

Chapter-1 Introduction to Strategic Management

- Learn what business policy and strategy is all about
- Know the framework and importance of strategic management
- Learn how strategy operates at different levels of the organization
- Understand the importance of strategic management in Government and Not-for-profit Organizations

1.1 Introduction

This chapter is an attempt to highlight the **concepts** and **significance** of ‘business policy’ and ‘strategic management’.

1.2 Business Policy

“the study of the **functions and responsibilities of senior management**, the crucial problems that affect success in the **total enterprise**, and the decisions that determine the direction of the organization and shape its future.”

1.3 Concept of Management

- It is used with reference to a key group in an organisation in-charge of its affairs.
- a set of interrelated **functions** and **processes**
 - functions include Planning –Implementing- Organising, Directing, Staffing - and Controlling.

1.4 Concept of Strategy

- “ a unified, comprehensive and integrated plan that relates the strategic advantages of the firm to the challenges of the environment.”
 - **Unified** because it ties all the parts of the enterprise together.
 - **Comprehensive**, because it covers all major aspects of the enterprise
 - **Integrated** because all the parts of the plan are compatible with each other and fit together well
- ‘Strategic’ decisions are “infrequent and non-recurring;” requires “irreversible [usually large] commitments;” and relate the firm (its strengths and weaknesses) to its external environment (opportunities and threats), and result in substantial, lasting impact on an organisation’s fortunes
- Strategy is partly proactive and partly reactive

1.5 Strategic Management

The term ‘strategic management’ refers to the **managerial process** of **developing** a strategic vision, setting objectives, **crafting** a strategy, **implementing** and **evaluating** the strategy, and initiating **corrective adjustments** where deemed appropriate.

- Framework of Strategic Management
rational-analytical
- Differences between Business Policy and Strategic Management

Points of Distinction	Business Policy	Strategy
Focus	Integrating knowledge gained in various functional areas	Achieving fit between organisational capabilities and its environment
Orientation	Inward	Outward

Points of Distinction	Business Policy	Strategy
Emphasis	Integrated approach to solve business wide problems	Competitive performance
Scope	Some say Business Policy has a wider scope: It presents a framework for understanding strategic decision making in organisations.	Some say strategy has a wider scope- policy focuses on internal organisation only whereas strategy considers both internal as well as external

1.5.1 Importance of Strategic Management

- gives a **direction** to the company
- helps organisations to be **proactive** instead of reactive in shaping its future
- provides **framework** for all major decisions of an enterprise
- **pathfinder** to various business opportunities
- **defence mechanism** against mistakes and pitfalls
- It helps the organization to take a **clear stand** in the related [**respective**] industry and makes sure that it is **not just surviving on luck**.
- helps the organisation to develop certain **core competencies** and **competitive advantages**

1.5.2 Limitations of Strategic Management

- Environment is highly **complex** and **turbulent**
- a **time-consuming** process
- a **costly** process
- difficult to clearly estimate the competitive responses

1.6 Strategic Levels in Organisations

There are **three main levels** of management: **corporate, business, and functional**

- Corporate Level: setting overall strategic objectives, building and managing the **corporate portfolio** of businesses to maximize corporate profitability and provide a **link** between the people who oversee the strategic development of a firm and those who own it (the shareholders).
- Business Level: **translate** the **general statements** of direction and intent that come from the corporate level into **concrete strategies** for **individual businesses**.
- Functional Level: strategies in the functional areas e.g. marketing, finance, HR, R&D etc. that help **fulfill** the strategic objectives set by business- and corporate-level general managers.

1.7 Strategic Management in Government and Not-for-profit Organisations

- Educational Institutions
- Medical organizations
- Governmental agencies and departments

➤ Linking the Chapter to the Booklet on Case Scenarios

Scenario #2: KingLike WLL, a construction company based in Dubai



Indicate whether the following decisions can be regarded as 'strategic.'

1. Government targets Rs 1.3 lakh crore from rail, telecom **asset monetization**.
2. Wipro makes its biggest **acquisition** ever with \$1.45bn takeover 20-year old Capco, headquartered in London.
3. Due to the impact of the pandemic, Ireland headquartered Alcoholic and Carbonated Drinks group C&C has not been in a position to provide **guidance on earnings** or related measures and formally withdrew guidance on 3 June 2020.
4. Amazon, Flipkart & Paytm to launch Holi **Festival Sale** 2021
5. PM Modi says govt committed to selling non-strategic PSUs

Tune in today, that is, Thursday the 18th March 2021 for Concept Clarification & Elaboration based on Chapter 1. And an Introduction to Chapter 2.