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Learning Objective

After studying this topic, you shall be able to

1. Understand the concept of strategy and strategic management.
2. Know the nature of strategic management
3. Explain its advantages and limitations
4. Identify the levels of strategic management
5. Understand the various types of strategies

STRATEGIC MANAGEMENT

MEANING OF STRATEGY

Business policy is rooted in the practice of management and has passes through certain phases before taking its shape of strategic management. The concept of strategy is derived from military principles. **In military context, the strategy is a plan of action to win a war.** Here military identify the quality and quantity of resources to be mobilized and used at the most appropriate time in suitable and convenient manner to win a war.

But, in business perspective, there is no definite meaning of strategy and used for number of things like mobilizing and deploying resources systematically and attain organizational goal. Literal meaning of strategy is **"In anticipation of opponents move, designing one's own way of action"**. In last, we can conclude that it is the means to achieve organizational goal or **it is related to pursuing those activities which move an organization from its current position to desired future state.**

NATURE OF BUSINESS STRATEGY

1. Objective oriented
2. Future oriented.
3. Availability and allocation of resources.
4. Influences of Environment.
5. Universal applicability.

BENEFITS OF STRATEGIC MANAGEMENT

The strategic management has certain benefits or importance are briefly explained as follows

1. Choice of Strategy: - strategic management helps to management to select the best possible strategy option. Then it may be internal or external growth of the organization. For example in case of internal growth it may adopt intensification or diversification strategy

2. **Improves Employee's Efficiency: -** strategic management clarifies about what to do, how to do, when to do a particular task to the employees. This helps to employee to perform a job accurately and expertise which leads to increase in efficiency.

3. SWOT Analysis: - A thorough analysis of internal and external environment of a business enables to identify the strength and weakness as well as threats and opportunities of the business. This helps the business to keep pace with the changing nature of the environment affecting to the firm. And this is possible only with the help of strategic management.

4. Aids in planning: - strategic management helps to frame realistic plans.

5. Organizing Resources: - business objectives can be accomplished with the help of proper allocation and utilization of resources. This is possible only with the systematic plan, which is the result of strategic management.

6. **Helps in Evaluation**: - the important aspect of strategic management is evaluation of plans or strategy. Here the actual performance will be compared with standards set and if any variation is found then the corrective measures are taken.

7. **Facilitates Communication and Coordination**: - as the strategies are well planned. For its proper execution there is need to have proper communication and coordination at all levels of operations.

8. Helps to face Competition: - strategic management enables a firm to meet competition more effectively. This is because strategic management enables to develop effective strategies to face the competition.

RISKS / LIMITATIONS OF STRATEGIC MANAGEMENT:

1. Limitation of Assumption: - Strategic management is based on certain assumptions; if that assumptions remains good then the plans will be implemented otherwise there be no use of strategic management.

2. Problem in Analyzing Environment: - the success of strategic management is depending on the correct analysis of internal as well as external environment. Here especially the external environment scanning is important to grab opportunities which many times does not proved.

3. Unrealistic Mission and Objectives: - if the mission and objectives are not realistic then the strategic management can’t be successful.

4. Problem of Setting Target: - sometimes it happens that the strategists may be very enthusiastic so they may set unrealistic goal which will be difficult to accomplish.

5. Problem in Implementation: - implementation of strategy is important if it is not implemented well then there may be problem, the strategy may not give the desired result.

6. Lack of Commitment of Lower Level: - generally the strategies are framed by top level management and at the time of framing if top level management has not consulted with lower then lower level management may not be that much committed. In other word they being unaware of the plans may not give desired performance. Their dedication may not be there up to expected level.

7. Problem of Resistance: - there may be resistance on the part of employees to accept the set target of the top management.

8. More theoretical in Nature: -as per experts opinion strategic management is more theoretical. In practice there are different so it remains unsuccessful.

9. Problem of Internal Politics: - in organizations, there are differences among or between departments. So as there is no good relation, proper coordination, strategies became unsuccessful.

10. Problem of Traditional Management: - the traditional management has narrow approach towards development. Its 26 philosophy is not progressive; they want to run

LEVELS OF STRATEGIC DECISION

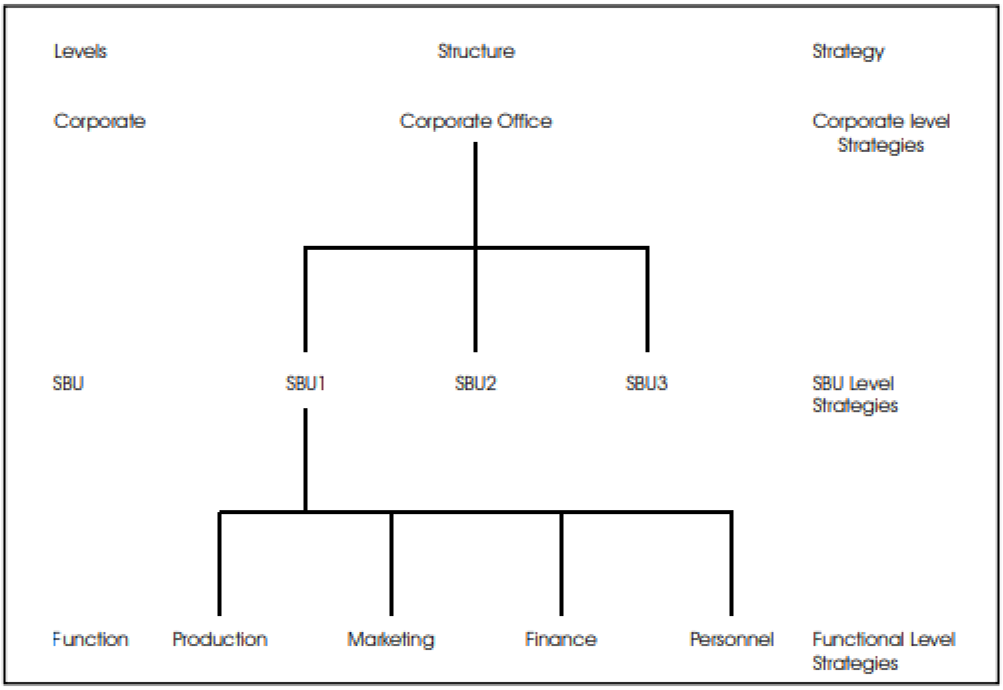
There are companies that are working in different business lines with regards to products /services, markets or technologies and are managed by same top management. In this case such companies need to frame different strategies. The strategies are executed at three different levels such as –

a) Corporate level

b) Business level

c) Functional/operational level

These three levels of strategic decision have varying characteristics due to the varying responsibility and authority at different levels of management functioning.



1. **Corporate Level**

In an organization, there are basically four levels. The top level of the organization consists of chief executive officer of the company, the board of directors, and administrative officers. The responsibility of the top management is to keep the organization healthy. This implies that their responsibility is to achieve the planned financial performance of the company. The corporate level strategies translate the orientation of the stakeholders and the society into the forms of strategies for functional or business levels.

The nature of decisions taken at corporate level gives a vision to the organization. The decisions taken are visionary in nature and hence are highly subjective. The vision of a company evolves after a lot of deliberations among the directors who decide that how their company would be known after a long period of time, say after ten to fifteen years. The decisions at this level are therefore vital for selecting the directions of growth of a company. Since it is very difficult to foresee what would happen to a company after a long period of time, the decision essentially should have built-in flexibility as these would have far-reaching consequences on the operations of the company. The decisions at this level also involve greater risks, costs, potential profits etc.

2. **SBU Level**

A large organization's activities can be segmented as business units. A business unit is an operating unit in an organization that sells a distinct set of products to a distinct market in competition with a well defined set of competitors. It is normally referred to as an SBU.

This level consists of primarily the business managers or managers of Strategic Business units (SBU). Here strategies are about how to meet the competitions in a particular product market and strategies have to be related to a unit within an organization. The managers at this level translate the general statements of direction and intent churned out at corporate level. They identify the most profitable market segment, where they can excel, keeping in focus the vision of the company. The managerial style, beliefs, values, ethics, and accepted forms of behavior must be go well together with the organizational culture and at this level, these aspects are diligently taken care of by strategic managers.

3. **Functional level**

At the functional level, the decisions involve action-oriented operational issues. Essentially these are short-term type and hence periodically made. They reflect some or all part of the strategy at corporate level. These decisions are also comparatively of low risk and involve lower costs as the resources to be used by them are from the organization itself. The company as a whole is rarely involved in these decisions. They are more concrete, clear, simple to implement and do not disturb the ongoing processes of the company. The decisions at this level are more specific, critically examined, in spite of being less profitable.

4. **Operational Level**

Planning alone cannot create massive mobilization of resources and people can never generate high quality of strategic thinking required in complex organizational context. For this to happen, the planning should be carefully integrated with significant administrative systems viz. management control, communication, information management, motivation, rewards etc. It is also vital that all these systems are supported by organizational structure that defines various authority and responsibility relationships, among various members of the company and specifically at operational level. The culture of the organization should be accounted for, and these systems should find adaptability with the culture of the organization.

CONCLUSION

Strategic management facilitates an organization to make its decisions based on long-term prediction. It also allows the establishment to make action at an early stage of new trend and consider the lead-time for effective management. The study of strategic management stresses the monitoring and evaluating of external opportunities and threats in the view of a company's strengths and weaknesses in order to create and implement innovative strategic direction for company.