UNIT 3: INTRODUCTION TO STRATEGIC MANAGEMENT

UNIT STRUCTURE

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3.1 LEARNING OBJECTIVES

After going through this unit, you will be able to:

- describe how strategies have evolved.
- describe the concept to strategy.
- explain the levels at which strategies operate.
- explain the role of strategy in decision making.
- discuss the role of strategist in strategy management

3.2 INTRODUCTION

In this unit we are going to discuss about strategic management. Most company recognises that strategy is central to business and management. It also recognize that, it is a strategy which make difference i.e. difference between success and failure of many businesses. The purpose of strategy is to secure the competitive advantage over the rivals

or the opponents. When an old established company which has been profitable in the past starts facing new threats in the environment, like the emergence of competitors it has to rethink the course of action it had been adopting. With such rethinking new ways are devised to counter the threats.

In this unit we will discuss different aspects of strategies like evolution of strategy, levels of strategies, strategic decision making and process of strategic management etc.

3.3 HISTORICAL DEVELOPMENT AND EVOLUTION OF STRATEGIC MANAGEMENT IN INDIA

The origin of business policy can be traced back to 1911 when Harvard Business School introduced an integrative course in management. This course was based on case studies which had been in use at the school for instructional purposes since 1908. In 1969 the American assembly of Collegiate School of Business made the course of business policy a mandatory requirement for the purpose of recognition. During the last two decades business policy has become an integral part of management curriculum.

The Indian Scenario:

Formal management started in India in the late fifties and gains an importance, impetus with the setting up of IIMs. IIM Ahmedabad based it's teaching mythology on the Harvard model of development, developing and using case studies as the major pedagogical tool. Today there are many management institute offering management education the content of the curriculum, teaching methodology for business policy course where is among institutions. Different nomenclature is used for the course title like corporate planning and strategic planning or strategic management etc.

Management institute in India lean heavily on American literature in business policy since borrowing concept and techniques inevitable in the absence of indigenous theory the dependence Indian Management education on American sources has been firmly established. Research carried out by Murthy, based on survey of research in business policy in India 1970 to

1982 concludes that research in business policy in India has yet to come to grips with the job of General Manager. He point out that a lack of support Non-Cooperation from the top management In Indian industry however there are few desirable changes taking place in the Indian context.

3.4 CONCEPT AND DEFINITION OF STRATEGY

The term strategy is derived from a Greek word *strategos* which means generalship – the actual direction of military force as distinct from the policy governing its deployment. *Stratos* means the Army and *ago* means to lead. The concept and practice of strategy and planning started in the military and over time permeated to Business and Management.

Strategy is a term derived from military science. It means art of a general leading an army. It is an art of War, compelling the enemy fight on the opponent's chosen terms and condition, means a skill to move and deploy the Army in such a manner as to impose upon the enemy the terms and conditions regarding time and place of fighting a war. It is a technique of managing the war campaign. In corporate planning strategy is the ***"Grand Design"*** or an overall plan which an organization chooses in order to move or react towards the set objectives with available resources are their disposal. Strategy is the general program of action.

Anthony define strategy as " *resulting changes from the process of deciding on the objectives of the organisation, on changes in objective , on the resources used to attain these objectives on policies that are to govern the acquisition , use and disposition of these resources."*

Strategy includes:

1. Awareness of mission, and objectives. It provides the central concept for planning indicating what is our business, who are our customers, what goods and services we are to supply.
2. It also indicates economic, social, technological and political conditions which are the ingredients of business environment.
3. The need to take into account probable fear of others in general and of the rivals in particular. Strategies show unified direction and imply a

deployment of emphasize and resources. It serves the useful purpose of guiding enterprise thinking and action. Strategies are then integrated into the organization's major and minor supporting.

To understand the importance of the term strategy let us go through the following examples:



LET US KNOW

A leading brand name Pain Balm market Amrutanjan manufactured by Amrutanjan Limited with more than 60% of market share, the company is well entrenched in the market. The stiff competition from the companies like Zandu Balm force Amrutanjan to consider taking certain strategic decisions like expansion, introduction of new products etc.

Another good example is Camlin Limited, the brand camel is famous in the stationary material. The company visualise good opportunities in the pharmaceutical industry and to Grab these opportunities they planned to expand the company operation through its Pharmaceutical division which is now growing division within the company.

Definition:

According to Thompson *a company's strategies consists of the combination of competitive moves and business approaches that managers employ to please customers, compete successfully, and achieve organizational objectives*

Chandler 1962 define strategy as *"the determination of the basic long term goals and objectives of Enterprise and the adoption of the courses of action and the allocation of resources necessary for carrying out these goals."*

Glueck (1972) *"a unified comprehensive and integrated plan is designed to assure that the basic objectives of the Enterprise are achieved."*

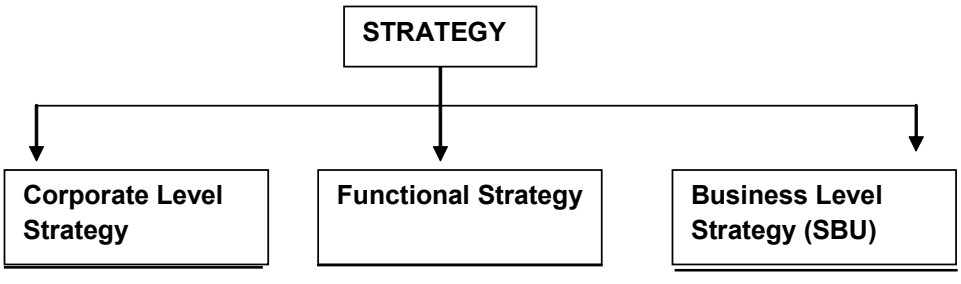
Ansoff 1984 *"a strategy is a set of decision making rules for the guidance organisational behavior."*

With the help of above definition we can say that the policies should follow from organizational objectives and should be formulated in line with objectives.

3.5 LEVELS AT WHICH STRATEGY OPERATES

Strategy refers to well defined growth path of a firm. Strategies are basically administrative course of decision which cannot be delegated. Strategy indicates how company is going to deploy its resources, objectives in the given environment. It is a master plan design of role and objectives. Company tries to overcome its weaknesses and grab the opportunities prevailing in the market. Strategy is the alternative course of action which is developed only because of the inability to forecast the future accurately. Strategy indicates path or direction in which a firm is leading. Thus strategy is concerned with long term development rather than day today operation. Strategies are framed only because future cannot be foreseen. If the organization had perfect foresight then they could produce a single plan to meet.

Strategies and policies are related to objectives. This is evident from the fact that change in objectives leads to change in policies as well as strategies. Efficiency of strategy is measured to the extent to which organization is able to meet objectives, to which they are relevant environment.



A strategy may be framed at different levels in an organization. There are three different level of strategies:

- strategy needed for the whole company called as corporate strategy.
- strategy needed for each business of the company known as

business strategy

- strategy needed for each functional unit named as functional strategy

1. Corporate Level Strategies:

Corporate level strategies are concerned with overall objectives of the organization. For example, expansion, diversification through merger or acquisition.

Business Unit level strategies addresses two issues related with product or business unit of organization. Example: product adoption or product development.

Functional strategies are also called as operational strategies which relates with different functions or operational areas like manufacturing, marketing, human resource etc.

For small organization corporate level and business unit level strategies may not be much different but those companies having man products or businesses may have unique business strategy for a particular product.

Before understanding different level of strategies it is important to highlight on the concept called as Strategic Window developed and introduced by Abell in 1978. It indicates that companies should constantly look for opportunities and seize or exploit opportunities at the right time. It emphasize on the fact that it should exploit opportunities at the right time. Businesses and market are never constant. They are continuously evolving because of development of new products or emergence of new technology etc. Strategic window is also important to determine when to come out of a particular product or market or to divert a business which company cannot operate profitably for a long time. In short, Strategic Window indicates that company should grab opportunity at the right time because if there is a mismatch between opportunities and time, then company may lose the chance of making better out of given opportunities.

It indicates the direction in which company tries to achieve growth target and how they are going to manage the various businesses under its

purview. There are mainly 3 categories that is stability strategy, growth strategy and retrenchment strategy.

a. Stability Strategy:

When a company intent to hold its current position in the market then they go for stability strategy. Companies don't think of expanding the market. This strategy adopted by those firms who are satisfied with their present performance. It is less risky strategy. Firm may try to improve functional efficiency through better allocation and use of resources. This strategy is suitable when

- a firm serves a well defined market.
- Able achieve the desired targeted return

b. Expansion/Growth Strategy:

Company may go for expansion or growth strategy to compete in the market. Growth can be through internal or external ways. A company is said to be adopting growth strategy when it increases its level of objectives upward in significant manner. The company set for itself the targets which are much greater than its past performance. One can say that company is

adopting growth strategy when its sales or profitability increased in greater manner. Internal growth strategies relates with growth with diversification or intensification strategy.

An external growth strategy includes merger, acquisitions and joint ventures.

Company need to adopt growth strategies due to the following:

- To survive and lead the market
- To take the advantage of large scale operations
- To go for innovation and invention
- To build corporate image

An expansion or growth strategy is adopted by way of introducing new products or adding new features to existing products. Sometimes, a small company may be forced to modify or increase its product line to keep up with competitors. If company doesn't improve its competitiveness in the market then, customers may start using the new technology of a competitive company. For example, cell phone companies are constantly adding new features or discovering new technology. Cell phone companies that do not keep up with consumer demand will not stay in business very long. A small company may also adopt a growth strategy by finding a new market for its products. Sometimes, companies find new markets for its products by accident.

c. Retrenchment Strategy:

When the firm feels that the current market or product is not giving the desired outcome, firm may decide to come out of that product or market. Such strategy to tackle the adverse market condition is known as retrenchment strategy. Such strategy is more suitable in the time recession or may at the time of economic crises. The firm may sell some of its brands/ products. The company may resort to divestment or liquidations

The decision relating to retrenchment depends on several factors such as

- Profitability
- Market access
- Concentrating on core products

d. Combination strategy:

Combination Strategy or Portfolio restructuring strategy is the **combination** of stability, growth & retrenchment **strategies** adopted by an organization, either at the same time in its different businesses, or at different times in the same business with the aim of improving its performance and efficiency.

2. BUSINESS LEVEL STRATEGY:

Business or Strategic management is the art, science, and craft of formulating, implementing and evaluating cross-functional decisions that will enable an organization to achieve its long-term objectives. Business-level strategies are the plans or methods companies use to conduct various functions in their business operations. Companies use business-level strategies to provide guidelines for managers and employees to follow when working in the business.

Strategy is not about being the best, but about being unique. Many leaders compare competition in business with the world of sports. There can only be one winner. But competing in business is more complex. There can be several winners. It does not have to be a zero sum game. Within a single industry, there may be several companies beating the industry average, each with a distinctive, different strategy. There can be several winners. While formulating business strategy one must be very clear with regards to choice of WHO you are going to serve and a clear choice of HOW you are going to serve those clients. It's nothing but connecting the outside world – the demand side – with our company – the supply side. For this purpose, company need to have better value proposition for a specific customer segment. Having value proposition is not enough but it should develop unique activities in the value chain to serve them. In business strategy, choosing what not to do is equally important. In the words of the founding father of modern strategy thinking, Michael Porter: ***"The essence of strategy is choosing what not to do".*** For having a good business strategy firm should have updates

about competitors move, customers' needs and behaviors change, technology advancement etc. and should incorporate this thinking into the business strategy-building process. Otherwise survival becomes very difficult. Think about the smart phone and Nokia and you'll understand.

Business strategy usually occurs at the strategic business unit level or product level. Firm may not use same strategies or tactics to deal with different types of products. There are two types of strategies i.e. competitive strategy wherein firm or a business unit tries to compete with other firm or industry similar product by following innovative product development strategies and market development activities. Another is cooperative strategy where firm may resort to strategic alliance or joint ventures.

3. FUNCTIONAL STRATEGIES:

Organizational plans prepared for various functional areas like marketing, finance, production etc. Functional strategies can be part of overall corporate strategy or serve as separate plans of strategy. The functional strategy of a company is customized to a specific industry and is used to back up other corporate and business strategies. Functional strategies are derived from the tactical strategies. Each functional area or department is assigned the specific goals and objectives it must achieve to support the higher-level strategies and planning. Functional strategies specify outcomes to be achieved from the daily operations of specific departments or functions. Functional strategies reflect that strategic and tactical objectives require the involvement of multiple functional areas, such as departments, divisions, and branches. For example, the functional strategy for the marketing department in support of the business goal to increase market share may include identification of new market segments, brand identification etc. It may additionally highlights on the production department saying that production function may be assigned a reduced rejection rate for the product in question.

The functional areas that are assigned functional strategies depend on the

plan itself and differs from industry to industry and organization, or size of the business unit. A functional strategy, for any business, focuses the achievement of a goal on the skills and abilities of individual departments and their employees. Functional strategy is a short-term plan for achieving one or more goals of a business by one or more functional areas or department.

Thus 'Functional Strategy' is the strategy or organizational plan adopted by each functional area, viz. marketing, production, finance, human resources and so on, in line with the overall business or corporate strategy, to achieve organisational level objectives. The firm may customize its functional strategy for a particular product or strategic business unit (SBU). It is used to back up other corporate and business strategies.

a. Production Strategies
b. Marketing Strategies
c. Financial Strategies
d. Personnel strategies

a. Production Strategies: Production is one of the important functions in an organization. The raw material is converted into finished products which creates certain values to the customer. Business strategies respect to production can be framed with regards to:

- Quality Control: Quality matters a lot. Such strategies relates with techniques of quality control.
- Research and Development: Amount of funds kept aside for R&D, the different areas of research and development to be given top most priority.
- Product Strategies: Different areas of product decision like branding, product line, product modification etc.
- Factory: where the plant to be expanded, process of manufacturing etc.

b. Marketing Strategies:Marketing is one of the most important

functions of any organization. It is the only revenue generating department. Various strategies related to these areas are:

i. Pricing: This strategy includes in the areas like what price to be charged to the customer, what pricing techniques should be followed etc.

ii. Promotion: It is one of the techniques to promote product in the market. Unless and unless customers are perceived and convinced they will not buy companies offering. Promotion strategies may relate with IMC, PR etc.

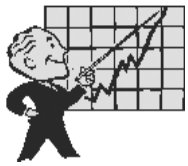
iii. Distribution: Logistics is one critical functional area of making goods available at the place of consumption. The strategy includes deciding on distribution channels, appointment and incentives to be given to dealers etc.

iv. Product: The strategies are framed in the area of product modification, development, packaging, brand and brand extension etc.

c. Personnel Strategies: The Human Resource is one of key resource for success and survival of the business firm. Unless and until workforce is highly dedicated and committed business will not progress. Therefore it is very important to frame appropriate personnel strategies as regards to:

i. Recruitment and Selection Strategies: Selection technique, sources of recruitment etc.

ii. Training and Development: What type of induction, orientation, training and development programmes should be followed.



CHECK YOUR PROGRESS

Q1. Define Strategy.

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Q2. State different levels of strategy.

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3.6 STRATEGIC DECISION MAKING

Decision making is one of the important functions of manager. Whatever manger does he does through decision making. Strategic decision making is the prominent task of senior management. Decision making requires at all levels but when it comes to strategic decision making, largely relates to the responsibilities of the senior management.

Decision making is the process of choosing an appropriate plan of action amongst various available alternatives. It is a course of action. In the conventional methods of decision making the process involved was:

- Determination of objectives.
- Identifying the alternative ways of achieving objectives
- Evaluation of each available alternative
- Choosing the best alternative

The process looks very simple but in practice decision making is very complex and crucial process. The problems arises in decision making were which and how the alternatives to be chosen, how to reconcile each alternatives ability to achieve the desired objectives and so on.

Strategic Decision Making

The above stated problems are faced by all the managers irrespective of their departments. On the other hand the strategic task by their nature is very complex and varied. Decision making in performing strategic task is extremely difficult and intriguing process.

Example: Strategic Problems at Premier Automobiles

After the announcement of higher excise duty on passenger cars of above 1000 cc capacity in March 1986 and the introduction of Maruti 800 in the market in May 1986, Premier Automobiles Ltd faced the problem of price rise, fall in demand and inventory pile-up of its main product, Premier Padmini car. As a result of these problems, there was a sharp fall in sales in 1986. The company had to take decisions regarding indigenization, fuel efficiency and, above all coping with the fierce competition in the market. The company lowered its car prices, introduced new economy model and resorted to aggressive marketing strategy. All these plans company have implemented to survive in the market.

The basic thrust area of strategic decision making is the process of choosing right course of action. Thus the most aspects of strategy formulation rest on strategic decision making. Senior management has to make important strategic decisions. After proper SWOT analysis management has to decide its course of action. For implementing strategy, proper resource allocation is vital. With regards to resource allocation, the management faces a strategic choice from among a number of alternatives that it would allocate resources to. Thus, strategic decision making forms the core of strategic management.

Strategy useful tool as it helps in many ways as mentioned below:

- Strategies are able to guide what to do in a complicated comma critical an uncertain risky situation.
- It helps in doing the best one can do with available resources and dealing effectively with risk and uncertainty which business faces on a regular basis
- Strategies help the organizations to establish a useful with and future environment this will reduce risk and uncertainty to some extent.
- Strategic decisions help the management to develop a fine art of dealing with unknown situation.
- Without a strategy, the organization is like a ship without radar. If the

strategies are not implemented effectively then future is always dark and there are the chances of failure.

3.7 PROCESS OF STRATEGIC MANAGEMENT

There are different approaches to strategic management process. Different approaches lays down emphasis on different elements, this is because of variation in nature and forms of organization. The organization may differ as regards to :

- Degree of formalization in the management process.
- The environment within which organization is operating.
- The role of the strategists.

Mintzburg has classified these approaches into 3 three forms. He called it as three modes of the strategic management process. These are:

a. Entrepreneurial Approach
b. Adaptive Approach
c. Planning Approach

Let us discuss these approaches in the following ways:

a. **Entrepreneurial Approach:** Entrepreneurs are the creator and promoter of the organization. They play a role of an innovator and a risk taker. He focuses on exploiting opportunities within the given environmental factors and forces. He fights against odds. In this approach the power remains with one person only i.e the owner or the chief executive. His main goal is to expand the business and market share. Many companies have used this approach successfully. This approach is useful only when the key personnel are visionaries. Eg. Dhirubhai Ambani, Chairman of Reliance Industries, Akio Morita, Chairman of Sony Corporation.

The entrepreneurs or the strategists should have the right vision which should be backed by the right strategy and resources.

b. **Adaptive Approach:** The adaptive approach is essentially a balancing strategy. They are more of reactive in nature. Decisions are made

in line with the necessitated environmental changes. The main intention of this approach is to maintain flexibility as to adjust the pressing needs and circumstances. Companies adopting this approach do not set for themselves very high or ambitious targets. The targets with high risk are normally neglected. This approach suits to large public sector companies where they focus more on accountability rather than the growth. Eg. IOC, BHEL, ONGC. The degree of adaptability largely depend on progressiveness of the companies and the Ministry which control a particular organization.

c. **Planning Approach:** Here the strategic management process depends largely on the planning system. Planning is based on many internal factors like organizational objectives, values of the top management, companies strength and weaknesses and external environmental factors. The planning process is intended to render objectivity in the approach. The role of the planner is very much important in this approach. Most of the large companies, MNCs follow this approach. This approach is also called as formal structured approach. It deploys scientific tools of analysis which enable planner and decision makers to find solutions even in the complex and complicated situations.

Strategic Management is considered as either decision making and planning or the set of activities related to the formulation and implementation of strategies to achieve desired organizational goals. According to Jauch and Glueck, *"Strategic management is a system of decisions and actions which leads to the development of effective strategy or strategies to achieve corporate objectives."*

Strategic Management Process is divided mainly into 4 phases:



Let us discuss the steps in the strategic mangement process in the following ways:

1. **STRATEGY FORMULATION / PLANNING:** Strategic formulation is also called as strategic planning. The following steps are involved in strategy formulation:

    i. **Defining Business and framing Mission statement:** These attributes are concerned with laying down the foundation for strategic management. For formulation of strategy the three major things to be considered are corporate mission, objectives, internal and external environment. The starting point of in formulation of any strategy is the mission statement of a company. The mission statement starts with definition of business. Corporate philosophy is closely related with mission. Form the mission and philosophy company decides its objectives, goals and also strategic intent. While deciding objectives the interest of the stakeholder needs to be considered. Precise definition of business of a company should be based on four factors i.e. product, technology, customer segment and its market competitiveness. To define a company's business is the job or responsibility of the planners and strategists. It is the foundation for the mission

statements, objectives. The top management has to play vital role in this regards. Eg. Business definition of Hindustan Uniliver : *To meet everyday needs of Indian people everywhere with branded products.*

The mission statement of a company states the philosophy and the purpose of the organization. The mission statement should be explicit or comprehensive. It declares the organizational purpose, attitude and outlook. It should have clear customer orientation. It should highlights on strategic thinking on shareholders, customers, suppliers, employees and the environment. The mission statement is more generalized whereas corporate objectives are more specific and focused. Objectives should follow from the mission statement. When a particular objective becomes more focused and directed towards specific target, the company is showing strategic intent. Strategic intent involves setting goals which demand stretching of the present resource base and capabilities of the firm for their fulfillment.

ii. **Analysis of the Internal Environment:** The management needs to analyze its internal environment. Internal environment analysis will enable the firm to know its strength and weaknesses. Internal environment includes machines, manpower, value system etc.

iii. **Analysis of External Environment:** The external factors include customers, suppliers, competitors, government, legal environment, social environment. This deals with finding our opportunities and threats prevailing in the environment. Company needs to match its strength in order to create good match between them in such a way that opportunities could be availed through organizational strength.

iv. **Gap Analysis:** The management needs to conduct gap analysis. This is done by comparing the present performance with the desired future performance. Such comparison will enable to know the extent of gap prevails and according strategies will be framed to fill this gap.

2. **STRATEGIC ALTERNATIVES AND CHOICE:** This steps calls for reframing of organization direction, corporate appraisal and formulation of strategies. Organization evaluates its external environment and identifies possible opportunities which can be grabbed by the organization with its existing capacity and capabilities. After screening the environment the best opportunities will be selected which will be supported by effective strategy/ ies. Alternative strategies are prepared to tackle change in the environment effectively. This is done as some strategies will be kept on hold and other strategies may be implemented.

For selecting best strategy company may undertake cost benefit analysis. The benefits are considered in terms of sales, profitability where as the cost is calculated in terms of production cost, operating and administration and distribution cost.

At a time management can't implement all the strategies. Therefore the firm has to select the best strategy which will suit the current market situation. The strategy which gives maximum benefits will be selected.

3. **STRATEGY IMPLEMENTATION:** For implementation of strategy, the strategic plan is put into action. For this proper resource allocation is done. To ensure success, the strategy must be implemented carefully. For this firm needs to come out with prior planning and relevant implementation of strategies based on environmental situations. Strategies are formulated for each and every functional

areas like marketing, production etc. once the strategies are formulated its needs to effectively implement. Following steps are taken for implementing strategies:

i. **Formulation of Plans:** Strategy itself does not work or leads to action. There is need to frame plans for its implementation. If the company decides to go for expansion then it may plan it through market development plan or market penetration plan etc.

ii. **Identification of activities:** After deciding plan management need to identify various activities required to be carried out to implement the plan eg. for market development company need to carry out market research.

iii. **Organizing Resources:** For effective implementation of plan, management needs to make arrangement of resources. No plan will be effectively implemented unless and until all the resources like men, machine, money etc are made available. Implementation of strategy largely depends on resource availability.

iv. **Allocation of Resources:** The allocation of resources should be made on the basis of availability of resources, importance of a particular activity.

4. **STRATEGY EVALUATION:** After implementation of strategy, the strategy evaluation process begins. This process begins with monitoring, reviewing and evaluating the strategy. Evaluation enable the firm to know how much useful the strategy was to the organization in achieving its objectives. It is followed by strategic control. It is concerned with placing the strategy in the right position. It also detects the problems they faced in the implementation.

The strategies will be evaluated in terms of standard set and actual performance. The performance is measured in terms of quantity as well as qualitative terms. If there are any deviations corrective measures will be undertaken. After identifying the causes for deviations, the management needs to take corrective steps to correct the deviations. For this firm may reset plans or policies.

3.8 STRATEGISTS AND THEIR ROLE IN STRATEGIC MANAGEMENT

Strategists are either individuals or group. They are involved in the process of policy formulation, implementation and evaluation of strategy. There are some outside person who are also involved in strategy formulation. But in nutshell the major task is of the manager. There are number of people within the organization who are involved in strategy formulation. They are:

a. **Role of Board of Directors(BoDs):** BoDs are the representative of the shareholders, controlling agencies and holding companies. Board is responsible to them for the effective governance of the organization. Directors, the members of the board provide guidance and establish directives to the manager. The role of directors differs according to the organization structure and ownership. The role of board in strategic management is to guide the senior management in setting and achieving objectives, reviewing performance.

b. **Role of Chief Executives:** One of the most important strategists in the organization is CE. The major functions of chief executives are divided into two categories i.e. strategic and non-strategic. As a strategist they are responsible for setting goals and priorities. They are involved in short and long term planning. He is responsible in all the aspects of strategy right from the formulation to its implementation and evaluation. The designation

of chief executive may be managing director, president or executive director in the organization. The functioning of the board depends on the relationship with the chief executive. CE's role in strategic management is most important. He is responsible for the execution of functions which are strategically important from the organization point of view. He is responsible for setting mission, goals and objectives and also in formulating and implementation of strategies. He needs to keep strict control on its execution. He is rightly called as chief architect of organizational purpose, chief administrator and communicator of organizational purpose, mentor and personal leader. T Thomas the former CEO of Hindustan Unilever identifies three major role of CE:

- Managing relationship with the environment
- Managing the board
- Long term planning

c. **Role of Entrepreneurs:** Entrepreneurs are the innovator of the business. They are the one who convert the opportunity into reality. As rightly said by the Peter Drucker the entrepreneur always searches for change, response to it and exploits it as an opportunity. He plays a proactive role in strategic management. Being initiators, they provide a sense of direction to the organization. They are the major implementers of strategies.

d. **Role of Senior Management:** The top management consists of managers working at the highest level of the managerial hierarchy. These managers are involved in various aspects of strategic management. Senior managers include SBU heads and also functional heads. Some of the members of the senior management act as directors on the board. Senior management looks after modernization, diversification, plan implementation

and product development. They come together in the form of different committees assigned with different task and responsibilities. They work as member of committees, task forces, work groups, think tankers etc. to play an important role in strategic management. E.g. at Voltas, the implementation of strategies and plans is done through a corporate executive committee which is headed by the president. It consists of senior vice president and VP from different functional areas.

e. **Role of Corporate Planning Staff:** The corporate planning staff plays a supportive role in strategic management. They assist in the formulation, implementation and evaluation of the strategy. They prepare strategic plan with regards to strategic management. They provide administrative support; assist in introduction, working and maintenance of the strategic management system. Company may have special cell called as corporate planning cell (CPC) to disseminate the concept of corporate planning and make planning a way of life. The corporate planning division performs functions mostly of strategic nature which are:

i. Assisting the chief executive in developing and formulizing vision
ii. Scanning the environment and identifying new business opportunities.
iii. Integrating SBU plans into corporate plans.
iv. Evaluating plan performance etc.

f. **Role of Middle-level Managers:** The major job of middle level manager relates to operational matter and hence they do not play an active role in strategic management. They are the followers of the policy guidelines and passive receivers of communication with regards to strategic plans. They are the implementer of the strategies.

g. **Role of Consultants:** Consultants plays very important role in the strategic management process. They help in strategic planning and management process. Where the company does not have separate planning division, they may take the help of consultant. They can undertake planning and strategies exercises as and when company needs it. Top strategist consultant like McKinsey & Company uses or develops latest tools and technique to tackle any strategic management problem faced by the company. The advantage of using consultancy is that they are having diversified knowledge, skill and experience from various companies which otherwise may not be available internally in a company. They uses their experience in designing strategies for expansion, diversification etc. for the company.



CHECK YOUR PROGRESS

Q3. State the Business strategies with respect to production.

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Q4. State the three modes of the strategic management process.

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3.9 LET US SUM UP

In this unit we have discussed the following:

- The origin of business policy can be traced back to 1911 when Harvard Business School introduced an integrative course in management.
- The term strategy is derived from a Greek word *strategos* which means generalship – the actual direction of military force as distinct

from the policy governing its deployment. *Stratos* means the Army and *ago* means to lead. The concept and practice of strategy and planning started in the military and over time permeated to Business and Management.

- There are three different level of strategies:
  - Corporate strategy
  - business strategy and
  - functional strategy
- In the conventional methods of decision making the process involved was: Determination of objectives, Identifying the alternative ways of achieving objectives, Evaluation of each available alternative, Choosing the best alternative
- Strategic Management Process is divided mainly into 4 phases, they are Startegy formulation, Strategic Alternatives and Choice, Strategy Implementation and Strategy Evaluation.



3.10 FURTHER READING

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3.11 ANSWERS TO CHECK YOUR PROGRESS

Ans. to Q. No. 1: In corporate planning strategy is the ***"Grand Design"*** or an overall plan which an organization chooses in order to move or

react towards the set objectives with available resources are their disposal. Strategy is the general program of action.

Ans. to Q. No. 2: A strategy may be framed at different levels in an organization. There are three different level of strategies:

a. strategy for the whole company called as corporate

b. strategy needed for each business of the company known as business strategy

c. strategy needed for each functional unit named as functional strategy

Ans. to Q. No. 3: Business strategies respect to production can be framed with regards to:

- Quality Control
- Research and Development
- Product Strategies
- Factory

Ans. to Q. No. 4: Mintzburg has classified these approaches into 3 three forms. He called it as three modes of the strategic management process. These are:

Entrepreneurial Mode

Adaptive Mode

Planning Mode



3.12 MODEL QUESTIONS

Q.1: Write a short note on evolution of strategic management in India.

Q.2: Explain briefly corporate level strategy.

Q.3: Discuss the concept of business strategy and functional strategy.

Q.4: Discuss briefly the strategic decision making process.

Q.5: Discuss briefly the process of strategy formulation.

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