

# 2

# Business Policy and Strategic Management

## Basic Concepts

The chapter attempts to broadly explain the basic concepts of strategic management, generic strategic alternatives and its process. It also introduces the vision, mission and objectives along with the strategic levels in organizations.

### 1. Introduction

With the increased competition, the management of businesses has acquired strategic dimensions. All professionals working towards growth of their businesses must possess sound knowledge of strategic management.

### 2. Business Policy as a Discipline

Business Policy tends to emphasize on the rational-analytical aspect of strategic management. It presents a framework for understanding strategic decision making. Such a framework enables a person to make preparations for handling general management responsibilities.

### 3. Meaning and the Nature of Management

Management refers to an integrated set of functions and processes designed to initiate and unify group efforts in a meaningful manner directed towards pursuing certain goals. Management involves mobilisation and utilisation of physical human and other needed resources in judicious manner through certain skills, techniques, and activities.

### 4. What is a Strategy

A company's strategy consists of the combination of competitive moves and business approaches that managers employ to please customers, compete successfully and achieve organizational objectives. According to William F. Glueck "A unified, comprehensive and integrated plan designed to assure that the basic objectives of the enterprise are achieved." In general, corporate strategies have distinct characteristics such as they are long-range, action oriented, multipronged and integrated. They are also flexible and dynamic to cope up with uncertainty. Formulated at the top management level, they flow out of the goals and objectives of the enterprise.

### **5. Corporate Strategy**

Corporate strategy is basically the growth design of a company; it spells out the growth objective of the company - the direction, extent, pace and timing of the company's growth. It also spells out the strategy for achieving the growth.

#### **5.1 Nature, scope and concerns of corporate strategy**

Corporate strategy is basically concerned with the choice of businesses, products and markets. The following points will clarify the corporate strategy.

- It can also be viewed as the objective-strategy design of the company.
- It is the design for filling the company's strategic planning gap.
- It is concerned with the choice of the company's products and markets; it actually denotes the changes / additions / deletions in the company's existing product-market postures. It spells out the businesses in which the company will play, the markets in which it will operate and the customer needs it will serve.
- It ensures that the right fit is achieved between the company and its environment.
- It helps build the relevant competitive advantages for the company.
- Corporate objectives and corporate strategy together describe the company's concept of business.

#### **5.2 What does corporate strategy ensure?**

Corporate strategy in the first place ensures the growth of the company and ensures the correct alignment of the company with its environment. It serves as the design for filling the strategic planning gap. It also helps build the relevant competitive advantages

#### **5.3 Strategy is partly proactive and partly reactive**

A company's strategy is typically a blend of (1) proactive actions on the part of managers to improve the company's market position and financial performance and (2) as needed reactions to unanticipated developments and fresh market conditions.

### **6. The Dynamics of Competitive Strategy**

Strategic thinking involves orientation of the company's internal environment with the changes of the external environment. The economic and technical components of the external environment are considered as major factors leading to new opportunities for the organization and also closing threats. Similarly the broader expectation of the society in which the organization operates is again an important factor to determine the competitive strategy. The strengths and weaknesses of organizations are the internal factors, which determine the corporate strategy.

## 7. Strategic Management

The term strategic management refers to the managerial process of forming a strategic vision, setting objectives, crafting a strategy, implementing and executing the strategy, and then over a period of time initiating whatever corrective adjustments in the vision, objectives, strategy, and execution are deemed appropriate. The overall objective of strategic management is two fold:

- (a) To create competitive advantage, so that the company can outperform the competitors in order to have dominance over the market.
- (b) To guide the company successfully through all changes in the environment.

### 7.1 Framework

The basic framework of strategic process can be described in a sequence of five stages which are as follows:

- Stage one - Where are we now? (Beginning)
- Stage two: - Where are we want to be? (Ends)
- Stage three - How might we get there? (Means)
- Stage four - Which way is best? (Evaluation)
- Stage five - How can we ensure arrival? (Control)

### 7.2 Importance of Strategic Management

The major benefits of strategic management are:

- It helps organisations to be more proactive instead of reactive in shaping its future.
- It is concerned with ensuring a good future for the organisation.
- It serves as a corporate defence mechanism against mistakes and pitfalls.
- It provides framework for all the major business decisions of an enterprise.
- Over a period of time strategic management helps organisation to evolve certain core competencies and competitive advantages.

## 8. Strategic Decision Making

Decision making is a managerial process and function of choosing a particular course of action out of several alternative courses for the purpose of accomplishment of the organizational goals. The major dimensions of strategic decisions are given below:

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

## 9. Strategic Management Model

The strategic management process is not as cleanly divided and neatly performed in practice as the strategic management model suggests. Strategists do not go through the process in lockstep fashion.

Every organization has a vision, mission, objectives, and strategy, even if these elements are not consciously designed, written, or communicated. The answer to where an organization is going can be determined largely by where the organization has been.

## 10. Vision, Mission and Objectives

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

**10.2** A company's *mission* statement is typically focused on its present business scope – “who we are and what we do”; mission statements broadly describe an organization's present capabilities, customer focus, activities, and business makeup.

**10.3** *Objectives* are organizations performance targets—the results and outcomes it wants to achieve. They function as yardsticks for tracking an organizations performance and progress.

## 11. Strategic Levels in Organizations

An organization is divided into several functions and departments that work together to bring a particular product or service to the market. There are three main levels of management: corporate, business, and functional.

The *corporate level* of management consists of the chief executive officer (CEO), other senior executives, the board of directors, and corporate staff. The role of corporate-level managers is to oversee the development of strategies for the whole organization. This role includes defining the mission and goals of the organization, determining what businesses it should be in, allocating resources among the different businesses, formulating and implementing strategies that span individual businesses, and providing leadership for the organization.

*Business-level* general managers are concerned with strategies that are specific to a particular business. The strategic role of these managers is to translate the general statements of direction and intent that come from the corporate level into concrete strategies for individual businesses.

*Functional-level* managers are responsible for the specific business functions or operations (human resources, purchasing, product development, customer service, and so on) that constitute a company or one of its divisions. Thus, a functional manager's sphere of responsibility is generally confined to one organizational activity.

### Very Short Answer Type Questions

#### Question 1

*Explain the meaning of the following concepts:*

- (a) *Corporate Strategy*
- (b) *Strategic Vision*

#### Answer

- (a) Corporate strategy is basically the growth design of the firm; it spells out the growth objective - the direction, extent, pace and timing of the firm's growth. It also spells out the strategy for achieving the growth. It serves as the design for filling the strategic planning gap. It also helps build the relevant competitive advantages.
- (b) A Strategic vision is a road map of a company's future – providing specifics about technology and customer focus, the geographic and product markets to be pursued, the capabilities it plans to develop, and the kind of company that management is trying to create.

### Short Answer Type Questions

#### Question 2

*State with reasons which of the following statements is correct / incorrect:*

- (a) *Strategies provide an integral framework for management to negotiate its way through a complex and turbulent external environment.*
- (b) *Strategic management is not needed in non-profit organisations.*
- (c) *Strategy is a substitute for sound, alert and responsible management.*
- (d) *Strategies are perfect, flawless and optimal organisational plans.*
- (e) *Strategic management is a bundle of tricks and magic.*
- (f) *Corporate strategy is basically the growth design of the firm.*
- (g) *All strategies emerge from corporate vision*
- (h) *For a small entrepreneur vision and mission are irrelevant.*
- (i) *Control systems run parallel with strategic levels.*
- (j) *A company's strategy has always to be proactive in nature.*
- (k) *Developing annual objectives & short-term strategies that are compatible with the selected set of long-term objectives are one of the major task of strategic management.*
- (l) *Strategic vision and mission statements are needed only by large business houses.*

## 2.6 Strategic Management

---

### Answers

- (a) **Correct:** Strategies are meant to fill in the need of enterprises for a sense of direction, focus and coherent functioning. They provide a systematic basis for the enterprise to stand its ground in the face of challenge and change as also quickly adjust to them. They obviate the occasions for impulsive and crisis decisions, false starts, misdirected moves, wasted resource uses and the like.
- (b) **Incorrect:** Strategic management applies equally to profit as well as non-profit organizations. Though non-profit organizations are not working for the profit, they have to have purpose, vision and mission. They also work within the environmental forces and need to manage strategically to stay afloat to accomplish their objectives. For the purpose of continuity and meeting their goals, they also need to have and manage funds and other resources just like any other for profit organization.
- (c) **Incorrect:** Strategy is not a substitute for sound, alert and responsible management. Strategy can never be perfect, flawless and optimal. Strategies are goal-directed decision and actions in which capabilities and resources are matched with the opportunities and threats in the environment. A good management at the top can steer the organizations by adjusting its path on the basis of the changes in the environment.
- (d) **Incorrect:** Strategy can never be perfect, flawless and optimal. It is in the very nature of strategy that it is flexible and pragmatic; it is art of the possible; it does not preclude second-best choices, trade-offs, sudden emergencies, pervasive pressures, failures and frustrations. However, in a sound strategy, allowances are made for possible miscalculations and unanticipated external events.
- (e) **Incorrect:** No, Strategic management is not a bundle of tricks and magic. It is much more serious affair. It involves systematic and analytical thinking and action. Although, the success or failure of a strategy is dependent on several extraneous factors, it cannot be stated that a strategy is a trick or magic. Formation of strategy requires careful planning and requires strong conceptual, analytical, and visionary skills.
- (f) **Correct:** Corporate strategy in the first place ensures the growth of the firm and ensures the correct alignment of the firm with its environment. It serves as the design for filling the strategic planning gap. It also helps to build the relevant competitive advantages.
- (g) **Correct:** Vision explains where the organization is headed, so as to provide long-term direction, delineate what kind of enterprise the company is trying to become and infuse the organization with a sense of purpose. All strategies need to be drawn in the light of corporate vision, which is what the firm ultimately wants to become.
- (h) **Incorrect:** Entrepreneur, big or small has to function within several influences external forces. Competition in different form and different degree is present in all kind and sizes of business. Even entrepreneur with small businesses can have complicated environment. To grow and prosper they need to have clear vision and mission.

- (i) **Correct:** There are three strategic levels – corporate, business and functional. Control systems are required at all the three levels. At the top level, strategic controls are built to check whether the strategy is being implemented as planned and the results produced by the strategy are those intended. Down the hierarchy management controls and operational controls are built in the systems. Operational controls are required for day-to-day management of business.
- (j) **Incorrect:** A company's strategy is a blend of proactive actions and reactive actions by the management. Reactive actions are required to address unanticipated developments and environmental conditions. Thus, not every strategic move is the result of proactive and deliberate management actions. At times, some kind of strategic reaction or adjustments are required.
- (k) **Correct:** A strategic manager has to set the long term objectives, future oriented plans by appreciating the competitive environment. Without bifurcating grand strategies and long-term objectives into annual objectives and short-term strategies, implementation of the strategies is not possible. Dividing objectives, into annual plans help to move forward in a systematic manner.
- (l) **Incorrect:** Every organization whether it is large or small requires strategic vision and mission statements. Organisations irrespective of their size face similar business environment and have to sail through competition. Small organizations have to plan strategies for their survival in the market where large organizations are also present.

### Question 3

*Briefly answer the following questions:*

- (a) *What is strategic decision making?*
- (b) *What is strategic vision?*
- (c) *What is a mission statement? State the points that may be considered while writing a mission statement of a company.*
- (d) *Briefly explain 'shared vision' and 'vision shared'.*
- (e) *What tips can you offer to write a 'right' Mission Statements?*
- (f) *Distinguish between The Three Levels of Strategy Formulation.*
- (g) *You are appointed as a Strategic Manager by XYZ Co. Ltd. Being a Strategic Manager what should be your tasks to perform?*
- (h) *Write short note on Importance of Strategic Management.*
- (i) *What is Strategic Decision Making? Briefly explain the major dimensions of strategic decisions.*
- (j) *"Strategy is partly proactive and partly reactive." Do you agree? Give reasons for your answer.*

OR

*Quite often strategies of most business organizations are a combination of planned strategies and reactive strategies. Explain with reasons.*

- (k) *State the three elements of a strategic vision.*
- (l) *What is Corporate Strategy? How would you argue that 'corporate strategy' ensures the correct alignment of the firm with its environment'?*
- (m) *Mission statement of a company focuses on the question: 'who we are' and 'what we do'. Explain briefly.*
- (n) *What does corporate strategy ensure? Explain.*
- (o) *What are the major stages in the strategic management process?*
- (p) *"A strategic vision is a roadmap of a company's future." Comment. Draft a strategic vision statement of any well known national level Educational Institution you are familiar with.*
- (q) *How strategic decisions differ in nature from other routine decisions taken in day-to-day working of an organization? Explain.*
- (r) *In your view, what is the role of Corporate level managers in Strategic management?*
- (s) *"A company should focus on external perspective to define its mission". Support this statement with reasons.*
- (t) *'Organizations sustain superior performance over a long period of time, inspite of the rapid changes taking place continually in its competitive environment if they implement strategic management successfully.' Discuss.*

**Answers**

- (a) Decision making is a managerial process and function of choosing a particular course of action out of several alternative courses for the purpose of accomplishment of the organizational goals. Decisions are routine, tactical or strategic in nature. Strategic decisions are different from other decisions that are taken at various levels of the organization during day-to-day working of the organizations. They have long term implications, steer organisation to its future path and have organisation wide implications and so on. These decisions are taken considering different internal and external factors. They are also taken with partial or no definite knowledge of different factors affecting the decision situation.
- (b) A strategic vision delineates organisation's aspirations for the business, providing a panoramic view of the position where the organisation is going. A strategic vision points an organization in a particular direction, charts a strategic path for it to follow in preparing for the future, and moulds organizational identity. A Strategic vision is a road map of a company's future – providing specifics about technology and customer focus, the geographic and product markets to be pursued, the capabilities it plans to develop, and the kind of company that management is trying to create.

- (c) Mission statement is an answer to the question “Who we are and what we do” and hence has to focus on the organisation’s present capabilities, focus activities and business makeup. An organisation’s mission states what customers it serves, what need it satisfies, and what type of product it offers. It is an expression of the growth ambition of the organisation.

A company’s mission statement is typically focused on its present business scope—“who we are and what we do”; mission statements broadly describe an organizations present capabilities, customer focus activities and business makeup.

The following points must be considered while writing a mission statement of a company.

- (i) To establish the special identity of the business - one that typically distinct it from other similarly positioned companies.
  - (ii) Needs which business tries to satisfy, customer groups it wishes to target and the technologies and competencies it uses and the activities it performs.
  - (iii) Good mission statements should be unique to the organisation for which they are developed.
  - (iv) The mission of a company should not be to make profit. Surpluses may be required for survival and growth, but cannot be mission of a company.
- (d) Individuals in organisations relate themselves with the vision of their organisations in different manner. When the individuals are able to bring organisational vision close to their hearts and minds they have "shared vision". Shared vision is a force that creates a sense of commonality that permeates the organization and gives coherence to diverse activities. However, 'vision shared' shows imposition of vision from the top management. It may demand compliance rather than commitment. For success of organisations having shared vision is better than vision shared.
- (e) Mission statements broadly describe an organizations present capabilities, customer focus, activities, and business makeup. Following points are useful while writing mission of a company:
- Good mission statements are highly personalized – unique to the organization for which they are developed.
  - One of the roles of a mission statement is to give the organization its own special identity, business emphasis and path for development.
  - A company’s business is defined by what needs it is trying to satisfy, customer groups it is targeting, technologies and competencies it uses and the activities it performs.
  - Technology, competencies and activities are important in defining a company’s business because they indicate the boundaries on its operation.
  - The mission should not be to make profit.

## 2.10 Strategic Management

---

- (f) A typical large organization is a multidivisional organisation that competes in several different businesses. It has separate self-contained divisions to manage each of these. There are three levels of strategy in management of business - corporate, business, and functional.

The corporate level of management consists of the chief executive officer and other top level executives. These individuals occupy the apex of decision making within the organization. The role of corporate-level managers is to oversee the development of strategies for the whole organization. This role includes defining the mission and goals of the organization, determining what businesses it should be in, allocating resources among the different businesses and so on rests at the Corporate Level.

The development of strategies for individual business areas is the responsibility of the general managers in these different businesses or business level managers. A business unit is a self-contained division with its own functions - for example, finance, production, and marketing. The strategic role of business-level manager, head of the division, is to translate the general statements of direction and intent that come from the corporate level into concrete strategies for individual businesses.

Functional-level managers are responsible for the specific business functions or operations such as human resources, purchasing, product development, customer service, and so on. Thus, a functional manager's sphere of responsibility is generally confined to one organizational activity, whereas general managers oversee the operation of a whole company or division.

- (g) The primary task of the strategic manager is conceptualizing, designing and executing company strategies.

For this purpose, his tasks will include:

- Defining the mission and goals of the organization.
- Determining what businesses it should be in.
- Allocating resources among the different businesses.
- Formulating and implementing strategies that span individual businesses.
- Providing leadership for the organization.

- (h) Importance of Strategic Management: Strategic Management is very important for the survival and growth of business organizations in dynamic business environment. Other major benefits of strategic management are as follows:

- It helps organizations to be more proactive rather than reactive in dealing with its future. It facilitates the organisations to work within vagaries of environment and remains adaptable with the turbulence or uncertain future. Therefore, they are able to control their own destiny in a better way.
- It provides better guidance to entire organization on the crucial point – what it is

trying to do. Also provides framework for all major business decisions of an enterprise such a decision on businesses, products, markets, organization structures, etc.

- It facilitates to prepare the organization to face the future and act as pathfinder to various business opportunities. Organizations are able to identify the available opportunities and identify ways and means as how to reach them.
  - It serves as a corporate defence mechanism against mistakes and pitfalls. It helps organizations to avoid costly mistakes in product market choices or investments.
  - Over a period of time, strategic management helps organizations to evolve certain core competencies and competitive advantages that assist in the fight for survival and growth.
- (i) Decision making is a managerial process and a function of choosing a particular course of action out of several alternative courses for the purpose of accomplishment of the organizational goals. Strategic decisions are different in nature than all other decisions which are taken at various levels of the organization during their day-to-day working. The major dimensions of strategic decisions are given below:
- Strategic issues require top-management decisions: Strategic issues involve thinking in totality of the organizations and also there is lot of risk involved.
  - Strategic issues involve the allocation of large amounts of company resources: It may require huge financial investment to venture into a new area of business or the organization may require huge manpower with new set of skills in them.
  - Strategic issues are likely to have a significant impact on the long term prosperity of the firm: Generally the results of strategic implementation are seen on a long term basis and not immediately.
  - Strategic issues are future oriented: Strategic thinking involves predicting the future environmental conditions and how to orient for the changed conditions.
  - Strategic issues usually have major multifunctional or multi-business consequences: As they involve organization in totality they affect different sections of the organization with varying degree.
  - Strategic issues necessitate consideration of factors in the firm's external environment: Strategic focus in organization involves orienting its internal environment to the changes of external environment.
- (j) Yes, strategy is partly proactive and partly reactive. In proactive strategy, organizations will analyze possible environmental scenarios and create strategic framework after proper planning and set procedures and work on these strategies in a predetermined manner. However, in reality no company can forecast both internal and external environment exactly. Everything cannot be planned in advance. It is not possible to anticipate moves of rival firms, consumer behaviour, evolving technologies and so on.

## 2.12 Strategic Management

---

There can be significant deviations between what was visualized and what actually happens. Strategies need to be attuned or modified in the light of possible environmental changes. There can be significant or major strategic changes when the environment demands. Reactive strategy is triggered by the changes in the environment and provides ways and means to cope with the negative factors or take advantage of emerging opportunities.

- (k) A strategic vision steers an organization in a particular direction, charts a strategic path for it to follow in preparing for the future, and moulds organizational identity. The three elements of a strategic vision are:
1. Coming up with a mission statement that defines what business the company is presently in and conveys the essence of "Who we are and where we are now?"
  2. Using the mission statement as basis for deciding on a long-term course making choices about "Where we are going?"
  3. Communicating the strategic vision in clear, exciting terms that arouse organization wide commitment.
- (l) Corporate strategy helps an organisation to achieve and sustain success. It is basically concerned with the choice of businesses, products and markets. It is often correlated with the growth of the firm.

Corporate strategy in the first place ensures the growth of the firm and its correct alignment with the environment. Corporate strategies are concerned with the broad and long-term questions of what businesses the organization is in or wants to be in, and what it wants to do with those businesses. They set the overall direction the organization will follow. It serves as the design for filling the strategic planning gap. It also helps to build the relevant competitive advantages. A right fit between the organisation and its external environment is the primary contribution of corporate strategy. Basically the purpose of corporate strategy is to harness the opportunities available in the environment and countering the threats embedded therein. With the help of corporate strategy, organizations match their unique capabilities with the external environment so as to achieve its vision and mission.

- (m) A company's mission statement is typically focused on its present business scope — "who we are and what we do"; mission statements broadly describe an organizations present capabilities, customer focus activities and business makeup. An organisation's mission states what customers it serves, what need it satisfies, and what type of product it offers. It is an expression of the growth ambition of the organisation. It helps organisation to set its own special identity, business emphasis and path for development. Mission amplifies what brings the organisation to this business or why it is there, what existence it seeks and what purpose it seeks to achieve as a business organisation.

In other words, the mission serves as a justification for the firm's very presence and existence; it legitimizes the firm's presence.

- (n) Corporate strategy in the first place ensures the growth of the organisation and ensures the correct alignment of the organization with its environment. It serves as the design for filling the strategic planning gap. It also helps build the relevant competitive advantages. It works out the right fit between the organization and its external environment. Basically the purpose of corporate strategy is to harness the opportunities available in the environment, countering the threats embedded therein.

Corporate strategy brings methodical responses to the environment. Strategy is the opposite of adhoc responses to the changes in the environment in competition, consumer tastes, technology and other variables. It amounts to long-term, well thought-out and prepared responses to the various environment forces.

- (o) The major stages in the strategic management process are:
- (i) Develop vision and mission statements
  - (ii) Perform internal and external audit (environmental scanning)
  - (iii) Establish long-term objectives
  - (iv) Generate, evaluate, and select strategies
  - (v) Implement strategies considering management issues
  - (vi) Implement strategies marketing, finance, accounting, R&D, MIS issues
  - (vii) Measure and evaluate performance
- (p) A Strategic vision is a roadmap of a company's future – providing specifics about technology and customer focus, the geographic and product markets to be pursued, the capabilities it plans to develop, and the kind of company that management is trying to create.

The vision of ICAI is - World's leading accounting body, a regulator and developer of trusted and independent professionals with world class competencies in accounting, assurance, taxation, finance and business advisory services.

- (q) Strategic decisions are different in nature than all other decisions which are taken at various levels of the organization during day-to-day working of the organizations. The major dimensions of strategic decisions are given below:
- ◆ Strategic issues require top management decisions.
  - ◆ Strategic issues involve the allocation of large amounts of company resources.
  - ◆ Strategic issues are likely to have a significant impact on the long term prosperity of the organisation.
  - ◆ Strategic issues are future oriented.
  - ◆ Strategic issues usually have major multifunctional or multi-business consequences.
  - ◆ Strategic issues necessitate consideration of factors in the organisation's external environment.

- (r) *There are three main levels of management in a typical organisation: corporate, business, and functional. The corporate level of management consists of the chief executive officer (CEO), other senior executives, the board of directors, and corporate staff. These individuals occupy the apex of decision making within the organization and broadly have following roles:*
- 1. Oversee the development of strategies for the whole organization.*
  - 2. Defining the mission and goals of the organization.*
  - 3. Determining what businesses it should be in.*
  - 4. Allocating resources among the different businesses.*
  - 5. Formulating and implementing strategies that span individual businesses.*
  - 6. Providing leadership for the organization.*
  - 7. Provide a link between the people who oversee the strategic development of a firm and those who own it.*
- (s) *A business organization is a part of overall structure of society and functions within wide external environmental factors. It draws its resources from its external environment, processes them and provides output in the form of goods and services. Therefore, it is correct to say that a business enterprise should focus on external perspective to define its mission although enterprise's internal situation cannot be delinked while doing so. Bringing an external perspective justifies the very existence of company. The mission statement is a message designed to be inclusive of the expectations of all stakeholders for the performance of an enterprise / company over the long run. Some of the questions addressed by mission statement are: Why is the firm in business? What are the economic goals? What is the operating philosophy in terms of quality, firm's image and self-concept? What are the core competencies and competitive advantages? What customers do and can a company serve? How does enterprise / company view its responsibilities to stockholders, employees, communities, environment, social issues or competitors?*
- (t) *Business organizations function within dynamic environment. The environment may vary from being conducive to hostile. Whatever be the conditions, implementation of strategic management is very important for the survival and growth of business organizations. Strategy implementation helps in improving the competence with which it is executed and helps organizations to sustain superior performance in following manner:*
- Strategic management helps organizations to be more proactive rather than reactive in dealing with its future.*
  - It provides better guidance to entire organization on the crucial point – what it is trying to do.*

- *It facilitates to prepare the organization to face the future. Organizations are able to identify the available opportunities and identify ways and means as how to reach them.*
- *It serves as a corporate defense mechanism against mistakes and pitfalls.*
- *Over a period of time strategic management helps organization to evolve certain core competencies and competitive advantages.*

#### Questions with Descriptive Answers

##### Question 4

*What is Strategic Management? What benefits accrue by following a strategic approach to managing?*

##### Answer

In a highly competitive marketplace, companies can operate successfully by creating and delivering superior value to target customers and also learning how to adapt to a continuously changing business environment. So to meet changing conditions in their industries, companies need to be farsighted and visionary, and must have a system of managing strategically.

Strategic management starts with developing a company mission (to give it a direction), objectives and goals (to give it means and methods for accomplishing its mission), business portfolio (to allow management to utilise all facets of the organisation), and functional plans (plans to carry out daily operations from the different functional disciplines).

The overall objective of strategic management is two fold:

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

The following are the benefits of strategic approach to managing:

- Strategic management helps organisations to be more proactive instead of reactive in shaping its future. Organisations are able to analyse and take actions instead of being mere spectators. Thereby they are able to control their own destiny in a better manner. It helps them in working within vagaries of environment and shaping it, instead of getting carried away by its turbulence or uncertainties.
- Strategic management provides framework for all the major business decisions of an enterprise such as decisions on businesses, products, markets, manufacturing facilities, investments and organisational structure. It provides better guidance to entire organisation on the crucial point - what it is trying to do.
- Strategic management is concerned with ensuring a good future for the firm. It seeks to prepare the corporation to face the future and act as pathfinder to various business

## 2.16 Strategic Management

---

opportunities. Organisations are able to identify the available opportunities and identify ways and means as how to reach them.

- Strategic management serves as a corporate defence mechanism against mistakes and pitfalls. It help organisations to avoid costly mistakes in product market choices or investments. Over a period of time strategic management helps organisation to evolve certain core competencies and competitive advantages that assist in its fight for survival and growth.

### Questions with Hints

#### Question 5

*Explain the evolution and importance of business policy and strategic management.*

#### Answer

The origins of business policy can be traced back to 1911, when Harvard Business School introduced an integrative course in management aimed at the creation of general management capability. This course was based on interactive case studies which had been in use at the school for instructional purposes since 1908. The course was intended to enhance general managerial capability of students. However, the introduction of business policy in the curriculum of business schools/management institutes came much later.

Business policy tends to emphasise on the rational analytical aspect of strategic management. It presents a framework for understanding strategic decision making. Such a framework enables a person to make preparations for handling general management responsibilities.

Strategic Management enables an organisation to develop and maintain competitive a advantage so that it can outperform its competitors and to have dominant role in the market. Strategic Management guides the company successfully through all charges in the environment.

#### Question 6

*Explain in detail the term corporate strategy with its characteristics.*

#### Answer

The term strategy is associated with unified design and action for achieving major goals, gaining command over the situation with a long-range perspective and securing a critically advantageous position. Strategies are formulated at the corporate, divisional and functional level. Corporate strategies are formulated by the top managers. They include the determination of the business lines, expansion and growth, vertical and horizontal integration, diversification, takeovers and mergers, new investment and divestment areas, R & D projects, and so on. These corporate wide strategies need to be operationalized by divisional and functional strategies regarding product lines, production volumes, quality ranges, prices, product promotion, market penetration, purchasing sources, personnel development and like.

In general, a corporate strategy has the following characteristics:

- It is generally long-range in nature, though it is valid for short-range situations also and has short-range implications.
- It is action oriented and is more specific than objectives.
- It is multi-pronged and integrated.
- It is flexible and dynamic.
- It is formulated at the top management level, though middle and lower level managers are associated in their formulation and in designing sub-strategies.
- It is generally meant to cope with a competitive and complex setting.
- It flows out of the goals and objectives of the enterprise and is meant to translate them into realities.
- It is concerned with perceiving opportunities and threats and seizing initiatives to cope with them. It is also concerned with deployment of limited organizational resources in the best possible manner.
- It gives importance to combination, sequence, timing, direction and depth of various moves and action initiatives taken by managers to handle environmental uncertainties and complexities.
- It provides unified criteria for managers in function of decision making.

#### Question 7

*What do you understand by strategic management? Discuss its framework.*

#### Answer

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

The basic framework of strategic process can be described in a sequence of five stages as follows:

Stage one - Where are we now? (Beginning)

Stage two: - Where are we want to be? (Ends)

Stage three - How might we get there? (Means)

Stage four - Which way is best? (Evaluation)

Stage five - How can we ensure arrival? (Control)

**Question 8**

*Briefly discuss the difference between vision and mission.*

**Answer**

A Mission statement tells you the fundamental purpose of the organization. It concentrates on the present. It defines the customer and the critical processes. It informs you of the desired level of performance. On the other hand, a Vision statement outlines what the organization wants to be. It concentrates on the future. It is a source of inspiration. It provides clear decision-making criteria.

A mission statement can resemble a vision statement in a few companies, but that can be a grave mistake. It can confuse people. Following are the major differences between vision and mission:

1. The vision describes a future identity while the Mission serves as an ongoing and time-independent guide.
2. The vision statement can galvanize the people to achieve defined objectives, even if they are stretch objectives, provided the vision is specific, measurable, achievable, relevant and time bound. A mission statement provides a path to realize the vision in line with its values. These statements have a direct bearing on the bottom line and success of the organization.
3. A mission statement defines the purpose or broader goal for being in existence or in the business and can remain the same for decades if crafted well while a vision statement is more specific in terms of both the future state and the time frame. Vision describes what will be achieved if the organization is successful.

**Questions for Practice**

1. Write a short note on business policy.
2. How are conventional and strategic decision making similar and dissimilar.
3. Write an explanatory note on the following: (a) Vision, (b) Mission, (c) Objectives and Goals.
4. Explain in brief the levels of strategic management.
5. Strategy is partly proactive and partly reactive. Discuss.

**Activity**

Browse internet and compile mission and vision statements of at least five companies. Discuss and analyze them with other students in a group.