

Basic Concept of Strategy

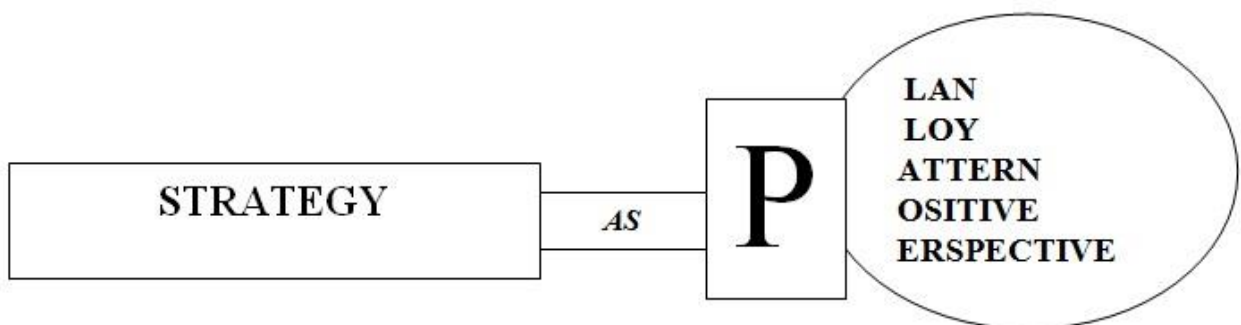
The most common and important characteristic of the present day market is competition which is making the existence and growth of the firms really tough. The fate of companies is changing drastically and sometimes overnight. With the constant change in the environment with increasing competition, the companies are changing their vision, mission, objectives and policies. The competition took a bigger form in India in 1991 after the liberalisation. With this, some organisations have become global whereas some have pulled themselves out of the market. Similarly there have been new entrants also. The economic liberalisation and widening up of business opportunities with increased competition have in fact made the strategic management the most happening area in the Indian corporate.

But unfortunately the most wrongly used word in the business writing today is the strategy. Originally derived from the ancient Athenian (Greek) word *strategoos* meaning the art of the General or the Commander-of-the-Armies, the word strategy is been overworked. A definition from the first century AD by Frontinus suggested that the strategy is “everything achieved by a commander, be it characterised by foresight, advantage, enterprise or resolution”.

Strategy refers to means and not to the ends. It tells how an organisation can achieve its objectives. It explains how the management of an organisation should optimally use its resources to achieve the business objectives. Strategic decisions always have a long-term implication. Strategies are there to be planned and carried out over a period of time. Constant changes lead to confusion and wastage of resources. Though the strategy falls in the

jurisdiction of the top management to define and agree but it is not for them to keep as a secret. Since only the formation of the strategy is not enough for it to be successful so a proper implementation is required which the top management alone cannot do. Strategy is the guiding force of any management. Running a business without proper strategy is like going but not knowing where to reach. Strategies should be distinguished from tactics, which are short-term measures, and requires almost no planning.

5P mnemonic of STRATEGY suggested by Mintzberg (1987)



Strategic goals and objectives are developed to bridge the gap between current capability and the mission.

- **Strategy:** A strategy is a course of action created to achieve a long-term goal. The time length for strategies is arbitrary, but is probably a long term of two, three, or perhaps as many as five years. The time is generally determined by how far in the future the organisation is committing its resources.
- **Goals:** Goals focus on desired changes. Goals are short term and are often referred to as the building blocks or stepping-stone towards successful strategy. They are the ends that the organisation strives to attain.
- **Objectives:** Objectives are sometimes referred to as performance goals. Generally, organisations have long-term objectives for such factors as return on investment,

earnings per share, or size. In addition, they set minimum acceptable standards or common-sense minimums. Objectives elaborate on the mission statement and constitute a specific set of policy, programmatic, or management objectives for the programs and operations covered in the strategic plan. They are expressed in a manner that allows a future assessment of whether the objective has been achieved.

Evolution of Concept of strategy

- Strategy has come from the word *Strategoia* in Greek which means the art or science of being a general.
- In 1962 business historian Alfred D Chandler proposed that strategy be defined as “the determination of the basic long term goals and objectives of an enterprise, and the adoption of courses of action and allocation of resources necessary for carrying out these goals.
- In 1978 Dan Schendel and Charles Hofer created a composite definition of strategic management based on the principle that the overall design of an organisation can be defined only if attainment of objective is added to policy and strategy as key factors in strategic management process. They focused on four key aspects namely goal setting, strategy formulation, administration and strategic control.

Nature and purpose of Strategies and Policies

Strategies and policies are closely related terms. Strategy refers to the determination of the mission and the basic long term objectives of an enterprise and the adoption of courses of action and allocation of resources necessary to achieve these aims. Policies are general concepts or statements that guide managers’ thought processes and behaviours when they

make decisions. While policies are guidelines which help a manager in decision making, strategy requires the organisation to commit its resources in a specific direction.

- The key function: giving a direction to planning
- The guide: furnishing a framework for plans
- The need for operational planning: tactics
- The effect on all areas of management

The strategic management process

Strategic management takes into account all the aspects of managerial problems, the processes of solving them and the many variables that operate in a problem-solving environment. Glueck defines strategic management as a stream of decisions and actions, which leads to the development of an effective strategy or strategies to help achieve corporate objectives. As visualised by Glueck, the end result of strategic management is a strategy or a set of strategies for the organisation. Hofer considers strategic management as the process that deals with the fundamental organisational renewal and growth with the development of strategies, structures and systems necessary to achieve such renewal and growth, and with the organisational systems needed to effectively manage the strategy formulation and implementation processes. Firstly, these authors include two sub processes within the overall strategic management process. Through the formulation and implementation sub processes strategies, structures, and systems are developed to achieve the objectives of organisational renewal and growth. Secondly, the strategic management process is also considered as the managing of the organisational systems, which are required for strategic management. For instance, the administrative arrangements necessary for the formulation and implementation of strategies would also be included in the process of strategic management. Ansoff (1984) states that strategic management is a systematic approach to a major and increasingly

important responsibility of general management to position and relate the firm to its environment in a way that will assure its continued success and make it secure from surprises. In this definition the emphasis is on the environment-organisation relationship for the purpose of achieving the objective of continued success and remaining protected from environmental surprises through the adoption of a systematic approach to general management. Sharplin (1985) defines strategic management as "the formulation and implementation of plans and carrying out of activities relating to the matters which are of vital, pervasive or continuing importance to the total organisation". This is an all-encompassing view of strategic management and considers all plans and activities, which are important for an organisation. Harrison and St. John (1998) define strategic management as "the process through which organisations analyse and learn from their internal and external environments, establish strategic direction, create strategies that are intended to help achieve established goals, and execute these strategies, all in an effort to satisfy key organisational stakeholders". The most recent definition emphasises the elements in the process of strategic management. It states that the main end is the satisfaction of stakeholders of the organisation. The stakeholders are groups or individuals who can significantly affect or be affected by an organisation's activities.

Thus it can be found out that although different authors have defined strategic management differently, yet there are several common elements in the way it is defined and understood. Strategic management is considered as either decision-making with planning, or a set of activities related to the formulation and implementation of strategies to achieve organisational objectives. In strategic management the emphasis is on those general management responsibilities, which are essential to relate the organisation to the environment in such a way that its objectives may be achieved.

Phases in Strategic Management

The definitions quoted above give us the idea that strategic management as a process consists of different phases, which are sequential in nature. Most authors agree that there are 4 essential phases in the strategic management process as mentioned below.

- (1) Establishing the hierarchy of strategic intent
- (2) Formulation of strategies
- (3) Implementation of strategies
- (4) Performing strategic evaluation and control

Each phases of the strategic management process consists of a number of elements, which are discrete and identifiable activities performed in logical and sequential steps. 24 elements could be identified as following.

(1) Establishing the hierarchy of strategic intent:

- a. Creating and communicating a vision
- b. Designing a mission statement
- c. Defining the business
- d. Setting objectives

(2) Formulation of strategies:

- a. Performing environmental appraisal,
- b. Doing organisational appraisal,
- c. Considering corporate-level strategies,
- d. Considering business-level strategies,
- e. Undertaking strategic analysis,
- f. Exercising strategic choice,
- g. Formulating strategies;

- h. Preparing a strategic plan,

(3) Implementation of strategies:

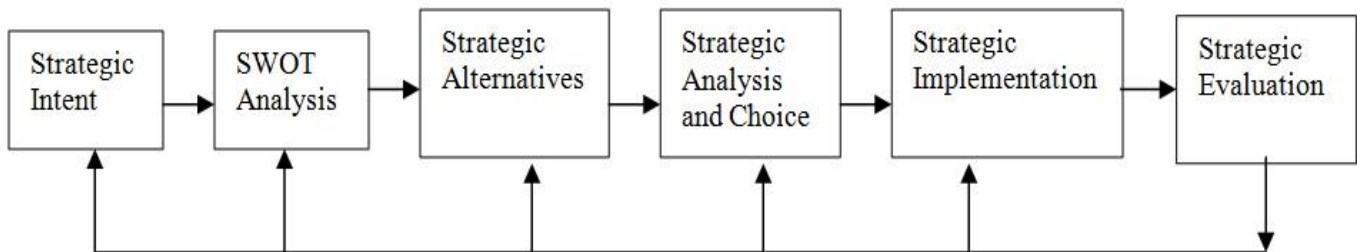
- a. Activating strategies,
- b. Designing structures and systems,
- c. Managing behavioural implementation,
- d. Managing functional implementation,
- e. Operationalising strategies,

(4) Performing strategic evaluation and control:

- a. Performing strategic evaluation,
- b. Exercising strategic control, and
- c. Reformulating strategies.

Models of the Strategic Management Process

The process of strategic management is depicted through a model, which consists of different phases, each phase having a number of elements. The model of strategic management is given below.



The above diagram depicts the process laterally and provides a working model.

A bird's eye view of the different elements of the process is given below.

1. The hierarchy of strategic intent lays the foundation for the strategic management of any organisation. In this hierarchy, the vision, mission, business definition, and objectives are established. The strategic intent makes clear what an organisation stands for. The element of vision in the hierarchy of strategic intent serves the purpose of stating what an organisation wishes to achieve in the long run. The mission relates an organisation to society. The business definition explains the businesses of an organisation in terms of customer needs, customer groups, and alternative technologies. The objectives of an organisation state what is to be achieved in a given time period. These objectives then serve as yardsticks and benchmarks for measuring organisational performance.

2. Environmental and organisational appraisal helps to find out the opportunities and threats operating in the environment and the strengths and weaknesses of an organisation in order to create a match between them. In such a manner, opportunities could be availed of and the impact of threats neutralised in order to capitalise on the organisational strengths and minimise the weaknesses.

3. Strategic alternatives and choices are required for evolving alternative strategies out of the many possible options, and choosing the most appropriate strategy or strategies in the light of environmental opportunities and threats and corporate strengths and weaknesses. Strategies are chosen at the corporate level and the business-level. The process used for choosing strategies involves strategic analysis and choice. The end result of this set of elements is a strategic plan, which can be implemented.

4. For the implementation of a strategy, the strategic plan is put into action through six sub-processes: project implementation, procedural implementation, resource allocation, structural

implementation, behavioural implementation, and functional and operational implementation. Project implementation deals with setting up the organisation. Procedural implementation deals with different aspects of the regulatory framework within which Indian organisations have to operate. Resource allocation relates to the procurement and commitment of resources for implementation. The structural aspects of implementation deal with the designing of appropriate organisational structures and systems, and reorganising to match the structure to the needs of the strategy. The behavioural aspects consider the leadership styles for implementing strategies and other issues like corporate culture, corporate politics and use of power, personal values and business ethics, and social responsibility. The functional aspects relate to the policies to be formulated in different functional areas. The operational implementation deals with the productivity, processes, people, and pace of implementing the strategies. The emphasis in the implementation phase of strategic management is on action.

5. The last phase of strategic evaluation appraises the implementation of strategies and measures organisational performance. The feedback from strategic evaluation is meant to exercise strategic control over the strategic management process. Strategies may be reformulated, if necessary.

Before we examine each of these elements in the strategic management process in the remainder of the book, let us learn about the roles that various strategists play in strategic management



My Cool Guru™
Share . Care . Grow