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# Lecture-1



## **Basic Concept of Strategy Management**

Strategic Management is all about identification and description of the strategies that managers can carry so as to achieve better performance and a competitive advantage for their organization. An organization is said to have competitive advantage if its profitability is higher than the average profitability for all companies in its industry.

Strategic management can also be defined as a bundle of decisions and acts which a manager undertakes and which decides the result of the firm's performance. The manager must have a thorough knowledge and analysis of the general and competitive organizational environment so as to take right decisions. They should conduct a SWOT Analysis (Strengths, Weaknesses, Opportunities, and Threats), i.e., they should make best possible utilization of strengths, minimize the organizational weaknesses, make use of arising opportunities from the business environment and shouldn't ignore the threats.

Strategic management is nothing but planning for both predictable as well as unforeseeable contingencies. It is applicable to both small as well as large organizations as even the smallest organization face competition and, by formulating and implementing appropriate strategies, they can attain sustainable competitive advantage.

It is a way in which strategists set the objectives and proceed about attaining them. It deals with making and implementing decisions about future direction of an organization. It helps us to identify the direction in which an organization is moving.

Strategic management is a continuous process that evaluates and controls the business and the industries in which an organization is involved; evaluates its competitors and sets goals and strategies to meet all existing and potential competitors; and then reevaluates strategies on a regular basis to determine how it has been implemented and whether it was successful or does it needs replacement.

Strategic Management gives a broader perspective to the employees of an organization and they can better understand how their job fits into the entire organizational plan and how it is correlated to other organizational members. It is nothing but the art of managing employees in a manner which maximizes the ability of achieving business objectives. The employees become more trustworthy, more committed and more satisfied as they can co-relate themselves very well with each organizational task. They can understand the reaction of environmental changes on the

organization and the probable response of the organization with the help of strategic management. Thus the employees can judge the impact of such changes on their own job and can effectively face the changes. The managers and employees must do appropriate things in appropriate manner. They need to be both effective as well as efficient.

One of the major role of strategic management is to incorporate various functional areas of the organization completely, as well as, to ensure these functional areas harmonize and get together well. Another role of strategic management is to keep a continuous eye on the goals and objectives of the organization.

### 1. **Strategy Management – Definition**

The basic concept of strategic management consists of a continuous process of planning, monitoring, analysing and assessing everything that is necessary for an organization to meet its goals and objectives. In simple words, it is a management technique used to prepare the organization for the unforeseeable future. Strategy management helps create a vision for an organization that helps to identify both predictable as well as unpredictable contingencies. It involves formulating and implementing appropriate strategies so the organization can attain sustainable competitive advantage.

#### **Components of Strategy Management**

- **Strategic Intent**

Strategic Intent of an organization clarifies the purpose of its existence and why it will continue to exist. It helps paint a picture of what an organization should immediately do to achieve the company's vision.

- **Mission**

Mission component of strategy management states the role by which an organization intends to serve its stakeholders. It describes why an organization is operating that helps provide a framework within which the strategies to achieve its goals are formulated.

- **Vision**

The visual component of strategy management helps identify where the organization intends to be in the future. It describes the stakeholder dreams and aspirations for the organization.

- **Goals and Objectives**

Goals help specify in particular what must be done in order to attain an organization's mission or vision. Goals make the mission component of strategy management more prominent.

## Process of Strategy Management

The strategic management process includes 7 steps:

- **Setting the Goal** – The first and foremost stage in the process of strategic management requires the organization to set the short term and long term goals it wants to achieve.
- **Initial Assessment** – The second stages says to gathers as much data and information as possible to help state the mission and vision of the organization.
- **Situation Analysis** – It refers to the process of collecting, scrutinizing and providing information for strategic purposes. It helps in analyzing the internal and external environment that is influencing an organization.
- **Strategy Formulation** – Strategy formulation is the process of deciding the best course of action to be taken in order to achieve the goals and objectives of the organization.
- **Strategy Implementation** – Executing the formulated strategy in such a way that it successfully creates a competitive advantage for the company. In simple words, putting the chosen plan into action.
- **Strategy Monitoring** – Strategy Monitoring involves the key evaluation strategies like taking into account the internal and external factors that are the root of the present strategies and measuring the team performance.
- **SWOT Analysis** – It helps in determining the Strengths, Weaknesses, Opportunities and Threats (SWOT) of an organization and taking remedial/corrective courses of actions to fight these weaknesses and threats.

## Nature and Scope of Strategic Management

Strategic management is both an Art and science of formulating, implementing, and evaluating, cross-functional decisions that facilitate an organization to accomplish its objectives. The purpose of strategic management is to use and create new and different opportunities for future. The nature of Strategic Management is dissimilar form other facets of management as it demands awareness to the “**big picture**” and a rational assessment of the future options. It offers a strategic direction endorsed by the team and stakeholders, a clear business strategy and vision for the future, a method for accountability, and a structure for governance at the different levels, a logical framework to handle risk in order to guarantee business continuity, the capability to exploit opportunities and react to external change by taking ongoing strategic decisions.

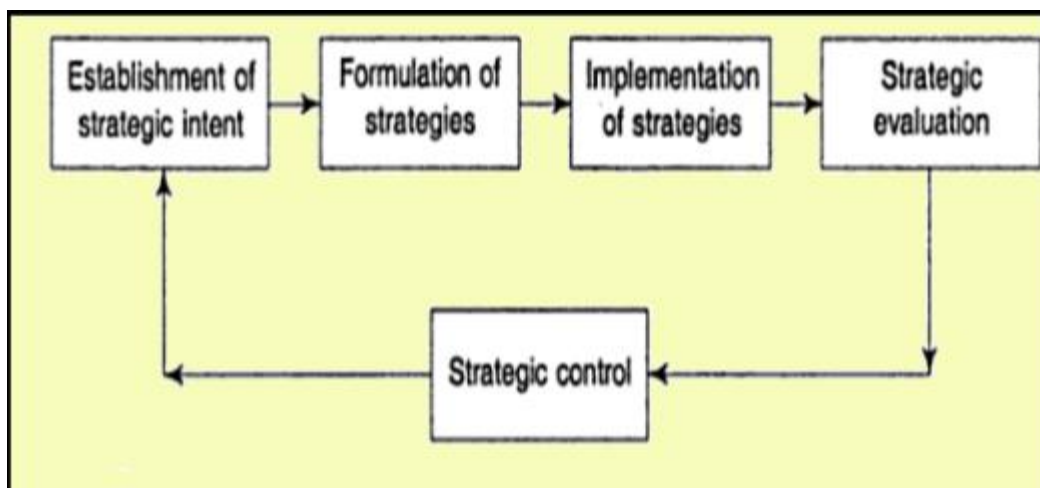
Strategic management process encompasses of three phases.

1. Establishing the hierarchy of strategic intent
2. Strategic formulation.
3. Implementation
4. Evaluation and control.

Strategy formulation comprises of developing a vision and mission, identifying an organization's external opportunities and threats, determining internal strengths and weaknesses, establishing long-term objectives, creating alternative strategies, and choosing particular strategies to follow.

Strategy implementation needs a company to ascertain annual objectives, formulate policies, stimulate employees, and assign resources so that formulated strategies can be implemented. Strategy implementation includes developing a strategy-supportive culture, creating an effective organizational structure, redirecting marketing efforts, preparing budgets, developing and utilizing information systems, and relating employee reward to organizational performance.

Strategy evaluation is the last stage in strategic management. Managers must know when particular strategies are not working well. Strategy evaluation is the main process for obtaining this information.



**Figure: Phases of Strategic management process (Source: Azhar Kozami, 2002 )**

## Importance of Strategic Management

- Planning or designing a strategy involves a great deal of risk and resource assessment, ways to counter the risks, and effective utilization of resources all while trying to achieve a significant purpose.
- An organization is generally established with a goal in mind, and this goal defines the purpose for its existence. All of the work carried out by the organization revolves around this particular goal, and it has to align its internal resources and external environment in a way that the goal is achieved in rational expected time.
- Undoubtedly, since an organization is a big entity with probably a huge underlying investment, strategizing becomes a necessary factor for successful working internally, as well as to get feasible returns on the expended money.
- Strategic Management on a corporate level normally incorporates preparation for future opportunities, risks and market trends. This makes way for the firms to analyze, examine and execute administration in a manner that is most likely to achieve the set aims. As such, strategizing or planning must be covered as the deciding administration factor.
- Strategic Management and the role it plays in the accomplishments of firms has been a subject of thorough research and study for an extensive period of time now. Strategic Management in an organization ensures that goals are set, primary issues are outlined, time and resources are pivoted, functioning is consolidated, internal environment is set towards achieving the objectives, consequences and results are concurred upon, and the organization remains flexible towards any external changes.
- As more and more organizations have started to realize that strategic planning is the fundamental aspect in successfully assisting them through any sudden contingencies, either internally or externally, they have started to absorb strategy management starting from the most basic administration levels. In actuality, strategy management is the essence of an absolute administration plan. For large organizations, with a complex organizational structure and extreme regimentation, strategizing is embedded at every tier.
- Apart from faster and effective decision making, pursuing opportunities and directing work, strategic management assists with cutting back costs, employee motivation and gratification, counteracting threats or better, converting these threats into opportunities, predicting probable market trends, and improving overall performance.

- Keeping in mind the long-term benefits to organizations, strategic planning drives them to focus on the internal environment, through encouraging and setting challenges for employees, helping them achieve personal as well as organizational objectives. At the same time, it is also ensured that external challenges are taken care of, adverse situations are tackled and threats are analyzed to turn them into probable opportunities.