DEPARTMENT OF BUSINESS ADMINISTRATION

GOVERNMENT ARTS COLLEGE(AUTONOMOUS), COIMBATORE 18.

STRATEGIC MANAGEMENT

UNIT I

Strategic management: concept- nature and scope of strategic planning-strategic planning process-Benefits- Corporate Governance and social responsibility.

UNIT II

Mission, Vision- objectives- Need for environmental scanning – SWOT Analysis- Competitive advantage-porter's five forces model-strategic group.

UNIT III

Strategy Formulation- Strategy in global environment- Building And Restructuring the Corporation – Turnaround Strategy- BCG Matrix- uses – limitations- Strategic Choice- Balance Score Card.

UNIT IV

Strategy Implementation- designing organizational structure-routes to executing strategy-strategic control system- The generic alternate strategy- Expansion strategy through diversification.

UNIT V

Techniques of strategic evaluation and control- strategic issues in managing and innovation-entrepreneurial ventures and small businesses- Not-for-profit organization.

Textbook:

P.K. Ghosh, Strategic Planning and Management, Sultan Chand & Sons, 2000.

Reference Book:

1. VS Ramasamy& S. Namakumari,StrategicPlanning-Formulation of Corporate Strategy,Macmillan Business Books, 2001.
2. John A Pearce, RichardB Robinson, Strategic Management AITIBS Educational Books,2000.
3. Michael E Porter, Competitive Strategy, PrenticeHall,2004.

UNIT I

Subject Name	Subject Code	Semester	Prepared by
STRATEGIC MANAGEMENT	**18BBA61C**	**VI**	**Dr.S.Akilandeswari, Assistant Professor**

Introduction to Strategic Management

Strategic Management refers to identification of different strategies that managers follow in business to achieve better performance and reach competitive advantage. Competitive Advantage refers to reaching top position over other competitors in the industry.

Strategic management is defined as decisions a manager undertakes and 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. SWOT Analysis (Strengths, Weaknesses, Opportunities, and Threats), is conducted by managers i.e., make best possible utilization of strengths, minimize the organizational weaknesses, make use of arising opportunities from the business environment and not ignore the threats.

Strategic management is planning for both predictable as well as unfeasible contingencies. It is applicable to small and large organizations to face competition, by formulating and implementing appropriate strategies, and attain sustainable competitive advantage.

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 for smooth functioning of business.

Meaning of Strategy

The word "strategy" is derived from the Greek word "strat gos"; stratus (meaning army) and "ago" (meaning leading/moving).

Strategy is an action that managers take to attain one or more of the organization's goals. Strategy can also be defined as "A general direction set for the company and its various components to achieve a desired state in the future. Strategy results from the detailed strategic planning process".

A strategy is all about integrating organizational activities and utilizing and allocating the scarce resources within the organizational environment so as to meet the present objectives.

Strategy can also be defined as knowledge of the goals, the uncertainty of events and the need to take into consideration the likely or actual behavior of others. Strategy is the blueprint of decisions in an organization that shows its objectives and goals, reduces the key policies, and plans for achieving these goals, and defines the business the company is to carry on, the type of economic and human organization it wants to be, and the contribution it plans to make to its shareholders, customers and society at large.

Features of Strategy

- Strategy is Significant because it is not possible to foresee the future. Without a perfect foresight, the firms must be ready to deal with the uncertain events which constitute the business environment.
- Strategy deals with long term developments rather than routine operations, i.e. it deals with probability of innovations or new products, new methods of productions, or new markets to be developed in future.
- Strategy is created to take into account the probable behavior of customers and competitors. Strategies dealing with employees will predict the employee behavior.
- Strategy is a well defined roadmap of an organization. It defines the overall mission, vision and direction of an organization. The objective of a strategy is to maximize an organization's strengths and to minimize the strengths of the competitors.
- Strategy, in short, bridges the gap between "where we are" and "where we want to be".

Nature and Scope of Strategic Planning

Strategic planning means planning for making and implementing strategies to achieve organisational goals. Strategic planning is done to comprehend, anticipate and absorb environmental variations.

Strategic planning is the management task concerned with the growth and future of a business enterprise. Strategic planning is viewed as a stream of decisions and actions that lead to effective strategies and help the firm achieve its growth objectives. The process involves a thorough self-appraisal by the corporation, including an appraisal of the businesses it is engaged in and the environment in which it operates.

1.Rapid changes in Environment necessitate a Strategic Perspective

The fluctuating marketing environment renders strategic planning an indispensable task for the business firm. In present the environment and all its constituents are changing fast. Strategic planning helps to overcome uncertain and turbulent environment.

Strategic Planning provides the direction and indicates how growth is to be achieved.

A business firm cannot afford to travel in a haphazard manner; it has to travel with the support of a road map. Strategic planning provides the road map for the corporation. It ensures that the enterprise keeps moving in the right direction. It lends a framework for the corporation, which can ensure that decisions concerning the future decisions on matters like product-market choices, and investments are taken in a systematic and purposeful way. The focus of the corporation thus gets decided through this process.

Strategic planning works as the pathfinder to the various business opportunities; simultaneously, it serves as a corporate defense mechanism, which helps a firm avoid costly mistakes.

2.Enables Long-term Decisions Concerning the Firm

It is through strategic planning that a corporation takes decisions concerning its mission, the businesses it will pursue and the markets it will serve; it is through strategic planning that it lays down its growth objectives and formulates its strategies. In other words, all decisions of high significance and consequence to a corporation are taken through the strategic planning process.

3.Ensures Optimum Utilization of Resources

Usually, the resources available to any business firm are limited. Naturally, the firm has to utilize its resources creatively and optimally. Strategic planning ensures such utilization. It lends a frame of reference for investment decisions. It aids the concentrated application of the resources on vital areas i.e. areas of best potential.

4.Prepares the Firm to Face the Future

Strategic planning is not merely projecting the future. It also prepares a corporation to face the future. Its ultimate burden is to influence the environment in a favourable manner and shaping them, instead of merely watching them, or getting carried away by them.

Strategic planning also helps a firm acquire the benefits of a lead time for all its crucial decisions and actions, as it helps the firm anticipate trends.

5.Helps acquire relevant competitive advantage

Strategic planning has the burden of equipping a corporation with the relevant competitive advantage in its fight for survival and growth. The more intense the competition, the more critical is the need for competitive advantage. This is done through strategic planning.

Strategic Planning Process

1. Identify the Strategic Position

The first stage prepares for the rest of the strategic planning process. To achieve the goals, it is necessary to have a clear vision. It is essential to define both short-term and long-term objectives. In short, what is to be achieved? Next, determine what steps to be taken to accomplish these objectives. When identifying the strategic position, remember that the goals should be realistic and measurable. For help with this step, it is necessary to look back to the mission statement, corporate values, and work culture.

2. Gather People and Information

A brief meeting is necessary among leadership of a company to discuss their planning structure with benefits consultants and audit their program Once the strategic position is established, it is necessary to bring in the people who will be involved in the planning process. It is necessary to bring in as much up-to-date information to the table as possible. Ensure that any data used is accurate so that decisions are backed up by facts. Once people and information is available to draw information from, examine any internal or external issues that could possibly affect the objectives.

It may be useful to ask other people in the business for their input, such as employees, customers, or partners.

3. Perform a SWOT Analysis

SWOT, which is an acronym for strengths, weakness, opportunities, and threats, acts as a powerful tool during the strategic planning process. A SWOT analysis is often performed to help identify the strengths and weaknesses of a business, as well as identify any opportunities and threats that could arise. Once the team has identified all strengths, weaknesses, opportunities and threats, it is necessary to work together to develop new goals that will help the business face these possibilities in a more positive way. A SWOT analysis can also lead in the right direction and towards the goals.

4. Formulate a Strategic Plan

Once strategic position is identified and have a set of goals that align with the company's mission, and begin working on the strategic plan. When developing the plan, consider which initiatives will have the greatest impact on the business and which will help improve the position the most. Also consider which initiatives are most urgent and put these at the front of the line. To ensure that the strategic plan is working, it is necessary to determine the best way to measure the progress. With measurable goals the company can visibly see improvements as they happen.

5. Execute the Strategic Plan

Once the strategic plan in place, it is necessary to implement it. This step is the action phase of the strategic planning process. Start by making everyone involved in the plan aware of the strategy. Ideally, distribute tasks among different individuals or departments to prevent one person or group of people from becoming overwhelmed. Also take the time to check back with these individuals or groups to ensure that the company is staying on track. If you find that objectives are not met, make any necessary changes.

6. Constantly Monitor Performance

Strategic planning process will not be effective unless everyone is doing their part. This requires constantly monitor and manage performance and identify any components that are not leading to satisfactory results. It is also important to hold those involved in the strategic planning process accountable for their assigned tasks. Know that it may be necessary to repeat the strategic management process if any corrective actions you take are not successful. Continue to collect new and relevant data to help with any future strategic planning that may occur.

Corporate Governance

Corporate governance is the combination of rules, processes or laws by which businesses are operated, regulated or controlled. The term encompasses the internal and external factors that affect the interests of a company's stakeholders, including shareholders, customers, suppliers, government regulators and management.

Guiding Principles of Corporate Governance

Business Roundtable supports the following core guiding principles:

1.The board approves corporate strategies that are intended to build sustainable long-term value; selects a chief executive officer (CEO); oversees the CEO and senior management in operating the company's business, including allocating capital for long-term growth and assessing and managing risks; and sets the "tone at the top" for ethical conduct.

2.Management develops and implements corporate strategy and operates the company's business under the board's oversight, with the goal of producing sustainable long-term value creation.

3.Management, under the oversight of the board and its audit committee, produces financial statements that fairly present the company's financial condition and results of operations and makes the timely disclosures investors need to assess the financial and business soundness and risks of the company.

4.The audit committee of the board retains and manages the relationship with the outside auditor, oversees the company's annual financial statement audit and internal controls over financial reporting, and oversees the company's risk management and compliance programs.

5.The nominating/corporate governance committee of the board plays a leadership role in shaping the corporate governance of the company, strives to build an engaged and diverse board whose composition is appropriate in light of the company's needs and strategy, and actively conducts succession planning for the board.

6.The compensation committee of the board develops an executive compensation philosophy, adopts and oversees the implementation of compensation policies that fit within its philosophy, designs compensation packages for the CEO and senior management to incentivize the creation of long-term value, and develops meaningful goals for performance-based compensation that support the company's long-term value creation strategy.

7.The board and management should engage with long-term shareholders on issues and concerns that are of widespread interest to them and that affect the company's long-term value creation. Shareholders that engage with the board and management in a manner that may affect corporate decision making or strategies are encouraged to disclose appropriate identifying information and to assume some accountability for the long-term interests of the company and its shareholders as a whole. As part of this responsibility, shareholders should recognize that the board must continually weigh both short-term and long-term uses of capital when determining how to allocate it in a way that is most beneficial to shareholders and to building long-term value.

8.In making decisions, the board may consider the interests of all of the company's constituencies, including stakeholders such as employees, customers, suppliers and the community in which the company does business, when doing so contributes in a direct and meaningful way to building long-term value creation.

Benefits of Corporate Governance

A good corporate governance system:

1.Ensures that the management of a company considers the best interests of everyone;

2.Helps companies deliver long-term corporate success and economic growth;

3.Maintains the confidence of investors and as consequence companies raise capital efficiently and effectively;

4.Has a positive impact on the price of shares as it improves the trust in the market;

5.Improves control over management and information systems (such as security or risk management)

6.Gives guidance to the owners and managers about what are the goals strategy of the company;

7.Minimizes wastages, corruption, risks, and mismanagement;

8.Helps to create a strong brand reputation;

9.Most importantly – it makes companies more resilient.

Social Responsibilities of Business

Social responsibility in business, also known as corporate social responsibility (CSR), pertains to people and organizations behaving and conducting business ethically and with sensitivity towards social, cultural, economic, and environmental issues.

Definition

“Social responsibility of business refers to the obligations of businessmen’s decisions and actions taken for reasons at least partially beyond the firm’s direct economic and technical interest**.” — Keith Davis**

Elements of Corporate Social Responsibility:

i. CSR is a moral obligation to conduct operations ethically

ii. It strikes a happy balance between economic, ethical and social issues

iii. It demands every business to conduct the show in the best interests of society at large

iv. Businesses must make profits, but that cannot be at the cost of cus-tomers.

v. It is a voluntary effort undertaken by every business that goes beyond what has been dictated by law.

vi**.** It is, in short, a company’s sense of responsibility towards the com-munity and environment in which it operates.

Scope of Corporate Social Responsibility:

(i) Environment

(ii) Energy

(iii) Fair business practices

(iv) Human resources

(v) Community involvement, and

(vi) Product.

(i) Environment:

This area involves the environmental aspects of production, covering pollution control in the conduct of business operations, prevention or repair of damage to the environment resulting from processing of natural resources and the conservation of natural resources. Corporate social objectives are to found in the abatement of the negative external social effects of industrial production, and in adopting more efficient technologies to minimize the use of irreplaceable resources and the reduction of waste.

(ii) Energy:

This area covers conservation of energy in the conduct of business operations and increasing the energy efficiency of the company's products.

(iii) Fair Business Practices:

This area concerns the relationship of the company to special interest groups.

In particular it deals with:

(a) Employment of minorities,

(b) Advancement of minorities,

(c) Employment of women,

(d) Advancement of women,

(e) Employment of other special interest groups,

(f) Support for minority business, and

(g) Socially responsible practices abroad.

(iv) Human Resources:

This area concerns the impact of organizational activities on the people who constitute the human resources of the organization.

These activities include:

(a) Recruiting practices,

(b) Training programmes,

(c) Experience building-job rotation,

(d) Job enrichment,

(e) Wage and salary levels,

(f) Fringe benefit plans,

(g) Congruence of employee and organizational goals,

(h) Mutual trust and confidence,

(i) Job security, stability of workforce, layoff and recall practices,

(j) Transfer and promotion policies, and

(k) Occupational health.

(v) Community Involvement:

This area involves community activities, health-related activities, education and the arts and other community activity disclosures**.**

Types of Corporate Social Responsibilities

Responsibilities towards owners

- Fair returns
- Smooth functioning of business
- Productivity
- Profitability

Responsibilities towards employees

- Good working condition
- Good salary
- Pleasant working environment
- Healthy employer-employee relationship
- Promotion
- Incentives
- Career advancement programmes

Responsibilities towards customers

- Good quality products
- Fair prices
- Good customer service

Responsibilities towards community

- Community development programmes
- Employment opportunities
- Education opportunities
- Controlling pollution
- Social awareness programmes
- Relief measures

The Contents in this E-Material is taken from the text and reference book as given in the syllabus.