

Strategic Management

By: Nirmal Kumar Gupta

This reference book can be useful for
BBA, MBA, B.Com, BMS, M.Com, BCA, MCA
and many more courses for Various Universities



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Sample Preview of The Chapter

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STRATEGIC MANAGEMENT

INTRODUCTION TO STRATEGIC MANAGEMENT

Concept of Strategy



INTRODUCTION

Planning is a function of all managers irrespective of the level of hierarchy or nature of enterprise. Planning consists of several individual plans or component parts which are bound together in a consistent structured operation. Strategy is one of the components of planning. Historically, the word “strategy” has been used in military to mean grand plans made in the light of what is believed an adversary might. Strategy refers to apply the forces against an enemy to win a war. In management, the concept of strategy is more broader. According to **Anthony**, “*Strategy is the determination of the basic long term goals and objectives of an enterprise and the adoption of courses of action and the allocation of resources to carry out these goals.*” Strategies are thus required to determine and communicate a picture of what kind of enterprise is envisioned. Thus strategy is a course of action through which an organisation relates itself with environment so as to achieve its objectives.

Following are the **features of strategy**:

1. Strategy is dependent on environmental variables.
2. Strategy is futuristic in nature *i.e.*, forward looking.
3. Strategy is particular to a specific situation.
4. Strategy may involve contradictory action.
5. Strategy is a blend of internal and external factors.

Following are the four important **aspects of strategy**:

1. Long-term objectives
2. Competitive advantage
3. Vector
4. Synergy

Strategy is different from the policy. Policy is a guideline to the thinking and action of those who make decisions while the strategy concerns with the direction in which human and physical resources are deployed and applied in order to maximise the chances of achieving organisational objectives in the face of environmental variables. Further, a strategy cannot be delegated downward while policy can be delegated downward in the organisation.

Strategy and tactics are different from each other. Strategy determines what major plans are to be undertaken and allocates resources to them. While tactics is means by which previously determined plans are executed.

Strategies are different from programmes, procedures and rules.

Following are the various **levels** at which a strategy may exist:

1. Corporate level
2. Business level
3. Functional level
4. Operational level

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Strategy plays an important role. Strategy allows an enterprise to base its decisions on long-range forecasts. Strategy points the way for the employees to follow. Strategy serves as the basis for management control and evaluation. Strategy ensures that the top executives have a unified opinion on strategic issues and actions.

SELF-ASSESSMENT QUESTIONS

Q. 1. Explain the term vector. How is it important in decision-making?

Ans. Vector: Strategy is an intellectual process. Strategy involves adoption of the course of action and allocation of resources for meeting the long-term objectives. It requires identification of opportunities and analysis of data and information before choosing the appropriate strategy. Executives who perceive, analyse and choose between alternatives are required to exercise their judgement on various factors bearing on the interrelationships between organisational goals, policies and strategies.

Vector is very important in decision-making. Strategy provides direction to the whole organisation. When the objectives have been set, they bring about clarity to the whole organisation. They provide clear direction to the persons in the organisation who are responsible for implementing the various courses of action. Most people perform better if they know clearly what they are expected to do and where the organisation is going.

Q. 3. Distinguish between strategy and tactics.

Ans. Strategy and tactics are distinguished as follows:

<i>Basis of Distinction</i>	<i>Strategy</i>	<i>Tactics</i>
(1) <i>Level of management</i>	Strategy is developed at the top level of the management and relates exclusively to decisions at top level.	Tactics are employed at and relate to lower levels of management.
(2) <i>Function</i>	Strategy determines what major plans are to be undertaken and allocates resources to them.	Tactics are a means by which previously determined plans are executed.
(3) <i>Basis</i>	The formulation of strategy is both continuous and irregular. The process is continuous but the timing of decision is irregular.	Tactics are determined on a periodic basis by various organisations.
(4) <i>Period</i>	Strategy has a long-term perspective.	Time horizon of tactics is short-run.
(5) <i>Certainty</i>	Element of uncertainty is higher in the case of strategy formulation and its implementation.	Tactical decisions are more certain.
(6) <i>Evaluation</i>	It is difficult to evaluate strategies.	It is easy to evaluate tactics.

Q. 2. Discuss the nature of strategy.

Ans. Following are the features of strategy which highlight the nature of strategy:

1. Strategy relates the firm to its environment, particularly the external environment in all actions whether objective setting, or actions and resources required for its achievement. This definition emphasises on the systems approach of management and treats an organisation as part of the society consequently affected by it.

2. Strategy is the right combination of factors both external and internal. In relating an organisation to its environment, the management must also consider the internal factors too, particularly its strengths and weaknesses, to take various courses of action.

3. Strategy is a relative combination of actions. The combination is to meet a particular condition, to solve certain problems, or to attain a desirable objective. It may take any form; for every situation varies and, therefore, requires a somewhat different approach.

4. Strategy may even involve contradictory action. Since strategic action depends on environmental variables, a manager may take an action today and revise or reverse his steps tomorrow depending on the situations.

5. Strategy is forward looking. It has to do orientation towards the future. Strategic action is required in a new situation. Nothing new requiring solutions can exist in the past, and so strategy is relevant only to the future.

<i>Basis of Distinction</i>	<i>Strategy</i>	<i>Tactics</i>
(7) <i>Range</i>	The total possible range of alternatives from which a management must choose is far greater in strategy.	The total possible range of alternatives from which a management must choose is less in tactics.
(8) <i>Delegation</i>	Strategic decisions are never delegated below a certain level in the managerial hierarchy.	Tactical decision can be taken by personnel at lower levels.
(9) <i>Personal values</i>	The formulation of strategy is affected considerably by the personal values of the person involved in the process.	Tactics is normally free from personal values.
(10) <i>Importance</i>	Strategies are important for an organisation because they decide the future course of action for organisation as a whole.	Tactics are of less importance because they are concerned with specific part of the organisation.

Q. 4. Distinguish between strategy and policy.

Ans. Distinction between Strategy and Policy.

<i>Basis of Distinction</i>	<i>Policy</i>	<i>Strategy</i>
(1) <i>Meaning</i>	Policy is a guideline to the thinking and action of those who make decisions. It is a general statement of understanding made for achievement of objectives.	Strategy concerns with the direction in which human and physical resources are deployed and applied in order to maximise the chances of achieving organisational objectives in the face of environmental variables.
(2) <i>Nature</i>	Policy is a contingent decision.	Strategy is a rule for making decision.
(3) <i>Delegation</i>	Policy can be delegated downward in the organisation.	Strategy cannot be delegated downward.
(4) <i>Type</i>	Policies may be general or specific, organisational or functional, written or implied.	Strategies are specific and organisational.
(5) <i>Orientation</i>	Policies are thought-oriented.	Strategies are action-oriented.

Q. 5. Distinguish corporate level strategy with business level strategy.

Ans. Corporate level strategy is distinguished with business level strategy as follows:

1. At the corporate level, strategic decisions relate to organisation-wide policies and are most useful in the case of multi-divisional companies or firms having wide ranging business interests.

At the business level, decision-makers are primarily concerned with the immediate

industry or product-market issues, and with policies bearing on the intergration of the functional units.

Thus, business level strategy has narrower connotation than corporate level strategy.

2. Corporate level strategy relates to the 'What' while business level strategy relates to 'Why'. Corporate strategy defines the business in which a company will compete, particularly focusing on resources to convert distinctive competence

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into competitive advantage. While business strategy determines how a company will compete in a given business and position itself among competitors.

3. Corporate level strategy deals with the objective of the firm, allocation of resources and coordination of various divisions/business groups (known as strategic business units) for optimal performance.

Business level strategy or Strategic Business Unit (SBU) is a comprehensive plan providing objective for SBUs, allocation of resources among functional areas and coordination between them for making optimal contribution to the achievement of the corporate level objectives.

Q. 6. State three benefits of strategy.

Ans. Following are the benefits of strategy:

1. Strategy contributes towards organisation effectiveness by providing satisfaction to the personnel.
2. Strategy gets managers into the habit of thinking and thus makes them proactive and more conscious of their environment.
3. With the help of strategy the management becomes flexible to meet unanticipated changes.

Q. 7. What do you mean by strategy? Explain the nature of strategy.

Ans. In simple words, strategy is a plan of action to achieve the goals of an organisation.

Strategy is a conceptualisation of long-term, objectives of the organisation, the broad constraint and policies that currently restrict the scope of organisational activities, current plans and short-term goals that have been adopted in the expectation of contributing to the achievement of organisational objective.

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."

Strategy is organisation's pattern of response to its environment over a period of time to achieve its goals and mission.

According to **Chandler**, "Strategy is the determination of basic long-term goals and objective of an enterprise and the adoption of the courses of action and the allocation of resources for carrying out these goals."

According to **Michael Porter**, "Strategy is the creation of a unique and valued position involving a different set of activities. The company that is strategically positioned performs different activities from rivals or perform similar activities in different ways."

After considering all these definitions, strategy can be explained as management's plan for achieving its objectives which includes determination and evaluation of alternative paths to an already established mission or objective and choice of best alternative to be adopted.

The nature of strategy may be discussed as under:

1. Strategy relates the firm to its environment, particularly the external environment in all actions whether objective setting, or actions and resources required for its achievement. This definition emphasises on the systems approach of management and treats an organisation as part of the society consequently affected by it.
2. Strategy is the right combination of factors both external and internal. In relating an organisation to its environment, the management must also consider the internal factors too, particularly its strengths and weaknesses, to take various courses of action. Strategy is a relative combination of actions. The combination is to meet a particular condition, to solve certain problems, or attain a desirable objective. It may take any form, for every situation varies and therefore, requires a somewhat different approach.
3. Strategy may even involve contradictory action. Since strategic action depends on environmental variables, a manager may take an action today and revise or reverse his steps tomorrow depending on the situations.
4. Strategy is forward looking. It has to do orientation towards the future. Strategic action is required in a new situation. Nothing new requiring solutions can exist in the past, and so strategy is relevant only to the future.

Q. 8. "Strategy is synonymous with policies."

Comment on the statement.

Ans. Strategies are synonymous with policies in the sense that both are the means towards the end i.e. both are directed towards meeting organisational objectives.