UNIT – 7

INTRODUCTION TO STRATEGIC MANAGEMENT

Corporate Planning: Corporate planning refers to the process of planning undertaken by top management to achieve their organization goals.

Two significant phases incorporate planning:

1. Environmental Scanning
2. Strategy formulation and implementation

Mission is the guiding force for all the activities here. The first step in the process of achievement of the mission is to break the mission in to objectives, strategies and programme have to be formulated and implemented to achieve the given objectives which would eventually lead to the fulfillment of mission.

Mission: This is also called overall objective or overall goal.

Mission or purpose: The mission or purpose identifies the basic function or task of an enterprises or agency or of any part of its. Every kind of organized operation has, or at least should have if it is to be meaningful, purpose or mission.

Some writes distinguish between purpose and mission. While a business for example may have a social purpose of producing and distributing goods and services. It can accomplish this by fulfilling a mission of producing certain line of products.

Objectives: Objective are the ends towards which activities is aimed-they are results to be achieved. They represent not only the end point of planning but the end toward which point of planning but the end toward which organizing, staffing, leading and controlling are aimed. While enterprises objectives are basic plan of firm a department may also have its own objectives.

Goal: It goals naturally contribute to the attainment of enterprises objectives but the two sets of goals may entirely different.

For example: The objective of a business might be to make a certain profit by producing a given line of home entertainment equipment, while the goal of the manufacture department might be to produce the required number of television sets of given design and quality at a given cost.

Strategies: "Plan of Action"

1. General programs of action and development of resources to attain comprehensive objectives
2. The program of objectives of an organization and their changes, resources used to attain these objectives.
3. The determination of basic long-term objectives of an enterprise and adoption of courses of action and allocation of resources necessary to achieve the goals.

Policy: Policy a broad guideline set by the top management for the purpose of making decisions at different levels in the organization, once the corporate objectives are established policies can be formulated organization policy reflects the owner's attitude to different segments such a creditors the employees, customers and society at large.

Programmes: Programmes refer to the logical sequence of operations to be performed in a given project based on a set of goals, policies, procedures, rules and task assignments. They are used carry out a given course of action.

Purpose: A strategy is an operational tool to achieve the goals, and thus, the corporate mission. Strategies do no attempt to outline exactly how the enterprise is to accomplish its objective. A company may view downsizing in a competitive market to render cost effective services. Thus, strategy provides a frame work to guide thinking and action.

Strategic Management Process: Strategic management is a process or series of steps. The basic steps of the strategic management process are

Identifying Corporate Mission: Identify what the organization wants to achieve to start with for the purpose of it is necessary that all concerned parties understand the overall purpose of the organization and the methods of attaining them. It is also desirable that they agree on the corporate policies of the organization.

Formulate strategic objectives: By preparing statements of mission, policy, strategy, and goals, the top management established the frame work within which its divisions or departments prepare their plans. It is essential that the members of the organization agree on these given strategic objectives. The strategic objectives thus formulated reinforce the commitment of the members of the organization to achieve the corporate goals.

Appraise internal and external environment: To evolve alternative strategies to achieve these evolve alternative strategies to achieve these goals, a detailed appraisal of both the internal and external environment is carried out. The appraisal of internal environment reveals the strengths and weakness of the firm. The appraisal of external environment reveals the opportunities and threats for the firm. It is popularly called as SWOT analysis capitalizes on internal strengths, make use of best opportunities and beware of the threats in the external environment.

Develop and evaluate alternative strategies: There could be some alternative strategies to pursue a given goals. If the goal is to expand the business, the following could be the three alternatives.

- ✓ Sold new products to the existing product line
- ✓ Finding new markets, a part from the present market territories.
- ✓ Manufacturing within the organization, the components, which were earlier procured from outside.

Similarly, if the goal is to attain stability, the alternative strategies could be to maintain the following.

- ✓ The existing range of products
- ✓ The existing markets

- ✓ The functions presently being carried out.

Select the best strategy: For the firm to be more successful, it is necessary to focus its strategies around its strengths and opportunities. It is a prerequisite that the numbers of the organization agree on the strategic plan. Such a plan, which has been generally agreed upon, is normally considered as the best strategy.

Establish strategic business units (SBUs): It is more strategic to define a business unit in terms of customer groups, needs and/or technology and set up the business unit accordingly. Most of companies define their businesses in term of products.

Fix target allot resources to each SBU: The development of SBUs based on appropriate finding the top level management knows that its portfolio has certain old, established relatively new, and brand new products.

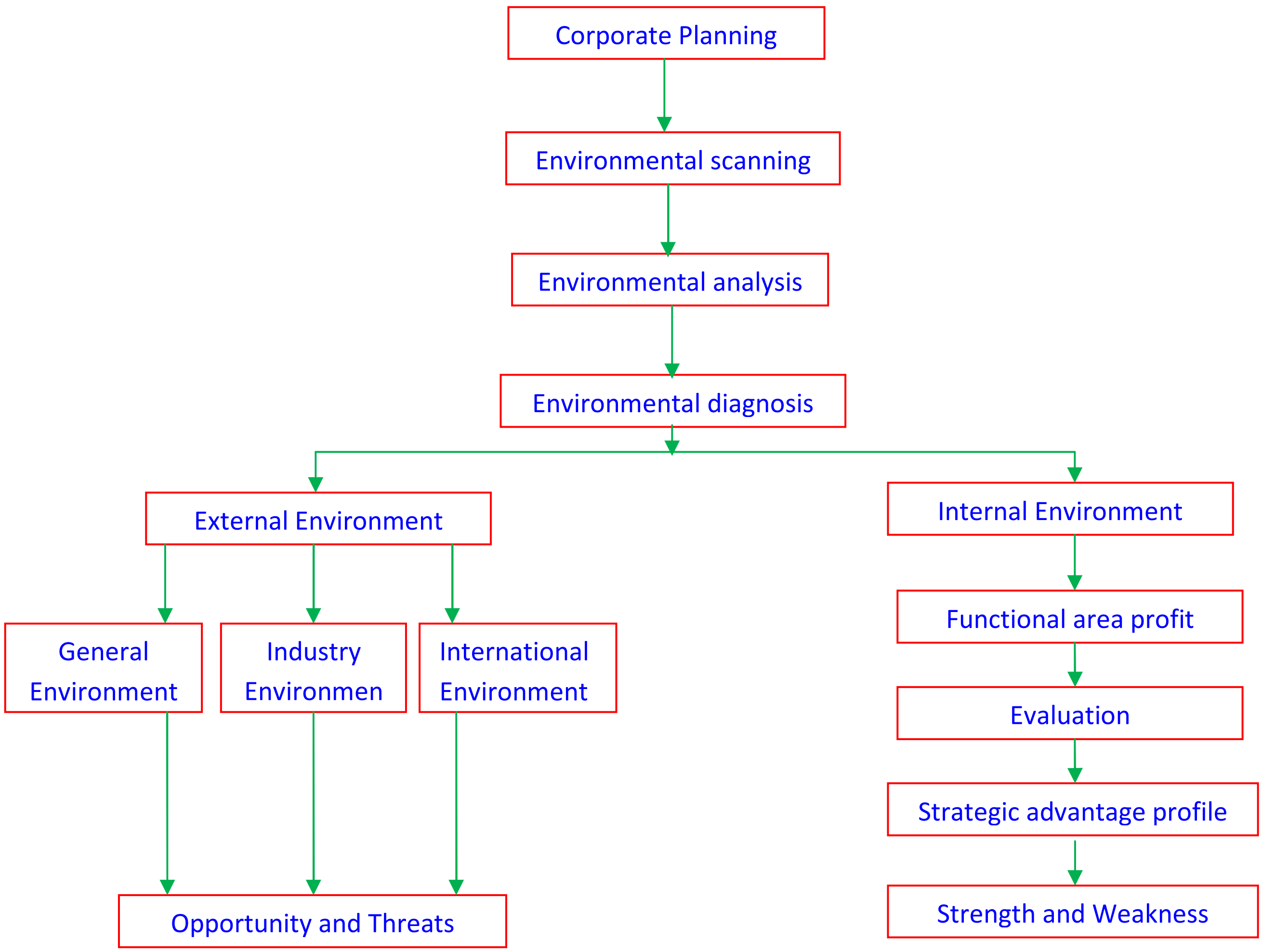
Resources should be allocated based on market growth rate and relative market share of SBUs. Here resources mean executive talent money and time.

Developing operating plans: The operating plan explain how the long-term goals of the organization can be met, the corporate plans reveal how much the projected sales and revenue are where the top management finds a significance gap between the targeted sales and actual sales, it can either develop the existing business or acquire a new one to fill the gap.

Monitor performance: The results of the operating plans should be will monitored from time to time. In the case of poor performance, check up with the members of the team to find out their practical problems and sort these out. Also, it is essential to verify whether there are any gaps in formulating the operating/tactical plans.

Revise the operating plans, where necessary: It is necessary to rise the operational plans particularly when the firm does not perform as well as expected. The planes can be revised in terms of focus, resource or time frame.

Environment scanning process



Environmental Scanning: Environmental scanning is a vital part of the corporate planning process. Effective planners try to anticipate what is likely to happen or attempt to influence the environment in favourable directions. This requires long-term strategic vision and commitments to corporate planning.

Why environmental scanning:

- ✓ The banks and business enterprises in the public sector are being disinvested by the government.
- ✓ The government policies keeping changing the current focus of the government of India has been an globalization, privatization, deregulation. As a results foreign goods are being dumped into the markets.

- ✓ Computers have wiped out the market for typewriters and electronic type writers.
- ✓ Info-tech industry, which was very strong for over decades, suddenly revealed downtrend.
- ✓ The advent of television channels has almost zeroed down the market for VCR and significantly affected the flow of film viewer traffic.

Environmental analysis: Refers to the process of analyzing the environment, component-wise or sector-wise to provide a basis for further diagnosis. It interrelates the formation of objectives, generation of alternative strategies, and other related issues.

Environmental diagnosis: Comprises the managerial decisions based on the perceived opportunities and threats of the firm. In effect, it helps to determine the nature of the impending tasks to take advantage of opportunity or to effectively manage threat.

External Environment Analysis (Opportunity and Threat): The external environment has a profound impact on the business operations irrespective of the nature of the business. The business has to monitor the key forces both in to micro and macro environment. The forces in the micro-environment may be customer competitors, and other

The forces in the macro environment may be demographic, economic, technological socio-cultural, political or legal. All these factors and parties affect the business operations both in the short and long run. These factors can be grouped under three parts of the environment.

1) General environment
2) Industry environment
3) International environment

1) General environment: A firm is said to be more effective when its strategy caters to the needs effective when its strategy caters to the needs of the environment. The additional features added to the main product at times could provide a new life to the main product. The corporate units, which realize this, will survive in the long-run.

Thus, the major causes of growth, decline, and other large scale changes in firms are the factor in the external environment, not internal development.

- Socio-economic sector
- The technological sector
- The government sector

2) Industry environment: It is an important component of the overall environmental analysis as input for corporate planning. Industry refers to the group of firms carrying on similar activity. It has three sectors, customers, suppliers and competitors.

Customers: The strategist must identify and analyze the customers for the organization locates the potential customers and the emerging changes in their buying pattern. It is necessary to identify the profile of buyers in terms of their needs and preferences based on the basic demographic factors such as age, income size of household and consumption pattern. These factors create the primary demand for products or service and help to scan the geographical environment for potential market and customers.

Suppliers: Strategist also must determine the availability and costs of supply condition including raw materials, energy, prevailing technology, money and labour. The supplier can influence a firm and its strategy, particularly when the firm is outsourcing its logistic requirements.

Competition: The strategist moulds his strategy in the light of the competitor's strategy, the exit or entry of competitors to be analyzed and diagnosed.

3) International Environment: The strategy of globalization implies a great source of opportunities and also threats to business firms. Such firms, which an make use of the opportunities, would flourish and those, which cannot gear up, would demise.

Internal Environment analysis and diagnosis: Internal environmental analysis and diagnosis is a process of analyzing and diagnosing the firm's internal strengths and weaknesses. By identifying its strength and weaknesses, the firm can strategically exploit the available opportunities, overcome threats, and correct weaknesses placing itself at a competitive advantage.

Conducting internal analysis and diagnosis: Identify first the internal strength and weaknesses. The strength and weaknesses may include the following.

- Marketing factors
- Research and development
- Engineering design and management
- Production management
- Managerial personnel
- Accounting and financial policies and procedures.

Profile of research and development:

- Financial resources (budget to conduct research, to develop new products and processes, improve existing processes and so on)
- Infrastructure (in terms of state-of-the-art technologies)
- Human resources (how many scientist and engineers are required, presently available, turnover of key personnel)
- Organizational system (system to monitor technological developments from time to time)

Strategy advantage profile: The ultimate result of such a detailed internal analysis to build a strategic advantage profile strategic advantage profile is a tool used to evaluate systematically the enterprises internal factors the competitive strengths or weaknesses for each internal area such as marketing, R &D and others

SWOT Analysis: SWOT analysis is defined as the rational and overall evaluation of a company's strength, weakness, opportunities, and threats which are likely to affect the strategic choice significantly.

External environment analysis (Opportunities and Threats): The external environment has a profound impact on the business operations irrespective of the nature and size of the business. The business has to monitor its key macro-environment forces and micro economic parties.

Opportunities: It necessary should identify what opportunities are available to it to focus upon. The latest technology, deregulated or free markets, liberalized rules and regulations and other may make a lot of difference for a business organization provided it can envision how to avail these visionary identify opportunities from treats.

Threats: Some development in the external environment represents threats. A threat is a challenge posed by an unfavorable trend or a development that results in the loss of sales or profit till a defensive marketing action is initiated. A few example of threat could be outlined as change in government policy such as liberalization privatization and globalization, changing technology changing value systems environmental constraints law and order.

Internal environment analysis (Strength and Weakness): It is necessary to analyze one's own strength and weakness periodically to sustain the degree of its competitive strength. Generally top management or an outside consultant reviews competencies pertaining to marketing, financial, manufacturing and organizational system and rates each factor as a major strength, minor strength, mental, factor, minor weakness, or major weakness.

Strength: It is not necessary that a business organization has to correct all its weakness nor that its propagate its strength. The big question is whether the business should limit itself to those opportunities, where its possesses the required strength or should it consider better opportunities where it might have to develop certain strength.

Weakness: Some times the company may not do well not because its departments lack the required motivation but because they do not work together as a team for example consider the case of an electronics company which employs engineers, sales and service staff for its operations. It is not adequate if they keep on doing their work. The organization becomes more effective only when they work as a team. It is therefore, critically important to build effective teams and assess the effectiveness of these teams. This is a part of the internal environmental audit. Progressive companies adopt this strategy.

Strength: 1) Value for money programme 2) Pool of trained faculty 3) Wide choice of offering 4) National network of well equipped training centre	**Weakness:** 1) Not aggressive in selling 2) Course differentials not sharp 3) Counselor enthusiasm in adequate 4) Customers service not focused enough
Opportunities: 1) Growing demand for computer education 2) Computer library be coming a necessity 3) Growth of rich training needs 4) Need for customized training modules	**Threats:** 1) Rise in number of competitions 2) High rate of technological obsolescence 3) Commoditization of training under cutting of fees.

Strategy Formulation: This is often referred as strategic planning or long-range planning. This process is primarily analytical, not action-oriented. The strategy formulation process is concerned with developing a corporate mission, objectives, strategy and policy.

This process involves scanning external and internal environmental factors, analysis of the strategic factors and generation, evaluation, selection of the best alternative strategy appropriate to the analysis.

Henry Mint berg has pointed out that corporations objectives and strategies are strongly affected by top management's view of the world. This view determines the mode to be used in strategy formulation. These modes includes

Entrepreneurial mode: one powerful individual formulates Strategy.

- The focus is on opportunities rather than on problems.
- Strategy is guided by the founder's own vision of direction.

Adaptive Mode: This strategy formulation mode is characterized by reactive solutions to existing problems rather than a proactive search for new opportunities.

Planning Mode: Analysts assume main responsibility for strategy formulation.

Strategic planning includes both the practice search for new opportunities and the reactive solution of existing problems.

Thus, strategy formulation process involves environmental analysis organizational analysis, development of strategic alternatives and analysis and selecting the most appropriate strategy from the alternatives developed.

The corporate level strategies include:

- Stability strategies
- Growth strategies
- Retrenchment strategies
- Combination strategy or port-folio restructuring

Implementation of strategies:

- Institutionalization of strategy
- Setting proper organizational climate
- Developing appropriate operating plans
- Developing appropriate organizational structures
- Periodic review of strategy