

BBA SEM – V

FUNDAMENTALS OF STRATEGIC MANAGEMENT

(CODE: UM05SBBI05)

UNIT 1: INTRODUCTION TO STRATEGIC MANAGEMENT

- Concept
- Nature & Scope
- Evolution
- Importance
- Concept of Different Decisions (Strategic, Administrative and Operational)

STRATEGIC MANAGEMENT

Strategic management involves developing and implementing an organization's competitive strategy to tackle the uncertainty with an integrated approach.

Although the concept of 'strategy' was originally developed in military administration, it has become very popular in the business world.

As in war, rapid changes and its accompanying uncertainty is common in business organizations.

The higher the survival stake, in both the war-field and the business field, the greater is the relevance of strategy to sound management.

Strategic management is applicable to all types of organizations whether business, not-for-profit, public or private, religious or social, educational institutions, football team, cricket team, hotels and restaurants, retail shops, service organizations such as banking and insurance or utility providers, hospitals and clinics, and any organized institutions.

Strategic management has come to be known as imperative for sustaining in this age of unreason. Enhancing competitive superiority, achieving superior

performance and maximizing organizational productivity requires strategic actions on the part of the organizations.

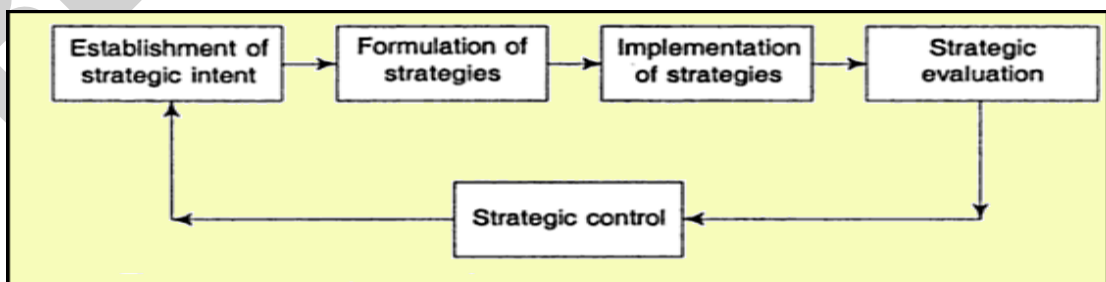
Strategic management is the process through which managers undertake efforts to ensure long-term adaptation of their organization to its environment. It involves developing and implementing an organization's competitive strategy.

NATURE & SCOPE

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 from 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.

EVOLUTION

	1950s	1960s-early 70s	Mid-70s-mid-80s	Late 80s -1990s	2000s
DOMINANT THEME	Budgetary planning & control	Corporate planning	Positioning	Competitive advantage	Strategic innovation
MAIN ISSUES	Financial control	Planning growth &-diversification	Selecting sectors/markets. Positioning for leadership	Focusing on sources of competitive advantage	Reconciling size with flexibility & agility
KEY CONCEPTS& TOOLS	Capital budgeting. Financial planning	Forecasting. Corporate planning. Synergy	Industry analysis Segmentation Experience curve Portfolio analysis	Resources & capabilities. Shareholder value. E-commerce. — Knowledge Management—	Cooperative strategy. Complexity. Owing standards.
MANAGEMENT IMPLIC-ATIONS	Coordination & control by Budgeting systems	Corporate planning depts. created. Rise of corporate planning	Diversification. Global strategies. Matrix structures	Restructuring. Reengineering. Refocusing. Outsourcing.	Alliances & networks Self-Organiz ation & virtual organization

IMPORTANCE OF STRATEGIC MANAGEMET

1. Strategic management takes into account the future and anticipates (expect) for it.
2. A strategy is made on rational and logical manner, its efficiency and its success are ensured
3. Strategic management reduces frustration because it has been planned in such a way that it follows a procedure
4. It brings growth in the organisation because it seeks opportunities
5. With strategic management organisation can avoid their helter and shelter and they can work directionally
6. Strategic management also adds to the reputations of the organisation because of consistency that organisations success
7. Often companies draw to choose because of lack of proper strategy to run it. With strategic management companies can foresee the events in future and that's why they can remain stable in the market.
8. Strategic management looks as a threats present in the external environment and thus companies can either work to get rid of them or else neutralizes the threats in such a wat that they became an opportunity for their success.
9. Strategic management focuses on proactive approach which enables organisation to grasp every opportunity that is available market.

CONCEPT OF DIFFERENT DECISIONS

The decision that a manager has to take may range from setting of goals and targets for the entire business enterprise to specific decisions regarding day-to-day activities. Some of them may have only short-term implications, while others may have long-term implications on the enterprise.

Strategic Decisions

Strategic decisions are major choices of actions and influence whole or a major part of business enterprise. They contribute directly to the achievement of common goals of the enterprise. They have long-term implications on the business enterprise.

Generally, strategic decision is unstructured and thus, a manager has to apply his business judgement, evaluation and intuition into the definition of the problem. These decisions are based on partial knowledge of the environmental factors which are uncertain and dynamic. Such decisions are taken at the higher level of management.

Administrative Decisions

Administrative decisions are concerned with structuring the firm's resources in a way, which creates a maximum performance potential. One part of the administrative problem is concerned with organization flows, distribution channels, and location of facilities. The other part is concerned with acquisition and development of resource: development of raw-material sources, personnel training and development, financing, and acquisition of facilities and equipment.

Operational Decisions

These decisions relate to day-to-day operations of the enterprise. They have a short-term horizon as they are taken repetitively. These decisions are based on facts regarding the events and do not require much of business judgement. Operational decisions are taken at lower levels of management. As the information is needed for helping the manager to take rational, well informed decisions, information systems need to focus on the process of managerial decision making.
