

Study Note

Strategic Management



Definition: The term ‘**Strategic management**’ is used to denote a branch of management that is concerned with the development of strategic vision, setting out objectives, formulating and implementing strategies and introducing corrective measures for the deviations (if any) to reach the organization’s strategic intent. It has two-fold objectives:

- To gain a competitive advantage, with an aim of outperforming the competitors, to achieve dominance over the market.
- To act as a guide to the organization to help in surviving the changes in the business environment.
- The concept of strategy in business has been borrowed from military science and sports where it implies out-maneuvring the opponent. The term strategy began to be used in business with an increase in competition and complexity of business operations.
- A strategy is an administrative course of action designed to achieve success in the face of difficulties. It is a plan for meeting challenges posed by the activities of competitors and environmental forces.

Michel Porter Strategy

- Creating a "unique and valuable [market] position"
- Making trade-offs by choosing "what not to do"
- Creating "fit" by aligning company activities with one another to support the chosen strategy.

In a business environment, firms use various techniques, to survive, compete and grow in the long run. These techniques can be called tactics and strategies. Tactics are the actions, projects or events, to reach a particular point or the desired end, whereas the Strategy is defined as a game plan, which can help the organization to achieve its mission and objectives.

- Tactics are the properly organized actions that help to achieve a certain end. The strategy is the integrated plan that ensures the achievement of organization objectives.
- The tactic is a subset of strategy, i.e. without the strategy, tactics can do nothing.
- Tactics involve lower risk as compared to strategy.
- Tactics are preventive in nature while Strategy is competitive in nature.
- Tactics are defined as a trip, i.e. typically for a short duration, but the strategy is a journey that lets the company travel from one position to another. Hence it is for a long duration.

Types of Strategies

1. **Competitive Strategy:** Competitive strategy refers to a plan that combines the influence of the external situations along with the integrative apprehensions of the inner situation of an organization. The competitive strategy aims at gaining a competitive advantage in the marketplace against the competitors. And competitive advantage comes from strategies that lead to some uniqueness in the marketplace. Winning competitive strategies are grounded in sustainable competitive advantage. Examples of the competitive strategy include differentiation strategy, low-cost strategy, and focus or market-niche strategy.

2. **Corporate/ Grand Strategy:** Corporate strategy is formulated at the top level by the top management. Such strategy describes the company’s overall corporate strategy defines the long-term objectives and generally affects all the business units under its umbrella.

3. **Business Strategy:** Business strategy is formulated at the business-unit level. It is popularly known as ‘business-unit strategy’. This strategy emphasizes the strengthening of the company’s competitive position of products or services. Business strategies are composed of competitive and cooperative strategies.

4. **Functional Strategy:** Functional strategy refers to a strategy that emphasizes a particular functional area of an organization. It is formulated to achieve some objectives of a business unit by maximizing resource productivity. Occasionally functional strategy is named departmental strategy since each business function is



frequently devolved with a section. Examples of functional strategy comprise production strategy, marketing strategy, human resource strategy and financial strategy.

5. Operating Strategy: Operating strategy is formulated as the operating units of an organization. A company may develop an operating strategy, for its sales territories. An operating strategy is formulated at the field level usually to achieve immediate objectives

Strategic Management Process

1. Strategic intent gives an idea of what the organization desires to attain in future. It answers the question of what the organization strives or stands for?

The vision, mission, business definition, and business model explains the philosophy of business but the goals and objectives are established with the purpose of achieving them.

2. Strategy Formulation is an analytical process of selection of the best suitable course of action to meet the organizational objectives and vision.

The process of strategy formulation basically involves six main steps:

- Establishing Organizational
- Analysis of Organizational Environment: This involves SWOT analysis, meaning identifying the company's strengths and weaknesses and keeping vigilance over competitors' actions to understand opportunities and threats.
- Forming quantitative goals: Defining targets so as to meet the company's short-term and long-term objectives.
- Objectives in context with divisional plans.
- Performance Analysis
- Selection of Strategy
- Strategy Implementation refers to the execution of the plans and strategies, so as to accomplish the long-term goals of the organization. It converts the opted strategy into the moves and actions of the organisation to achieve the objectives.
- Strategic evaluation and control is the process of determining the effectiveness of a given strategy in achieving the organizational objectives and taking corrective actions whenever required.



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