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SUB: STRATEGIC MANAGEMENT

M.COM   SEM-IV

TOPIC—CHOICE OF STRATEGY

INTRODUCTION

The very underlying idea is to match the organisational resources and capabilities to the external environment. That is, to direct the resources-both physical and human- towards the tenets of a strategy..

STRATEGIC CHOICE

It is the process of systematically comparing the impact of the possible strategies on product-market and the firm..

As per **Henry Mintzberg**,**" Strategy formulation is interplay among three basic forces:**

(i).a dynamic environment that changes continuously but irregularly with frequent discountinuities and wide swings in the rate of change;

(ii).the operating system of the organisation which seeks to stabilise its a activities despite the characteristics of the environment it serves;

(iii).the role of leadership mediating between the two forces so as to maintain stability of the organization, operating system while at the same time adapting it to the environmental change."

Thus, strategic choice is the decision to select among the grand strategies identified or selection of the strategy that meets the requirement of the firm's objectives.

FACTORS INFLUENCING STRATEGIC CHOICE

Strategic choice isthe mental process of selecting the best or more appropriate strategy from the stock of alternatives that serves the enterprise objectives..

As per **Mr.William.F.Glueck,** following factors affect strategic choice:

(i).Managrrial views towards danger or threats;

(ii).Hypothesis of management in relation to external dependence;

(iii).Organisational structure and strength of managerial relationship;

(iv).Conscious managers in relation to last strategies of the undertaking;

Mr.Alvar ELBING, in his title "Behavioural Decisions in Organisation"says that there are seven distinct catagories of elements which influence choice of strategy such as:

(i).Previous experience

(ii).Cultureand values

(iii).Base of knowledge

(iv).Human needs

(v).Hopes and expectations

(vi).Assumptions relating to emotion and effects

(vii).Procedure of Decision-making

1.ENVIRONMENTAL CONSTRAINTS

Prosperity of a unit rest on its exposure to and interaction with its environment which is external. External environment is made up of its public namely shareholders, suppliers, competitors, lenders, government and the community.. The strategies of competitors in any area of business will have impact on choice of a strategy. What functional or production or marketing, or personnel strategies the firm is to follow will depend on what competitors are doing. Customers are the real decision maker whose likes and dislikes can not be thrown to winds. Changing governmental policies will have to be respected. In essence the strategists are to note three things regarding the external environment;

(A).The organisation's strategic choice is limited by the extent to which it is dependent on its constituents.

(B).The organisation which has more dependence on its external environment for its inputs has limited strategic alternatives

(C).The strategic choice is affected by the relative volatility of the environment.

2 .In House Forces and Managerial Power Relations

In a highly controlled or centralised company, it is the top management which has the total power to configure the strategic choice. The strategic choice has the tings of departmental self interest. Greater the uncertainties of the environment, larger are the number of criteria developed to make strategic choice. In a nut shell, the decision makers are to remember that:

(A).Bargaining is used when power for making decisions is divided within the organisation

(B).Greater is the agreement on organisational activities, greater is the availability of documented data and staff specialists

(C).Analysis is filtered because of certain variables of attitude

(D).The impact of lower level managers on strategic choice influences the choice of strategy.

3.Value System in Decision Making

Value system is the frame work of the personal philosophy that rules and affects the individual reactions and responses to any situation the person in exposed. Values are essentially a bunch of attitudes. Attitudes are the positive or negative, good or bad, desirable or undesirable stands taken or a view point formed. Feelings are perceptions prevailing in mind about anything. Value system is constantly changing. The value systems are developed by the managers founded on their education, experience and the information they get on their jobs. Thus the business values and personal bias have deep influence on choosing the strategic option.

4.Managerial Attitudes Towards Risk

Managerial attitude towards risk is yet another significant factor that affects the choice of a strategy. Basically, risk is a perception. Risk is an attitude or a mind set. Risk is the function of likelihood and impact. Risk is thus, contingent . Hence the managerial decision is guided by the attitude of decision-makers towards risk. Decision makers can be of three types namely, **Risk Lover, Risk Averse and Risk Neutral.**

As per Professor William F. Glueck,

(a).Risk is necessary for success.

(b).Risk is a fact of life and some risk is desirable.

(c).High risk destroys enterprises and needs to be minimised .

By nature executives who are risk lovers go in for high returns, high growth, less stable markets as there is direct relationship between risk and the reward. Age factor also plays decisive role. The old managers tend to take no extra risk unlike young people who are yet to make mark. Attitude towards risk is ever changing. It varies with in accordance with the dynamics of business or environmental conditions.

5.Influence of Past Strategy

Future has its roots in the past. Choice of the current and the future is influenced by the past strategy due to number of reasons. Personal involvement of the decision maker with the past strategy will continue to do so..As per findings of **Professor. Mintzberg and his associates,:**

(a). The older and more successful a strategy, the harder it is to change.The present strategy stems from a past strategy developed by a single, powerful leader.

(b). Once a strategy gets under way it becomes exceedingly difficult to change, and the bureaucratic momentum keeps it going. Thus, the original decision-maker pushes the strategy, when lower management pulls along.

(c). When the past strategy begins to fail because of changing conditions, the enterprise reacts and grafts new sub-strategies on to the old and only later seeks out a new strategy.

(d). If the environment changes even more radically, then the enterprise begins to seriously consider other alternative strategies which might have been previously suggested but ignored. Similarly, it is the nature of firms that determines to what extent past strategies influence the present or future strategy choice.

6.Time Dimension of Strategic Choice

Time dimension has following elements which one can not ignore;

(i).Time Pressure—Decisions are to be taken within the dead line..This dead line is set by higher ups which can not be questioned. It is these dead lines which generate time pressure within which the managers are forced to make the right choice. Acquisition being a very important decision , the strategist may not take decision and postpone it as it warrants ins and outs of proposed acquisition.

(ii).**Time Frame—**It refers to time frame of the decision in question. That is, the short-time and long-term implications of a choice, it depends on the reward system that is prevailing in an organisation. In case the reward system of the firm is associated with achievement of short-term goals, the choice is to gains for short term gains ignoring the long-run gains of the proposed choice. Instead, if rewards are associated with long-term achievements, there is every possibility of ignoring short-run gains.

(iii).Time Horizon---This part of time dimension speaks of the period of commitment that goes with it. It is the strategy in question that decides the time horizon. A long range strategy that calls for commitment of resources for an uncertain future is less acceptable than that of one having immediate relationship. The longer a decision can be delayed, the lower the probability that it will ever be accepted.

(iv).Timing of Decision---Timing of decision determines the strategic choice. It is the timing of the decision that determines the effectiveness of it. A decision to enter a new market is going to be in favour of the firm which can not be delayed. Thus, delay makes year to lose the golden opportunity on which you can care your future success.

7. Reaction of Competitors

The strategic choice of a strategy option is bound to reflex in the competitors' reaction. A wise strategist places himself in the shoes of the competitor or competitors to know where exactly the shoe bites. Only after studying the reactions, he may be able to take correct decision than ignoring the impact of competitor reaction. Much depends on your market position. Your competitor may take your strategic option as very aggressive and makes the competitors to have counter strategy to over power you.

8. Availability of Relevant Information

When it is a question of choice rather rational choice, the quality and quantity of information decide the strategy choice. The choice of strategic decision that is based on facts, the considered opinions other source of information written as oral are more sound and acceptable that is, the degree of risk and uncertainty depends on the amount and quality of information made available to the decision makers. There is inverse relationship between the available information and the degree of accuracy of strategic choice. That is , the greater the amount of high quality information, lesser the risk and uncertainty. The decision maker is a risk-prone or a risk averter or risk neutral.

THE END