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**SUB: STRATEGIC MANAGEMRNT**

# TOPIC---CONCEPT OF STRATEGIC MANAGEMENT

The term ‘strategy’ is a military word. Strategy is a fundamental pattern of present and planned objectives, resource deployments, and interactions of an organisation with markets, competitors, and other environmental factors. The term **‘strategy’** is seen from both traditional angle and modern angle. Strategy is the science of planning and directing the military operation.

As defined by **Professor Henry Mintzberg:** “Strategy is a pattern in a stream of decisions as actions, the pattern being product of whatever intended or planned strategies are actually realized or any emergent or unplanned strategies”

**MEANING OF STRATEGIC MANAGEMENT:**

Strategic management is to do with two things namely deciding the strategies to be taken and implementing them using the company resources so that successful survival, fruitful expansion and enchanting growth is ensured. Strategic management is a process, directed by top management, to determine the fundamental aims or goals of the organisation, and ensure a range of decisions which will allow for the achievement of those aims and goals in the long-term, whilst providing for adoptive responses in the short-term.

As defined by **John.A.Pearce and Richard B.Robinson Jr.** “Strategic management is the set of decisions and action resulting in formulation and implementation of strategies designed to achieve the objectives of an organisation.”

Succinctly, strategic management embraces a set of decisions, actions and interactions which help in designing an effective strategic network to facilitate the attainment of the enterprise mission.

**FEATURES OF STRATEGIC MANAGEMENT:**

Strategic management is a continuous process of decision-making that is vital to the very survival, growth and flourishment of an organisation that contribute to wealth maximisation. Strategic management is different from routine management in the sense that it is making of strategic decisions and implementation of those to get pre-calculated results. If all the decisions are important, they become strategic whereas if all the decisions are not of equal importance, they become non-strategic. Strategic management is characterised by following points,

**1.Strategic Issues Warrant Top Management Decisions**

Strategic decisions have far-reaching impact on several areas of firms operations. Hence, top management involvement in decision making is imperative. In any firm, the quality of the product and price being charged are the most important. These decisions will not be left to business level or functional level. Only at the top level there is perfect perspective understanding, anticipating broad implications and the branching out and ramifications and the power to authorise the resource allocation that is needed for implementation of what is contemplated.

**2.Strategic Issues Involve the Allocation of Large Amounts and Resources**

Strategic issues call for allocation of large amount and resource deployment. Resource allocation takes place in following ways:

**(a)**By sparing the internal funds out of accumulated reserves and surplus;

**(b)**By fresh issue of capital both owned and borrowed;

**(c)**Any combination of the two to reach the third alternative whichever is viable. These issues need commitment to spare and spend as per the plan of expansion or modernisation. It is top management which again has upper hand.

**3.Strategic Issues are Likely to have Impact on the Long Term Prosperity of the Firm**

The strategic decisions are such that their impact good or bad will be known in the long-run. When a company sticks to a particular strategic option, its competitive image and merits are tied to that strategy option only. A firm which is spending huge amount on building company’ image which is dependent on its position in product market, capital market and labour market will be known in due course of time but not immediately. The company’s products may be well in demand giving a larger share of market; investors are lured by constant and high rate of dividends; it might be a good pay master where every stake-holder is happy. These need change in market mix, market-segmentation, public-relations building and so on. These decisions are to be taken by top level authorities.

**4.Strategic Issues are Future Oriented**

One cannot manage past; one can manage present; but managing for future is most ticklish and dare-devil activity. Management means managing the future because first function of management is foreseeing the future or planning-then rest of the functions come into picture. Business world is quite vibrant, turbulent where competitive forces are driving, one cannot have smooth sailing, strategic management teaches to be pro-active rather than reactive because, one has no control over external forces. It is situational or contingency approach that is going to solve the problems.

**5.Strategic Issues Have Consequences of Multi Business**

Strategic decisions are coordinative or participative in nature. Top management may have wonderful plan but it should be carried out because there vast difference between promise and performance a dream and a reality. Each-one departmental heads , divisional heads, sectional heads all are to consist and work as a team. Segregation, segmentation, compartmentalisation calls for allocation and reallocation of firm’ resources and responsibilities which have impact on final results.

**6.Strategic Issues Warrant Due Weightage to the Firm’s External Environment**

The environmental forces are so powerful that it is very difficult to exert control on them. The strategic managers have to look beyond the limits of firm’s operations. They will have to watch and act their competitors, customers, suppliers, creditors, labour force, government policies, technology and so on. The smooth functioning of a firm depends on how well it understands the behaviour of all these variables in future.

**7.Strategic Management is a Process**

Strategic management brings in a frame-work that helps in performing various processes. As a process , it has logical steps namely, formulation of objectives of the organisation; keen observation and monitoring of environment-both external and internal so as to identify the opportunities and threats; evaluation of firm’s strengths and weaknesses, viz a viz the opportunities and threats, formulation of variant and matching strategies to achieve these objectives.

**8.Strategic Management Stresses Both Efficiency and Effectiveness**

This is very important point because many people do not differentiate ”efficiency” from “effectiveness”.”Doing things

right” is efficiency and “ doing the right things” is effectiveness. A strategic manager or a strategist has right blend of ‘efficiency’ and ‘effectiveness’ in his performance. He knows not only to hit but he knows where exactly to hit.

**VARIOUS LEVELS AT WHICH STRATEGY OPERATES**

Strategy level varies with the size of business. In case of multiple product companies, each product requires to have a separate strategy termed as strategy business unit (SBU).

**Corporate Level Strategy:** It occupies the highest level of strategic decision-making and covers actions dealing with the objective of the firm, acquisition and allocation of resources and coordination of strategies of various SBUs. Such decisions are made by top management and are value oriented, conceptual and less concrete as compared to other strategy levels.

**Business Level Strategy:** It operates in multi-product companies at each business unit. It is a comprehensive plan providing objectives for SBUs, allocation of resources among functional areas and co-ordination between them for making optimal contribution to achieve corporate level objectives.

**Functional Level Strategy:** It deals with relatively restricted plans providing objectives for specific function, allocation of resources among different resources within the area and co-ordination between them for optimal contribution to achieve SBU and corporate level strategy.

**Approaches To Strategic Decision Making**

Strategic decision-making process is so strategic that each firm has its own approaches to these strategic decision-making.

Various types of approaches as defined by Mr. Henry Mintzberg, is given below:

1. **Entrepreneurial Approach-** It is followed in strategic decision-making by the organisations headed by family heads whereby the organisation is moulded to face the environmental changes.

# FEATURES OF ENTREPRENEURIAL APPROACH

**1.Capitalising on the Opportunities—**Entrepreneurial approach warrants constant search for opportunities that changing environment makes available. This searching may be formal or informal.

**2.Centralised Decision-Making Power—**The family head is the person who has the exclusive power of making bold and unusual decision. It is founded on rich experience of past and sound judgement that play vital role in making the head as competent authority to make decisions.

**3.Growth and Expansion Orientation—**This approach is growth and expansion-oriented. There is an all out attempt to increase rhe wealth, assets, turnover and market share. Growth and expansion oriented approach keeps the family of entrepreneurs on the toes, always alert and agile and keen observation of business situations is the key to their success.

**4.Efforts and Rewards are Well Balanced—**The entrepreneurial approach believes in making unusual and very bold decision in the environment of uncertainty. They keep the organisation adaptive to the changing needs of business world. Bold and unusual decisions are based on hard facts of changing environment.

**B. Adaptive Approach—**This adaptive approach is reactive rather than proactive and tries to collect and mix the variant factors influencing the strategic decisions. It is a matter of governing and managing these enterprises where the objectives are social service orientation hinged by profit making.

# FEATURES OF ADAPTIVE APPROACH

# 1.It is an Exercise of Problem-Solving: This approach is to solve the problem encountered which are more of survival and maintenance or continuation of existing situation rather hunting new opportunities and encashing on them.

# 2.Dominance of Decision Making Process by Constituents: The decision making process is shared by the owners, managers, government agencies, trade unions, financers and the like . The decision reflects the interests of these stake-holders.

# 3.Prority Based Decisions: This believes in solving one problem at a time . The most urgent problems get the priority over others. The idea behind this is to attain and maintain highest degree of flexibility to adapt the decision to more pressing needs.

# C. Planning Approach:-This approach call for making decisions in anticipation of the future state of affairs where the organisation is prepared to face it boldly. Strategic decisions are based on socio-economic purposes of the organisation, value of top management, external opportunities and problems on one hand and organisations strength and weaknesses on the other. It is widely used by multinationals which have formalised and structured strategic decision-making process.

# FEATURES OF PLANNING APPROACH

**1.Analysis of Factors Influencing a Strategy:--**The process of strategy making is founded on analysis of various factors that influence the strategy. These factors are both external and internal. External factors are economic, technological, socio-cultural, political, ecological and the internal are related with firm’s strengths and weaknesses.

**2.Systematic and Structured Approach:-**Planning approach to strategic decision making involves systematic and structured approach to the solution of problems. It is a systems approach in that the structure of organisation and its parts are geared to make possible the pay off’s in terms of costs and benefits.

**I.It is a Comprehensive Process: -**It is comprehensive process in that it is capable of producing a set of integrated decisions and strategies. Thus, the goal of profit maximisation or wealth maximisation is having the organisational level support and the inter departmental and inter sections support where each is limited, balanced and integrated. It is a coordinative approach.

**THE END**

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