "what"' Business strategy defines the choice of product or service and market of individual business within the firm. The corporate strategy has impact on business strategy.

Functional Level Strategy

This strategy relates to a single functional operation and the activities involved therein. This level is at the operating end of the organization. The decisions at this level within the organization are described as tactical. The strategies are concerned with how different functions of the enterprise like marketing, finance, manufacturing etc. contribute to the strategy of other levels. Functional strategy deals with a relatively restricted plan providing objectives for specific function, allocation of resources among different operations within the functional area and coordination between them for achievement of **SBU** and corporate level objectives.

Sometimes a fourth level of strategy also exists. This level is known as the operating level. It comes below the functional level strategy and involves actions relating to various sub functions of the major function. For example, the functional level strategy of marketing function is divided into operating levels such as marketing research, sales promotion etc.

Three levels of strategies have different characteristics as shown in the following table

Dimensions	**Levels**		
	Corporate	***Business***	***Functional***
Impact	Significant	Major	Insignificant
Risk Involved	High	Medium	Low
Profit Potential	High	Medium	Low
Time Horizon	Long	Medium	Low
Flexibility	High	Medium	Low
Adaptability	Insignificant	Medium	Significant

1.7 Benefits and Limitations of Strategic Management

There are many benefits of strategic management and they include identification, prioritization, and exploration of opportunities. For instance, newer products, newer markets, and newer forays into business lines are only possible if firms indulge in strategic planning. Next, strategic management allows firms to take an objective view of the activities being done by it and do a cost benefit analysis as to whether the firm is profitable.

Just to differentiate, by this, we do not mean the financial benefits alone (which would be discussed below) but also the assessment of profitability that has to do with evaluating whether the business is strategically aligned to its goals and priorities.

The key point to be noted here is that strategic management allows a firm to orient itself to its market and consumers and ensure that it is actualizing the right strategy.

Financial Benefits

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

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

It has been estimated that more than 100,000 businesses fail in the US every year and most of these failures are to do with a lack of strategic focus and strategic direction. Further, high performing firms tend to make more informed decisions because they have considered both the short term and long-term consequences and hence, have oriented their strategies accordingly. In contrast, firms that do not engage themselves in meaningful strategic planning are often bogged down by internal problems and lack of focus that leads to failure.

Non-Financial Benefits

The section above discussed some of the tangible benefits of strategic management. Apart from these benefits, firms that engage in strategic management are more aware of the external threats, an improved understanding of competitor strengths and weaknesses and increased employee productivity. They also have lesser resistance to change and a clear understanding of the link between performance and rewards.

The key aspect of strategic management is that the problem solving and problem preventing capabilities of the firms are enhanced through strategic management. Strategic management is essential as it helps firms to rationalize change and actualize change and communicate the need to change better to its employees. Finally, strategic management helps in bringing order and discipline to the activities of the firm in its both internal processes and external activities.

Wheelen, Hunger and Rangarajan stated 3 most highly rated benefits of Strategic Management to be:

- Clear sense of Strategic vision for the firm.
- Sharper focus on what is strategically important
- Improved understanding of a rapidly Changing environment

According to **Greenley**, strategic management has following benefits:

- It allocates for identification, prioritization, and exploitation of opportunities.
- It provides an objective outlook of management problems.
- It characterizes a framework for improved synchronization and control of activities.
- It reduces the effects of adverse conditions and changes.
- It allows major decisions to better support established objectives.
- It allows more effective distribution of time and resources to identified opportunities.
- It permits fewer resources and less time to be devoted to correcting erroneous or ad hoc decisions.
- It generates a framework for internal communication among personnel.
- It helps integrate the behaviour of individuals into a total effort.
- It provides a foundation to clarify individual responsibilities.
- It promotes forward thinking.
- It provides a cooperative, integrated, and enthusiastic approach to tackling problems and opportunities.

- It encourages a positive attitude toward change.
- It gives a degree of discipline and formality to the management of a business.

Limitations

Besides numerous benefits, Strategic Management has following disadvantages:

Strategic Management is based on certain principles and if the properties do not hold suitable the strategy or plans based on them would not be sensible or effectual. SWOT analysis is an important exercise in Strategic Management which requires lot of action and information. When these two are lacking the usefulness of the SWOT analysis is questionable and it could even lead to formulation of wrong or effective strategies. In Strategic Management, effective implementation is essential that demands many factors such as resource allocation, leadership implementation, right structure and effective evaluation and control. The cause for the failure of many strategies is the implementation failure. Company may face serious issues if there is lack of involvement of the internal people in the strategy formulation and when they are not equally taken into confidence. Strategic Planning is a multifaceted and complex task which requires people with vision, expertise and commitment and an appropriate system. Strategic Management is an expensive process. Major drawback of Strategic Management is that it sometimes makes the organization over determined and resultant failure to reach the goals cause disturbance. Impractical strategies may lead to serious problems.

The important limitations of Strategic management are the following:

• SM is based on certain premises and if the premises do not hold valid the strategy or plans based on them would not be realistic or effective.

• SWOT analysis is an important exercise in SM, which requires lot of exercise and information. When these two are lacking the utility of the SWOT analysis is questionable and it could even lead to formulation of wrong or effective strategies.

• In SM effective implementation is vital that demands many things – resource allocation, leadership implementation, right structure and effective evaluation and control. The reason for the failure of many strategies is the implementation failure.

• A serious problem generally rising in a company if there is lack of involvement of the internal people in the strategy formulation and when they are not equally taken into confidence.

• Strategic Planning is a complex and difficult task which requires people with vision, expertise and commitment and an appropriate system

• SM is a costly exercise

• One of the most important criticisms against Strategic Management is that it sometimes makes the organization over ambitious and resultant failure to reach the goals cause frustration. Unrealistic strategies may land companies in severe problems.

1.8 Let's Sum-up

Strategic management facilitate an organization to make its decisions based on long-term prediction. It also allows the establishment to make action at an early stage of new trend and consider the lead-time for effective management. The study of strategic management stresses the monitoring and evaluating of external opportunities and threats in the view of a company's strengths and weaknesses in order to create and implement innovative strategic direction for company.

Strategy is the complex process of determining the action that need to be carried out in order to achieve the organization's purpose. It is focused on the medium and long term future perspective rather that the current operations. Strategy is a major course of action, a blend of internal and external factors and is particular to a specific situation. It is dependent on external variables and is futuristic in nature.

In recent years, virtually all firms have realized the importance of strategic management. However, the key difference between those who succeed and those who fail is that the way in which strategic management is done and strategic planning is carried out makes the difference between success and failure. Of course, there are still firms that do not engage in strategic planning or where the planners do not receive the support from management. These firms ought to realize the benefits of strategic management and ensure their longer-term viability and success in the marketplace.

1.9 Key Terms

Strategy: A unified, comprehensive and integrated plan that relates the strategic advantage of the firm to the challenges of the environment.

Strategic management: It is a set of managerial decisions and action that determine the long-term performance of a company.

Levels of Strategy: There are different levels of strategic decision making and strategic management in the organization i.e. corporate-level strategy, business- level strategies and functional level strategy.

Strategists: There are individuals or groups who are primarily involved in the formulation, implementation and evolution of the strategy. They perform key activities related to various aspects of strategic management.

1.10 Self-Assessment Questions

1. What do you mean by strategy? Explain the nature of strategy.
2. What is the importance of strategy? Illustrate your answer with suitable examples.
3. Explain the various levels at which a strategy may be implemented in an organization.

1.11 Further Readings

1. Michael Hitt, R. Duane Ireland, Robert E. Hoskisson, "Strategic Management Competitiveness & Globalisation", South -Western Thomson Learning.
2. Kazmi, Azhar, "Business Policy and Strategic management", Tata Mcgraw Hill Publishing Co, Ltd., New Delhi
3. Mamoria, C.B., Mamoria, Satish and Rao, P. Subba,. "Business Planning and Policy', Himalaya Publishing House, Mumbai.
4. Srinivasan R, "Strategic Management the Indian Context" (2014). Fifth edition, PHI Learning Private Limited, New Delhi.

1.12 Model Question

1. Explain the benefits and limitations of strategic management.
2. Critically examine the different approaches to strategy

UNIT-2

Vision, Mission, Objectives and Goals

Learning Objectives

After completion of the unit, you should be able to:

- Explain the concept and meaning of vision and mission.
- Understand the need and importance of vision and mission.
- Explain the difference between objectives and goals.
- Describe the benefits of setting objectives and goals.

Structure

2.1 Introduction

The terms, *vision, mission, goals and objectives* have great importance in management literature. Understanding these terms will not only lead a person to get the conceptual meaning being associated with them, but it will also be complementary in many ways. Being used across an enterprise, the aforementioned terms have a lot to do with a business having a significant impact on both short term and long term success of a business including its performance and processes.

Vision: Vision refers to an image or a concept. It's the ability to anticipate possible future events and developments with imagination and wisdom. To put it simply, vision refers to where an organization wants to be in the future. Vision in management literature, may be defined as a mental image of a business manager for possible and desirable future of an organization. It may also be defined as a strong belief of a manager about the specific course of action for the business organization.

Mission: It is not that an organization is formed in a vacuum or with no purpose it stands. Of course, it has a reason for its existence which is specific. It runs based on it. The purpose is known as mission. It may be mentioned in a few words, such as, producing goods or providing services and so the objectives are communicated through the mission statement. The Mission of an organization is the base and it is that the strategies are built upon. It focuses on the purpose of an organization through a statement describing the reason of an organizational existence - It answers the question why the organization has been established.

Mission and vision are both related to an organization's purpose. And this is communicated in some written form. Mission and vision both are statements that give the answers about who we are, what do we value, where we're going and where we want to be in the future.

Objectives and Goals: Objective in general indicates a place where you want to reach. In organizational literature it means the aim which an organization tries to achieve. Objectives are generally in plural form. Objectives are predetermined; they provide clear direction to the activities and results to be obtained from the planning process. Objectives must be ***SMART (Specific, measurable, achievable, realistic and timely).*** Objectives must be clearly defined, so that the works become goal-oriented and the unproductive and unsystematic tasks can be avoided.A Goal is simply something that somebody wants to achieve. The synonyms of goal are: ***aim, ambition, purpose, target and objective***. Simply speaking, goal refers to the purpose towards which the efforts are made or endeavours are directed. Goal has a timeframe which is generally long term. So, it's a long term plan.

2.2 Vision

Vision serves the purpose of stating what an organization wishes to achieve in the long run.

It is at the top in the hierarchy of strategic intent. It is what the firm would ultimately like to become. A few definitions are as follows:

Richard Lynch defines vision as "a challenging and imaginative picture of the future roles and objectives of an organization, significantly going beyond its current environment and competitive position".

Kotler description of something (an organization, corporate culture, a business, a technology, an activity) in the future. The definition itself is comprehensive and states clearly the futuristic position.

Miller and Dess defined vision as the "category of intentions that are broad, all inclusive and forward thinking"

The definition lays stress on the following:

- Broad and all inclusion intentions
- Vision is forward thinking process.

A few important aspects regarding vision are as follows:

- It is more of a dream than articulated idea
- It is an aspiration of organization. Organization has to strive and exhert to achieve it.
- It is powerful motivator to action.
- Vision articulates the position of an organization which it may attain in distant future.

Envisioning

This is the process of creating vision. It is a difficult and complex task. A well-conceived vision must have

- Core Ideology
- Envisioned Future

Core Ideology will remain unchanged. It has the enduring character. It consists of core values and core purpose. Core values are essential tenets of an organization. Core purpose is related to the reasoning of the existence of organization.

Envisioned Future will basically deal with following:

- The long term objectives of the organization.
- Clear description of articulated future.

Advantages of Having a Vision

A few benefits accruing to an organization having a vision are as follows:

- They foster experimentation.
- Vision promotes long term thinking
- Visions foster risk taking.
- They can be used for the benefit of people.
- They make organizations competitive, original and unique.
- Good vision represents integrity.
- They are inspiring and motivating to people working in organization.

Core Values and Core Purpose

As has already been discussed, a well-conceived vision consists of core ideology and envisioned future. Core ideology rests on core values and core purpose.

Core Values are the essential and enduring tenants of an organization. They may be beliefs of top management regarding employees' welfare, costumer's interest and shareholder's wealth. The beliefs may have economic orientation or social orientation. Evidences clearly indicate that the core values of Tata's are different from core values of Birla's or Reliance. The entire organization structure revolves around the philosophy coming out of core values.

Core Purpose is the reason for existence of the organization. Its reasoning needs to be spelt.

A few characteristics of core purpose as follows:

(i) It is the overall reason for the existence of organization.

(ii) It is why of organization.

(iii) This mainly addresses to the issue which organization desires to achieve internally.

(iv) It is the broad philosophical long term rationale.

(v) It is the linkage of organization with its own people.

2.3 MISSION

The mission statements stage the role that organization plays in society. It is one of the popular philosophical issue which is being looked into business mangers since last two decades.

Definition

A few definitions of mission are as follows:

Hunger and Wheelen "purpose or reason for the organization's existence.

David F. Harvey states "A mission provides the basis of awareness of a sense of purpose, the competitive environment, degree to which the firm's mission fits its capabilities and the opportunities which the government offers.

Thompson states mission as the "essential purpose of the organization, concerning particularly why it is in existence, the nature of the business it is in, and the customers it seeks to serve and satisfy.

The above definition reveals the following:

(i) It is the essential purpose of organization

(ii) It answers "why the organization is in existence".

(iii) It is the basis of awareness of a sense of purpose.

(iv) It fits its capabilities and the opportunities which government offers.

Nature

A few points regarding nature of mission statement are as follows.

- It gives **social reasoning**. It specifies the role which the organization plays in society. It is the basic reason for existence.
- It is **philosophical and visionary.** It relates to top management values. It has long term perspective.
- It **legitimizes societal** existence.
- It is **stylistic objectives**. It reflects corporate philosophy, identify, character and image of organization.

Characteristics

In order to be effective, a mission statement should posses the following characteristics.

(i) A mission statement should be **realistic and achievable**. Impossible statements do not motivate people. Aims should be developed in such a way so that may become feasible.

(ii) It should neither be too broad not be too narrow. If it is broad, it will become meaningless. A **narrower mission statement** restricts the activities of organization. The mission statement should be precise.

(iii) A mission statement should not be ambiguous. It must be **clear for action**. Highly philosophical statements do not give clarity.

(iv) A mission statement should be distinct. If it is not **distinct**, it will not have any impact. Copied mission statements do not create any impression.

(v) It should have **societal linkage**. Linking the organization to society will build long term perspective in a better way.

(vi) It should not be static. To cope up with ever changing environment, **dynamic** aspects be looked into.

(vii) It should be **motivating** for members of the organization and of society. The employees of the organization may enthuse themselves with mission statement.

(viii) The mission statement should indicate the **process of accomplishing** objectives. The clues to achieve the mission will be guiding force.

Examples of Mission Statement

A few examples of mission statement (academically not accepted) are as follows:

India Today "The complete new magazine"

Bajaj Auto, "Value for Money for Years"

HCL, "To be a world class Competitor"

HMT, "Timekeepers of the Nation"

Some experts argue that these are the publicity slogans. They are not mission statements. A few other examples are as follows:

Ranbaxy Industries "To become a research based international Pharmaceuticals Company".

Eicher Consultancy "To make India an economic power in the lifetime, about 10 to 15 years, of its founding senior managers."

Formulation of Mission Statements

The mission statements are formulated from the following sources:

(i) National Priorities projected in plan documents and industrial policy statements.

(ii) Corporate philosophy as developed over the years.

(iii) Major strategists have vision to develop mission statements.

(iv) The services of consultants may be hired.

Mission vs Purpose

The term purpose was used by some strategists. At some places, it was used as synonymous to mission. A few major points of distinction are as follows:

(i) Mission is the societal reasoning while the purpose is the overall reason.

(ii) Mission is external reasoning and relates to external environment. Purpose is internal reasoning and relates to internal environment.

(iii) Mission is for outsiders while purpose is for its own employees.

2.4 OBJECTIVES AND GOALS

Objectives refer to the ultimate end results which are to be accomplished by the overall plan over a specified period of time. The vision, mission and business definition determine the business philosophy to be adopted in the long run. The goals and objectives are set to achieve them.

Meaning

Objectives are open ended attributes denoting a future state or out come and are stated in general terms.

- When the objectives are stated in specific terms, they become **goals** to be attained.
- In strategic management, sometimes, a different viewpoint is taken.
- **Goals** denote a broad category of financial and non-financial issues that a firm sets for itself.
- **Objectives** are the ends that state specifically how the goals shall be achieved.
- It is to be noted that objectives are the manifestation of goals whether specifically stated or not.

Difference between objectives and goals

The points of difference between the two are as follows:

- The goals are broad while objectives are specific.
- The goals are set for a relatively longer period of time.
- Goals are more influenced by external environment.
- Goals are not quantified while objectives are quantified.

Broadly, it is more convenient to use one term rather than both. The difference between the two is simply a matter of degree and it may vary widely.

Need for Establishing Objectives

The following points specifically emphasize the need for establishing objectives:

- Objectives provide **yardstick to measure performance** of a department or SBU or organization.
- Objectives serve as a **motivating force**. All people work to achieve the objectives.
- Objectives help the organization to **pursue its vision and mission.** Long term perspective is translated in short-term goals.
- Objectives **define the relationship** of organization with internal and external **environment.**
- Objectives provide a **basis for decision-making**. All decisions taken at all levels of management are oriented towards accomplishment of objectives.

What Objectives are Set

According to Peter F. Druker, objectives be set in the area of market standing, innovation productivity, physical and financial resources, profitability, manager performance and development, worker performance and attitude and public responsibility. Researchers have identified the following areas for setting objectives:

Profit Objective – It is the most important objective for any business enterprise. In order to earn a profit, an enterprise has to set multiple objectives in key result areas such as market share, new product development, quality of service etc. Ackoff calls them performance objectives.

Marketing Objective may be expressed as: "to increase market share to 20 percent within five years. or " to increase total sales by 10 percent annually. They are related to a functional area.

Productivity Objective may be expressed in terms of ratio of input to output. This objective may also be stated in terms of cost per unit of production.

Product Objective may be expressed in terms of product development, product diversification, branding etc.

Social Objective may be described in terms of social orientation. It may be tree plantation or provision of drinking water or development of parks or setting up of community centres.

Financial Objective relate to cash flow, debt equity ratio, working capital, new issues, stock exchange operations, collection periods, debt instruments etc. For example a company may state to decrease the collection period to 30 days by the end of this year.

Human resources objective may be described in terms of absenteeism, turnover, number of grievances, strikes and lockouts etc. An example may be "to reduce absenteeism to less than 10 percent by the end of six months.

Characteristics of Objectives

The following are the characteristic of corporate objectives:

(i) They form a **hierarchy.** It begins with broad statement of vision and mission and ends with key specific goals. These objectives are made achievable at the lower level.

(ii) It is impossible to identify even one major objective that could cover all possible relationships and needs. Organizational problems and relationship cover a multiplicity of variables and cannot be integrated into one objective. They may be economic objectives, social objectives, political objectives etc. Hence, **multiplicity of objectives** forces the strategists to balance those diverse interests.

(iii) A **specific time horizon** must be laid for effective objectives. This timeframe helps the strategists to fix targets.

(iv) Objectives must be within reach and is also challenging for the employees. If objectives set are beyond the reach of managers, they will adopt a defeatist attitude. **Attainable objectives** act as a motivator in the organization.

(v) Objectives should be **understandable**. Clarity and simple language should be the hallmarks Vague and ambiguous objectives may lead to wrong course of action.

(vi) Objectives must be **concrete**. For that they need to be quantified. Measurable objectives help the strategists to monitor the performance in a better way.

(vii) There are many constraints internal as well as external which have to be considered in objective setting. As different objectives compete for scarce resources, objectives should be **set within constraints**.

Process of Setting Objectives

Glueek identifies four factors that should be considered for objective setting. These factors are: the forces in the environment, realities of an enterprise's resources and internal power relations, the value system of top executives and awareness by the management of the past objectives. They are briefly narrated below:

(i) **Environmental forces**, both internal and external, may influence the interests of various stake holders. Further, these forces are dynamic by nature. Hence objective setting must consider their influence on its process.

(ii) As objectives should be realistic, the efforts be made to set the objectives in such a way so that objectives may become attainable. For that, **existing resources of enterprise and internal power structure** be examined carefully.

(iii) **The values of the top management** influence the choice of objectives. A philanthropic attitude may lead to setting of socially oriented objectives while economic orientation of top management may force them to go for profitability objective.

(iv) Past is important for strategic reasons. Organizations cannot deviate much from the past. Unnecessary deviations will bring problems relating to resistance to change. Management must **understand the past** so that it may integrate its objectives in an effective way.

Vision constitutes future aspirations. This articulates the position that a firm would like to attain in the distant future. A well-conceived vision consists of core ideology and envisioned future. The core ideology rests on the core values and the core purpose. Core values are the essential and enduring tenants while the core purpose is the reason of organization's existence.

Mission is the social reasoning of organization. It has external orientation. It legitimizes social existence. The mission statements may be precise, realistic, achievable, clarity for action, distinct, dynamic, motivating etc. Mission is the social reasoning while purpose is the internal reasoning.

Business definition explains the business of an organization in terms of customer needs; customer groups and alternative technologies goal denote a broad category of issues which a firm sets for it. Objectives are the ends that state specifically how the goals shall be achieved. Objectives are being set

i. as yardstick to measure performance
ii. as motivating force
iii. to pursue its vision and mission
iv. to define the relationship with environment
v. as a basis for decision making

Profit, marketing, productivity, product, society, human resource, finance may be the bases for setting objectives. Objectives are characterized as follows:

i. Hierarchy
ii. Multiplicity of Objectives
iii. Specific Time Horizon
iv. Attainable Objectives
v. Understandable
vi. Concrete
vii. Setting within Constraints

Management by Objectives (MBO):

It is also an approach of objectives setting. Management By Objectives (MBO) is a management model that aims to improve performance of an organization by clearly defining objectives that are agreed to by both management and employees. This concept was popularized by Peter Drucker in 1960s.MBO is a "process where the superior and subordinate managers of an organizations jointly identify common goals, define each individuals' major areas of responsibilities in terms of results expected from them".

The silent features of MBO are as follows

- Joint setting of goals.
- Emphasized on what must be accomplished
- Integration of individuals goals to organizational goals
- Focus on key results areas
- Evaluation on feedback.

MBO is the most ideal way of setting goals and objectives.

2.5 Strategic Intent

Strategic intent refers to the purpose for which the organization strives for. It is the philosophical framework of strategic management process. The hierarchy of strategic intent covers the vision and mission, business definition and the goals and objectives. Stretch is misfit between resources and aspirations. Leverage stretches the meagre resource base to meet the aspirations. The fit positions the firm by matching its organizational resources to its environment.

The foundation for the strategic management is laid by the hierarchy of strategic intent. The concept of strategic intent makes clear what an organization stands for? Harvard Business Review, 1989 described the concept in its infancy. **Hamel and Prahlad** coined the term strategic intent. A few aspects about strategic intent are as follows:

- It is an obsession with an organization.
- This obsession may even be out of proportion to their resources and capabilities.
- It envisions a derived leadership position and establishes the criterion; the organization will use to chart its progress.

It involves the following:

- Creating and Communicating a vision
- Designing a mission statement
- Defining the business
- Setting objectives

2.6 BUSINESS DEFINITION

It explains the business of an organization in terms of customer needs, customer groups and alternative technologies.

Oerik Abell suggests defining business along the three dimensions of customer groups. Customer functions and alternative technologies. They are developed as follows:

i. Customer groups are created according to the identity of the customers.
ii. Customer functions are based on provision of goods/services to customers.
iii. Alternative Technologies describe the manner in which a particular function can be performed for a customer.

- For a watch making business, these dimensions may be outlined as follows:
- Customer groups are individual customers, commercial organizations, sports organization, educational institutions etc.
- Customer functions are record time, finding time, alarm service etc. It may be a gift item also.
- Alternative technologies are manual, mechanical and automatic.

A clear business definition is helpful in identifying several strategic choices. The choices regarding various customer groups, various customer functions and alternative technologies give the strategists various strategic alternatives. The diversification, mergers and turnaround depend upon the business definition. Customer oriented approach of business makes the organization competitive. On the same lines, product/ service concept could also give strategic alternatives from a different angle. Business can be defined at the corporate or SBU levels. At the corporate level, it will concern itself with the wider meaning of customer groups, customer functions and alternative technologies. If strategic alternatives are linked through a business definition, it results in considerable amount of synergic advantage.

Some key benefits of having a vision and mission statement are discussed below:

- Above everything else, vision and mission statements provide unanimity of purpose to organizations and imbue the employees with a sense of belonging and identity. Indeed, vision and mission statements are embodiments of organizational identity and carry the organizations creed and motto. For this purpose, they are also called as statements of creed.
- Vision and mission statements spell out the context in which the organization operates and provides the employees with a tone that is to be followed in the organizational climate. Since they define the reason for existence of the organization, they are indicators of the direction in which the organization must move to actualize the goals in the vision and mission statements.
- The vision and mission statements serve as focal points for individuals to identify themselves with the organizational processes and to give them a sense of direction while at the same time deterring those who do not wish to follow them from participating in the organization’s activities.
- The vision and mission statements help to translate the objectives of the organization into work structures and to assign tasks to the elements in the organization that are responsible for actualizing them in practice.
- To specify the core structure on which the organizational edifice stands and to help in the translation of objectives into actionable cost, performance, and time related measures.
- Finally, vision and mission statements provide a philosophy of existence to the employees, which is very crucial because as humans, we need meaning from the work to do and the vision and mission statements provide the necessary meaning for working in a particular organization.

As can be seen from the above, articulate, coherent, and meaningful vision and mission statements go a long way in setting the base performance and actionable parameters and embody the spirit of the organization. In other words, vision and mission statements are as important as the various identities that individuals have in their everyday lives.

It is for this reason that organizations spend a lot of time in defining their vision and mission statements and ensure that they come up with the statements that provide meaning instead of being mere sentences that are devoid of any meaning,important as the various identities that individuals have in their everyday lives.

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2.7 Strategic Management in India

It is important to understand the relevance of strategic management to the Indian business environment and how it has evolved as a practice.

Until the early 1990s, Indian business largely operated under a regulatory regime. The country's largest industrial families – the Tatas, Birlas, Singhanias and Goenkas – focused on long-term planning to achieve growth. One of the critical success factors in Indian business was the ability to get regulatory support by way of grants on industrial licenses and regulatory clearances. As government protection of local business was very high, business growth was reasonably self-sustained. Public sector firms such as BHEL, Steel Authority of India Ltd (SAIL), MMTC Limited, and State Trading Corporation of India Ltd (STC) and public departments such as the railways, national airline, and postal service operate in a very protected environment with a lot of budgetary and policy support. Therefore, the corporate planning function was limited to managing resources and executing government communities.

The liberalization of the Indian economy opened the doors to competition from abroad. Organizations had to be agile in strategic planning and compete aggressively to protect their market share from multinationals and their brands. For example, the liberalization of the insurance industry has been several international players in joint venture with Indian firms, competing aggressively with the Life Insurance Corporation (LIC), which was monopoly till liberalization. Similarly, several local and international players have been competing with BHEL in the power engineering and equipment segment. Even private players face stiff competition as in the case of the telecommunications industry, where Bharti (Airtel) and Tata Indicom are aggressively competing with government providers Mahanagar Telephone Nigam Ltd (MTNL) and Bharat Sanchar Nigam Limited (BSNL). Another interesting local development has been the foreign expansion of domestic players, such as Accenture, HP, and Dell, establish large facilities in India to take advantage of the country's workforce.

Foreign investment has also flooded into heavy engineering and infrastructure sectors such as automotive, electronic communication, and cement, challenging the domestic players. Hence, effective strategic management has become immensely important.

In addition, the ensuing technology explosion in India by way of availability of bandwidth, reach of the internet, and speed of its adoption have changed business models. Companies have increasingly deployed technology and reworked the business landscape. A classic example is that of how ICICI transformed itself from a development financial institution to a technology-centric bank with competitive positions in retail, corporate and personal financial services.

Another interesting development in the Indian business scenario has been the rapid rise in the number of first-generation entrepreneurs, who are able to garner financial and intellectual capital to fuel growth. Iconic names such as Infosys and Bharti have seen galloping growth rates.

Thus, strategic management in India is more critical and compelling due to the trends that have come in the wake of liberalization, globalization, entrepreneurial development and technology absorption and breakthrough.

The coincidence of deregulation and the technology boom has had far-reaching effects across all sectors of Indian business and has forced traditional leaders to modulate their responses to their environment. Two other factors that characterize the nature of the Indian landscape in the international arena are the easy availability of a qualified workforce and a widespread fluency in English, a relic of British colonialism.

2.8 Let's Sum-up

Vision in management literature, may be defined as a mental image of a business manager for possible and desirable future of an organization. It may also be defined as a strong belief of a manager about the specific course of action for the business organization. Mission has a reason for its existence which is specific. It runs based on it. The purpose is known as mission. It may be mentioned in a few words, such as, producing goods or providing services and so the objectives are communicated through the mission statement.

Objectives refer to the ultimate end results which are to be accomplished by the overall plan over a specified period of time. The vision, mission and business definition determine the business philosophy to be adopted in the long run. The goals and objectives are set to achieve them.

It explains the business of an organization in terms of customer needs, customer groups and alternative technologies. Strategic management in India is more critical and compelling due to the trends that have come in the wake of liberalization, globalization, entrepreneurial development and technology absorption and breakthrough.

2.9 Key Terms

Vision: Vision refers to an image or a concept. It's the ability to anticipate possible future events and developments with imagination and wisdom.

Mission: It refers to the very purpose of existence of the organisation within the societal framework.

Objectives: Objectives refer to the ultimate end results which are to be accomplished by the overall plan over a specified period of time.

Goals: When objectives are specified in clear terms, it is referred to as goals.

Strategic intent: Gives a picture about what an organization must get into immediately in order to achieve the company's vision. It motivates the people. It clarifies the vision of the company.

2.10 Self-Assessment Questions

1. Define vision. Mention what are the advantages of having a vision.
2. Explain Mission Statement with a few examples.
3. What do you mean by objectives? Differentiate between objectives and goals.

2.11 Further Readings

1. Michael Hitt, R. Duane Ireland, Robert E. Hoskisson, "Strategic Management Competitiveness & Globalisation", South -Western Thomson Learning.
2. Kazmi, Azhar, "Business Policy and Strategic management", Tata Mcgraw Hill Publishing Co, Ltd., New Delhi
3. Mamoria, C.B., Mamoria, Satish and Rao, P. Subba,. "Business Planning and Policy', Himalaya Publishing House, Mumbai.
4. Srinivasan R, "Strategic Management the Indian Context" (2014). Fifth edition, PHI Learning Private Limited, New Delhi.

2.12 Model Questions

1. Explain the concept of ‘management by objectives’, with suitable examples from organisations.

2. What do you mean by ‘strategic intent’? Why it is considered important?

UNIT-3

Strategic Management Process

Learning Objectives

After completion of the unit, you should be able to:

- Explain the concept and meaning of strategic management process.
- Know what constitutes environmental scanning.
- Understand the importance of strategy formulation.
- Explain the process of strategy implementation and evaluation.

Structure

3.1 Introduction

Strategic management is a continuous process that evaluates and controls the business and the industries in which an organization is involved; evaluates its competitors and sets goals and strategies to meet all existing and potential competitors; and then re-evaluates strategies on a regular basis to determine how it has been implemented and whether it was successful or does it needs replacement.

Strategic Management gives a broader perspective to the employees of an organization and they can better understand how their job fits into the entire organizational plan and how it is co-related to other organizational members. It is nothing but the art of managing employees in a manner which maximizes the ability of achieving business objectives. The employees become more trustworthy, more committed and more satisfied as they can co-relate themselves very well with each organizational task. They can understand the reaction of environmental changes on the organization and the probable response of the organization with the help of strategic management. Thus the employees can judge the impact of such changes on their own job and can effectively face the changes. The managers and employees must do appropriate things in appropriate manner. They need to be both effective as well as efficient.

One of the major role of strategic management is to incorporate various functional areas of the organization completely, as well as, to ensure these functional areas harmonize and get together well. Another role of strategic management is to keep a continuous eye on the goals and objectives of the organization.

The strategic management process means defining the organization's strategy. It is also defined as the process by which managers make a choice of a set of strategies for the organization that will enable it to achieve better performance.

Strategic management is a continuous process that appraises the business and industries in which the organization is involved; appraises its competitors; and fixes goals to meet the entire present and future competitor's and then reassesses each strategy.

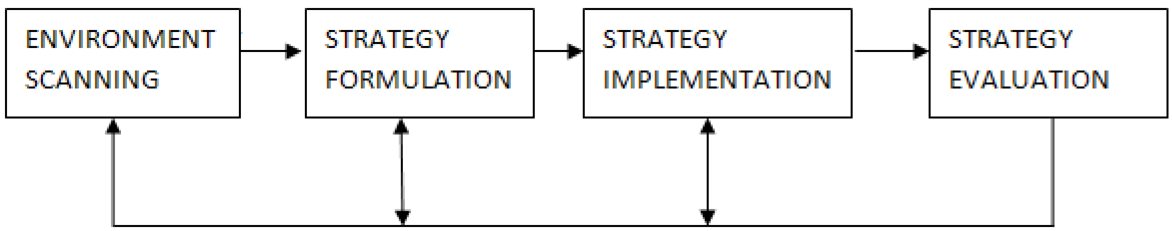
Strategic management process has following four steps:

1. **Environmental Scanning-** Environmental scanning refers to a process of collecting, scrutinizing and providing information for strategic purposes. It helps in analysing the internal and external factors influencing an organization. After executing the environmental analysis process, management should evaluate it on a continuous basis and strive to improve it.
2. **Strategy Formulation-** Strategy formulation is the process of deciding best course of action for accomplishing organizational objectives and hence achieving organizational purpose. After conducting environment scanning, managers formulate corporate, business and functional strategies.
3. **Strategy Implementation-** Strategy implementation implies making the strategy work as intended or putting the organization's chosen strategy into action. Strategy implementation includes designing the organization's

structure, distributing resources, developing decision making process, and managing human resources.

4. **Strategy Evaluation-** Strategy evaluation is the final step of strategy management process. The key strategy evaluation activities are: appraising internal and external factors that are the root of present strategies, measuring performance, and taking remedial / corrective actions. Evaluation makes sure that the organizational strategy as well as its implementation meets the organizational objectives.

These components are steps that are carried, in chronological order, when creating a new strategic management plan. Present businesses that have already created a strategic management plan will revert to these steps as per the situation's requirement, so as to make essential changes.



Components of Strategic Management Process

Strategic management is an ongoing process. Therefore, it must be realized that each component interacts with the other components and that this interaction often happens in cohesive manner.

One of the first things that any observer of management thought and practice asks is whether a particular organization has a vision and mission statement. In addition, one of the first things that one learns in a business school is the importance of vision and mission statements.

3.2 Environmental Scanning

Organizational environment consists of both external and internal factors. Environment must be scanned so as to determine development and forecasts of factors that will influence organizational success. **Environmental scanning refers to possession and utilization of information about occasions, patterns, trends, and relationships within an organization's internal and external environment**. It helps the managers to decide the future path of the organization. Scanning must identify the threats and opportunities existing in the environment. While strategy formulation, an organization must take advantage of the opportunities and minimize the threats. A threat for one organization may be an opportunity for another.

Internal analysis of the environment is the first step of environment scanning. Organizations should observe the internal organizational environment. This includes employee interaction with other employees, employee interaction with management, manager interaction with other managers, and management interaction with shareholders, access to natural resources, brand awareness, organizational structure, main staff, operational potential, etc. Also, discussions, interviews, and surveys can be used to assess the internal environment. Analysis of internal environment helps in identifying strengths and weaknesses of an organization.

As business becomes more competitive, and there are rapid changes in the external environment, information from external environment adds crucial elements to the effectiveness of long-term plans. As environment is dynamic, it becomes essential to identify competitors' moves and actions. Organizations have also to update the core competencies and internal environment as per external environment. Environmental factors are infinite, hence, organization should be agile and vigil to accept and adjust to the environmental changes. For instance - Monitoring might indicate that an original forecast of the prices of the raw materials that are involved in the product are no more credible, which could imply the requirement for more focused scanning, forecasting and analysis to create a more trustworthy prediction about the input costs. In a similar manner, there can be changes in factors such as competitor's activities, technology, market tastes and preferences.

While in **external analysis**, three correlated environment should be studied and analysed —

- immediate / industry environment
- national environment
- broader socio-economic environment / macro-environment

Examining the **industry environment** needs an appraisal of the competitive structure of the organization's industry, including the competitive position of a particular organization and its main rivals. Also, an assessment of the nature, stage, dynamics and history of the industry is essential. It also implies evaluating the effect of globalization on competition within the industry. Analysing the **national environment** needs an appraisal of whether the national framework helps in achieving competitive advantage in the globalized environment. Analysisof **macro-environment** includes exploring macro-economic, social, government, legal, technological and international factors that may influence the environment. The analysis of organization's external environment reveals opportunities and threats for an organization.

Strategic managers must not only recognize the present state of the environment and their industry but also be able to predict its future positions.

3.3 Strategy Formulation Process

Strategy formulation refers to the process of choosing the most appropriate course of action for the realization of organizational goals and objectives and thereby achieving the organizational vision. **The process of strategy formulation basically involves six main steps**. Though these steps do not follow a rigid chronological order, however they are very rational and can be easily followed in this order.

1. **Setting Organizations' objectives -** The key component of any strategy statement is to set the long-term objectives of the organization. It is known that strategy is generally a medium for realization of organizational objectives. Objectives stress the state of being there whereas Strategy stresses upon the process of reaching there. Strategy includes both the fixation of objectives as well the medium to be used to realize those objectives. Thus, strategy is a wider term which believes in the manner of deployment of resources so as to achieve the objectives.

   While fixing the organizational objectives, it is essential that the factors which influence the selection of objectives must be analysed before the selection of objectives. Once the objectives and the factors influencing strategic decisions have been determined, it is easy to take strategic decisions.

2. **Evaluating the Organizational Environment -** The next step is to evaluate the general economic and industrial environment in which the organization operates. This includes a review of the organizations competitive position. It is essential to conduct a qualitative and quantitative review of an organizations existing product line. The purpose of such a review is to make sure that the factors important for competitive success in the market can be discovered so that the management can identify their own strengths and weaknesses as well as their competitors' strengths and weaknesses.

   After identifying its strengths and weaknesses, an organization must keep a track of competitors' moves and actions so as to discover probable opportunities of threats to its market or supply sources.

3. **Setting Quantitative Targets -** In this step, an organization must practically fix the quantitative target values for some of the organizational objectives. The idea behind this is to compare with long term customers, so as to evaluate the contribution that might be made by various product zones or operating departments.
4. **Aiming in context with the divisional plans -** In this step, the contributions made by each department or division or product category within the organization is identified and accordingly strategic planning is

done for each sub-unit. This requires a careful analysis of macroeconomic trends.

5. **Performance Analysis -** Performance analysis includes discovering and analysing the gap between the planned or desired performance. A critical evaluation of the organizations past performance, present condition and the desired future conditions must be done by the organization. This critical evaluation identifies the degree of gap that persists between the actual reality and the long-term aspirations of the organization. An attempt is made by the organization to estimate its probable future condition if the current trends persist.
6. **Choice of Strategy -** This is the ultimate step in Strategy Formulation. The best course of action is actually chosen after considering organizational goals, organizational strengths, potential and limitations as well as the external opportunities.

3.4 Strategy Implementation Process

(Steps in Implementing a Strategy)

Strategy implementation is the translation of chosen strategy into organizational action so as to achieve strategic goals and objectives. Strategy implementation is also defined as the manner in which an organization should develop, utilize, and amalgamate organizational structure, control systems, and culture to follow strategies that lead to competitive advantage and a better performance. Organizational structure allocates special value developing tasks and roles to the employees and states how these tasks and roles can be correlated so as maximize efficiency, quality, and customer satisfaction-the pillars of competitive advantage. But, organizational structure is not sufficient in itself to motivate the employees.

An organizational control system is also required. This control system equips managers with motivational incentives for employees as well as feedback on employees and organizational performance. Organizational culture refers to the specialized collection of values, attitudes, norms and beliefs shared by organizational members and groups.

Following are the main **steps in implementing a strategy:**

- Developing an organization having potential of carrying out strategy successfully.
- Disbursement of abundant resources to strategy-essential activities.
- Creating strategy-encouraging policies.
- Employing best policies and programs for constant improvement.

- Linking reward structure to accomplishment of results.
- Making use of strategic leadership.

Excellently formulated strategies will fail if they are not properly implemented. Also, it is essential to note that strategy implementation is not possible unless there is stability between strategy and each organizational dimension such as organizational structure, reward structure, resource-allocation process, etc.

Strategy implementation poses a threat to many managers and employees in an organization. New power relationships are predicted and achieved. New groups (formal as well as informal) are formed whose values, attitudes, beliefs and concerns may not be known. With the change in power and status roles, the managers and employees may employ confrontation behaviour.

Strategy Evaluation is as significant as strategy formulation because it throws light on the efficiency and effectiveness of the comprehensive plans in achieving the desired results. The managers can also assess the appropriateness of the current strategy in today's dynamic world with socio-economic, political and technological innovations. Strategic Evaluation is the final phase of strategic management.

The significance of strategy evaluation lies in its capacity to co-ordinate the task performed by managers, groups, departments etc. through control of performance. Strategic Evaluation is significant because of various factors such as - developing inputs for new strategic planning, the urge for feedback, appraisal and reward, development of the strategic management process, judging the validity of strategic choice etc.

3.5 Strategy Evaluation

a) **Fixing benchmark of performance**

While fixing the benchmark, strategists encounter questions such as - what benchmarks to set, how to set them and how to express them. In order to determine the benchmark performance to be set, it is essential to discover the special requirements for performing the main task. The performance indicator that best identify and express the special requirements might then be determined to be used for evaluation. The organization can use both quantitative and qualitative criteria for comprehensive assessment of performance. Quantitative criteria include determination of net profit, ROI, earning per share, cost of production, rate of employee turnover etc. Among the Qualitative factors are subjective evaluation of factors such as - skills and competencies, risk taking potential, flexibility etc.

b) **Measurement of performance**

The standard performance is a bench mark with which the actual performance is to be compared. The reporting and communication system help in measuring the performance. If appropriate means are available for measuring the performance and if the standards are set in the right manner, strategy evaluation becomes easier. But various factors such as manager's contribution are difficult to measure. Similarly divisional performance is sometimes difficult to measure as compared to individual performance. Thus, variable objectives must be created against which measurement of performance can be done. The measurement must be done at right time else evaluation will not meet its purpose. For measuring the performance, financial statements like - balance sheet, profit and loss account must be prepared on an annual basis.

c) **Analysing Variance**

While measuring the actual performance and comparing it with standard performance there may be variances which must be analysed. The strategists must mention the degree of tolerance limits between which the variance between actual and standard performance may be accepted. The positive deviation indicates a better performance but it is quite unusual exceeding the target always. The negative deviation is an issue of concern because it indicates a shortfall in performance. Thus in this case the strategists must discover the causes of deviation and must take corrective action to overcome it.

d) **Taking Corrective Action**

Once the deviation in performance is identified, it is essential to plan for a corrective action. If the performance is consistently less than the desired performance, the strategists must carry a detailed analysis of the factors responsible for such performance. If the strategists discover that the organizational potential does not match with the performance requirements, then the standards must be lowered. Another rare and drastic corrective action is reformulating the strategy which requires going back to the process of strategic management, reframing of plans according to new resource allocation trend and consequent means going to the beginning point of strategic management process.

3.6 Problems in Successful Implementation of Strategy

Problems of successful implementation centre around how well or badly the existing organization responds and how adequate it's reporting proves to be.

According to Arthur A. Owen, in practice there are four problem areas associated with the successful implementation of strategies:

The first problem is that, although strategies need to be developed around the business units (SBUs), of the corporation, these units often do not correspond to parts of the organizations structure. Business units have an external market-place for goods and services, and their management can plan and execute strategies independent of other pieces of the company. Moreover, the organization structure - and how that functions - derives from its history of take-over, tax considerations, shareholders considerations, economies of scale, personnel strengths and weaknesses, national legal requirements, and so on. Therefore, at any time strategy and structure need to be matched and supportive of each other.

Strategic planners must attempt to cut through the culture of diversified corporation and to plan in relation to the various competitive environments by identifying the strategies for them.

Moreover, these strategies still have to be implemented by the organization as a whole.

A second problem area is that traditional management reports are not sensitive enough to monitor the implementation strategies, thus the strategic manager not fully aware of what is happening. Hence the performance of existing structure is not monitored properly, and as a result control mechanisms may be ineffective.

Third, implementing strategy involves change, which in turn involves uncertainty and risk. Therefore, motivating managers to make changes is a key determinant.

Finally, management systems (such as compensation schemes, management development, communications systems and so on) are often in place as a result of past strategies; they are rarely tuned or revised to meet the needs of new ones.

Alexander adds additional factors that are also significant:

- the failure to predict the time and problems which implementation will involve;
- other activities and commitments that distract attention and possibly cause resources to be diverted;
- that the bases upon which the strategies were formulated change, or were forecast poorly and insufficient flexibility has been built in.

To counter these problems Owen suggests the following:

- allocating clear responsibility and accountability for the success of the overall strategy project;
- limiting the number of strategies pursued at any one time;
- identifying actions to be taken to achieve the strategic objective, allocating detailed responsibilities for actions - and getting agreement for them;
- identifying a lists of milestones, or major intermediate progress points;
- identifying key performance measures to be monitored throughout the life of the strategy project, and creating an information system to record progress.

3.7 Let’s Sum-up

Strategic Management gives a broader perspective to the employees of an organization and they can better understand how their job fits into the entire organizational plan and how it is co-related to other organizational members. It is nothing but the art of managing employees in a manner which maximizes the ability of achieving business objectives.

One of the major role of strategic management is to incorporate various functional areas of the organization completely, as well as, to ensure these functional areas harmonize and get together well. Another role of strategic management is to keep a continuous eye on the goals and objectives of the organization.

Environmental scanning refers to possession and utilization of information about occasions, patterns, trends, and relationships within an organization's internal and external environment. It helps the managers to decide the future path of the organization. Scanning must identify the threats and opportunities existing in the environment.Internal analysis of the environment are the first step of environment scanning.

Strategy formulation is the process of deciding best course of action for accomplishing organizational objectives and hence achieving organizational purpose. Strategy implementation implies making the strategy work as intended or putting the organization's chosen strategy into action. Strategic Evaluation is significant because of various factors such as - developing inputs for new strategic planning, the urge for feedback, appraisal and reward, development.

3.8 Key Terms

Strategic management process: Strategic management process is a mechanism that evaluates and controls the business in which an organization is involved.

Environmental Scanning: It refers to a process of collecting, scrutinizing and providing information for strategic purposes.

Strategy formulation: Strategy formulation is the process of deciding best course of action for accomplishing organizational objectives and hence achieving organizational purpose.

Strategy implementation: It refers to putting the organization's chosen strategy into action.

Strategy evaluation: It ensures that the organizational strategy as well as its implementation meets the organizational objectives.

3.9 Self-Assessment Questions

1. Explain the steps involved in strategic management process.
2. Discuss why strategy implementation is considered difficult in any organisation.

3.10 Further Readings

1. Michael Hitt, R. Duane Ireland, Robert E. Hoskisson, "Strategic Management Competitiveness & Globalisation", South -Western Thomson Learning.
2. Kazmi, Azhar, "Business Policy and Strategic management", Tata Mcgraw Hill Publishing Co, Ltd., New Delhi
3. Mamoria, C.B., Mamoria, Satish and Rao, P. Subba,. "Business Planning and Policy', Himalaya Publishing House, Mumbai.
4. Srinivasan R, "Strategic Management the Indian Context" (2014). Fifth edition, PHI Learning Private Limited, New Delhi.

3.11 Model Questions

1. Why environmental scanning is considered important in strategic management process?
2. ''The significance of strategy evaluation lies in its capacity to co-ordinate the task performed by managers, groups, departments etc. through control of performance''. Discuss the statement.

Self-Assessment Questions
(UNIT-1)

1. **What do you mean by strategy? Explain the nature of strategy.**

   Strategy outlines how management plans to achieve its stated objectives and goals. Strategy is the product of the strategic management process. Generally, when we talk of organisational strategy, it refers to organisation's top level strategy; however, strategies exist at other levels also.

   Following are the nature of strategy:

   Strategy is Significant because it is not possible to foresee the future without a perfect foresight; the firms must be ready to deal with the uncertain events which constitute the business environment. Therefore we can say that strategy is future oriented.

   Strategy deals with long term developments rather than routine operations, i.e. it deals with probability of innovations or new products, new methods of productions, or new markets to be developed in future.

   Strategy is created to take into account the probable behaviour of customers and competitors. Strategies dealing with employees will predict the employee behaviour.

   Strategy is a blend of internal and external factors of the organization i.e. (SWOT) analysis of the organization.

   Strategy provides overall framework for guiding organizational thinking and action.

2. **What is the importance of strategy? Illustrate your answer with suitable examples.**

   Here are five reasons why strategy plays such an important part of any company's success.

   1. Planning – Creating and tracking progress against an annual operating plan is an essential management tool for any company. What is often missing is the relationship these plans have to the future. Too often annual operating plans are created from the rear view mirror. What happened last year and where should we go in the coming year? These are all good intentions. However, without a clear picture of what you want the future to look like, it will always be more reactive than proactive. A well-articulated 3 to 5 year long term view of the company should serve to inform the annual operating plan. The annual plan then becomes the stepping stone toward the achievement of the longer term goals.

2. Strengths and Weaknesses – At first glance this seems too obvious and you are saying to yourself, "Of course we know what our strengths and weaknesses are!" We cannot disagree. No one knows your business better than you. On the other hand, are you leveraging strengths (competitive advantages) and do you have plans to close capability gaps in your organization (weaknesses)? Strategy creates a higher level of awareness and provides greater focus on activities that will make the organization more successful.

3. Skills & Knowledge – If you know where you want to take your business over the long term, you will have a much better idea of the kinds of capabilities you will need to achieve your goals. Strategy defines and drives decisions in organizational design. Therefore by proactively pursuing new skills and knowledge, you prepare the organization for the intended future state and your odds of success increase.

4. Resource allocation – One thing is clear about any company, large and small—resources are finite. We wish they were infinite, but that will never be the case. Strategy is about making choices. What products, services and markets will be a part of the future and what we should not do? These types of decisions are critical to ensuring that limited resources are being deployed to the most promising opportunities that will provide the greatest return.

5. Environmental Scan – Too many CEOs don't take the time to truly know the external environment that can have a positive or negative impact on performance. This is not to say that leaders are not in tune with their customers, or not aware of their competition. The question is, how thorough an analysis are they doing? Jack Welch had it right when he asked his division leaders to dig deep to understand how things might change before they really happened. Being aware and prepared for potential shifts in your market or industry provides the opportunity to take action before it happens.

There is a huge opportunity for CEOs/Owners to excel in performance with a well-crafted strategy. Bottom line, *execution without strategy is aimless*. Let us know what you think of these five reasons strategy is important and share with us some of your own experiences.

3. **Explain the various levels at which a strategy may be implemented in an organization.**

It is believed that strategic decision making is the responsibility of top management. However, it is considered useful to distinguish between the levels of operation of the strategy.

There are three levels of strategy:

- Corporate Level
- Business Level
- Functional Level

Corporate Level Strategy

At the corporate level, strategies are formulated according to organization wise polices. These are value oriented, conceptual and less concrete than decisions at the other two levels. These are characterized by greater risk, cost and profit potential as well as flexibility. Mostly, corporate level strategies are futuristic, innovative and pervasive in nature. They occupy the highest level of strategic decision making and cover the actions dealing with the objectives of the organization. Such decisions are made by top management of the firm.

Business Level Strategy

The strategies formulated by each SBU to make best use of its resources given the environment it faces, come under the account of business level strategies. At such a level, strategy is a comprehensive plan providing objectives for SBUs, allocation of resources among functional areas and coordination between them for achievement of corporate level objectives. These strategies operate within the overall organizational strategies i.e. within the broad constraints and polices and long term objectives set by the corporate strategy.

Functional Level Strategy

This strategy relates to a single functional operation and the activities involved therein. This level is at the operating end of the organization. The decisions at this level within the organization are described as tactical. The strategies are concerned with how different functions of the enterprise like marketing, finance, manufacturing etc. contribute to the strategy of other levels. Functional strategy deals with a relatively restricted plan providing objectives for specific function, allocation of resources among different operations within the functional area and coordination between them for achievement of **SBU** and corporate level objectives.

Self-Assessment Questions

UNIT-2

1. **Define vision. Mention what are the advantages of having a vision.**

Vision is the ability to anticipate possible future events and developments with imagination and wisdom. To put it simply, vision refers to where an organization wants to be in the future. Vision in management literature, may be defined as a mental image of a business manager for possible and desirable future of an organization.

A few benefits accruing to an organization having a vision are as follows:

- They foster experimentation.
- Vision promotes long term thinking
- Visions foster risk taking.
- They can be used for the benefit of people.
- They make organizations competitive, original and unique.
- Good vision represents integrity.
- They are inspiring and motivating to people working in organization.

2. Explain Mission Statement with a few examples.

Companies often list their vision and their mission statements on their sites. The difference between a mission statement and a vision statement is that a mission statement focuses on a company's present state while a vision statement focuses on a company's future. However, some companies tend to blend these statements. The following are some of the top company mission statements:

Mission provides the basis of awareness of a sense of purpose, the competitive environment, degree to which the firm's mission fits its capabilities and the opportunities which the government offers. It refers to the very purpose of its existence.

Tata Steel: Consistent with the vision and values of the founder Jamsetji Tata, Tata Steel strives to strengthen India's industrial base through the effective utilization of staff and materials. The means envisaged to achieve this are high technology and productivity, consistent with modern management practices.

Toyota: Mission of Toyota is to provide safe & sound journey. Toyota is developing various new technologies from the perspective of energy saving and diversifying energy sources. Environment has been first and most important issue in priorities of Toyota and working toward creating a prosperous society and clean world.

Microsoft: Microsoft's mission is to enable people and businesses throughout the world to realize their full potential.

Ranbaxy Industries To become a research based international Pharmaceuticals Company.

Jet Airways: Jet Airways will be renowned for reaching out to all our guests with a heart-warming spirit that is our unique Indian hospitality. We will delight our guests with genuine care and personalised quality service, along with consistent, reliable and efficient operations.

3. **What do you mean by objectives? Differentiate between objectives and goals.**

Objectives refer to the ultimate end results which are to be accomplished by the overall plan over a specified period of time. Objectives are open ended attributes denoting a future state or out come and are stated in general terms.

- When the objectives are stated in specific terms, they become goals to be attained.
- In strategic management, sometimes, a different viewpoint is taken.
- Goals denote a broad category of financial and non-financial issues that a firm sets for itself.
- Objectives are the ends that state specifically how the goals shall be achieved.
- It is to be noted that objectives are the manifestation of goals whether specifically stated or not.

Difference between objectives and goals

The points of difference between the two are as follows:

- The goals are broad while objectives are specific.
- The goals are set for a relatively longer period of time.
- Goals are more influenced by external environment.
- Goals are not quantified while objectives are quantified.

Broadly, it is more convenient to use one term rather than both. The difference between the two is simply a matter of degree and it may vary widely.

Self-Assessment Questions

UNIT-3

1. **Explain the steps involved in strategic management process.**

Strategic management process has following four steps:

1. Environmental Scanning- Environmental scanning refers to a process of collecting, scrutinizing and providing information for strategic purposes. It helps in analysing the internal and external factors influencing an organization. After executing the environmental analysis process, management should evaluate it on a continuous basis and strive to improve it.
2. Strategy Formulation- Strategy formulation is the process of deciding best course of action for accomplishing organizational objectives and hence achieving organizational purpose. After conducting environment scanning, managers formulate corporate, business and functional strategies.
3. Strategy Implementation- Strategy implementation implies making the strategy work as intended or putting the organization's chosen strategy into action. Strategy implementation includes designing the organization's structure, distributing resources, developing decision making process, and managing human resources.
4. Strategy Evaluation- Strategy evaluation is the final step of strategy management process. The key strategy evaluation activities are: appraising internal and external factors that are the root of present strategies, measuring performance, and taking remedial / corrective actions. Evaluation makes sure that the organizational strategy as well as its implementation meets the organizational objectives.

2. What are the steps in implementation of strategy?

Following are the main steps in implementing a strategy:

- Developing an organization having potential of carrying out strategy successfully.
- Disbursement of abundant resources to strategy-essential activities.
- Creating strategy-encouraging policies.
- Employing best policies and programs for constant improvement.
- Linking reward structure to accomplishment of results.
- Making use of strategic leadership.

3. **Discuss why strategy implementation is considered difficult in any organisation.**

Problems of successful implementation centre around how well or badly the existing organization responds and how adequate it's reporting proves to be. According to Arthur A. Owen, in practice there are four problem areas associated with the successful implementation of strategies:

The first problem is that, although strategies need to be developed around the business units (SBUs), of the corporation, these units often do not correspond to parts of the organizations structure. Business units have an external market-place for goods and services, and their management can plan and execute strategies independent of other pieces of the company. Moreover, the organization structure - and how that functions - derives from its history of take-over, tax considerations, shareholders considerations, economies of scale, personnel strengths and weaknesses, national legal requirements, and so on. Therefore, at any time strategy and structure need to be matched and supportive of each other.
Strategic planners must attempt to cut through the culture of diversified corporation and to plan in relation to the various competitive environments by identifying the strategies for them.

Moreover, these strategies still have to be implemented by the organization as a whole.

A second problem area is that traditional management reports are not sensitive enough to monitor the implementation strategies, thus the strategic manager not fully aware of what is happening. Hence the performance of existing structure is not monitored properly, and as a result control mechanisms may be ineffective.

Third, implementing strategy involves change, which in turn involves uncertainty and risk. Therefore, motivating managers to make changes is a key determinant.

Finally, management systems (such as compensation schemes, management development, communications systems and so on) are often in place as a result of past strategies; they are rarely tuned or revised to meet the needs of new ones.
Excellently formulated strategies will fail if they are not properly implemented. Also, it is essential to note that strategy implementation is not possible unless there is stability between strategy and each organizational dimension such as organizational structure, reward structure, resource-allocation process, etc.