

Strategic management

S-4

2021-2023 Batch

Module-1[Strategy Formulation]

Topics covered.[Total 9 sessions]

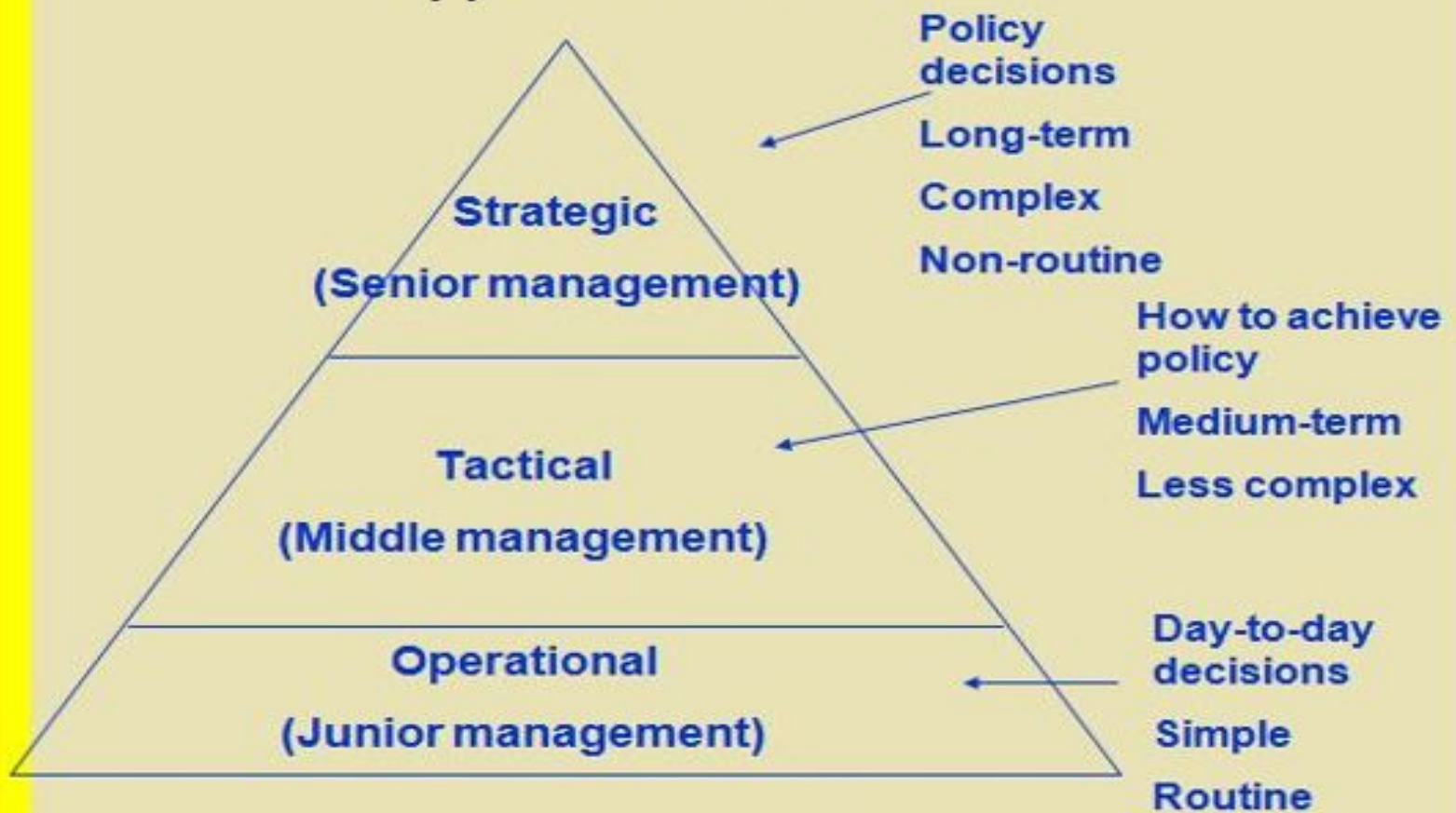
1. Classes of decision in and organization.Characteristics of strategic decisions[2]
2. Meaning of strategy,Meaning of strategic management,Levels of strategy
3. Strategic management process /frame work.

Module-1[Strategy Formulation]

4)Steps in strategy formulation, Implementation and evaluation and control. Role of vision and mission in strategic management; Role of top management and corporate governance in strategic management;Benefits,Limitations and Relavance of strategic management.

Classes of decisions in an organization

Types of Decision



Strategic decision

- What is strategic decision making definition?
- Strategic decision making are **decisions that are made according to a company's goals or mission.** ... These decisions could take the company into new directions that may or may not succeed. Managers need to think outside the box, as they think of new possibilities for the business and how these possibilities may play out.

Importance of strategic decisions

- Why are strategic decisions important?
- Strategic decisions are **intended to provide a competitive advantage and try to change the overall scope and direction of the company** [4]. They are important for organizational health and survival [5]. ... Solving strategic problems affects a large number of factors both inside the company and its surroundings.

Strategy

- A strategy is a set of related actions that managers take to increase their company's performance.
- If a company's strategies result in superior performance relative to rivals, it is said to have competitive advantage.

Strategic decisions and Routine decisions

- **Strategic Decisions and Routine Decisions**
- As the name suggests, routine decisions are those that the [manager](#) makes in the daily functioning of the organization, i.e. they are routine.
- Such decisions do not require a lot of evaluation, analysis or in-depth study. In fact, high-level managers usually delegate these decisions to their subordinates.
- On the other hand, strategic decisions are the important decisions of the firm. These are usually taken by upper and middle-level management. They usually relate to the [policies](#) of the firm or the strategic plan for the future.
- Hence such decisions require analysis and careful study. Because strategic decisions taken at this level will affect the routine decisions taken daily.

Strategic Management

Definition.

The dynamic process of formulation, implementation, evaluation and control of strategies.

A dynamic process.

It is not a one time, static or mechanistic process.

The meaningning of Strategic Management

- ✓ Strategic Management Cannot be a rigid.
- ✓ Stepwise collection of a few activities arranged in sequential order.
- ✓ The next part of the definition states the four phases in the strategic management *process of formulation, Implementation and evaluation and control.*

Four Phases in Strategic Management Process

1. Establishment of strategic intent.
2. Formulation of strategies
3. Implementation of strategies
4. Strategic Evaluation

Elements in Strategic Management process

1.Establishing the hierarchy of strategic intent.

1.Creating and communicating a vision.

2.Designing a mission statement

3.Defining the business

4.Adopting the business model

5.Setting objectives

2. Formulation of strategies

- 6. Performing environmental appraisal
- 7. Doing organisational appraisal
- 8. Formulating corporate-level strategies
- 9. Formulating business level strategies
- 10. Undertaking strategic analysis
- 11. Exercising strategic choices
- 12. Preparing strategic plan

Implementation of strategies

13. Activating strategies

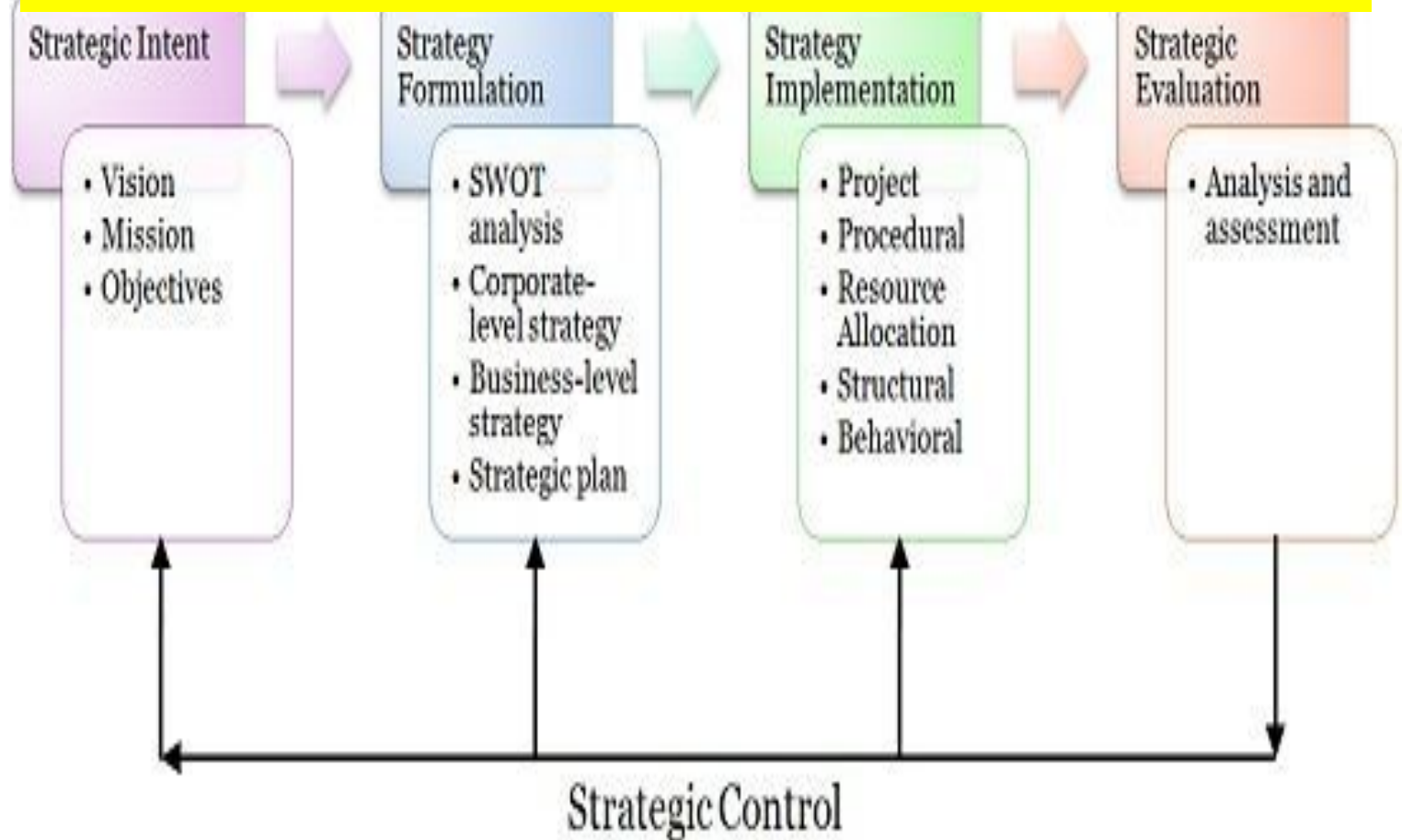
14. Designing the structure, systems and process

15. Managing behavioural implementation

16. Managing functional implementation

17. Operational strategies

Comprehension model of strategic management



Strategic Intent

- By strategic intent we refer the purposes the organisation strives for. This may be expressed in terms of a hierarchy[അധികാരക്രമം] of strategic intent.

The strategic intent of Tata Steel

Strategic intent is expressed in terms of a hierarchy of vision, mission, strategic goals and strategies.

Tata Steel is among the lowest cost producers of steel in the world.

Vision-2007

- To seize the opportunities of tomorrow and create a future that will make it an economic value added positive company.
- To continue the quality of life of our employees and the communities we serve.
- Revitalise the core business for a sustainable future.
- Venture into new business that will own a share of our future.
- Upload the spirit and values of Tatas towards nation building.

Mission statement-Tata steel

- Consistent with the vision and values of the founder Jamsetji Tata, Tata Steel strives to **strengthen India's industrial base through effective utilisation of staff and materials.** The means envisaged to achieve this are cutting-edge technology and high productivity, consistent with modern management practices

Strategic goals

- Move from commodities to brands
- EVA POSITIVE CORE BUSINESS.
- Continue to be lowest cost producer of steel
- Value creating partnerships with customers and suppliers
- Enthuse and happy employees
- Sustainable growth.

Strategy-Tata steel

- Manage knowledge
- Outsource strategically
- Encourage innovation and allow the freedom to steel
- Excel at TBEM: The tata Business Excellence model.
- Unleash people's potential and create leaders who will build the future
- Invest in attractive new business
- Ensure safety and environmental sustainability
- Divest ,merge and acquire

Vision

- **Defining vision:**

Has been defined in several different ways.

Kotler (1990) defines it as a 'description of something(an organization, corporate culture, a business, technology, and activity)in the future.

El-Namak(1992)Considers it as a 'mental perception of the kind of environment an individual, or an organization, aspires to create within a broad time horizon and the underlying conditions for the actualisation of this perception.

Miller and Dess(1996)view it simply as the category of intentions that are broad, all inclusive and forward thinking.

Vision

Future aspirations that lead to an inspiration to be the best in one's field of activity.

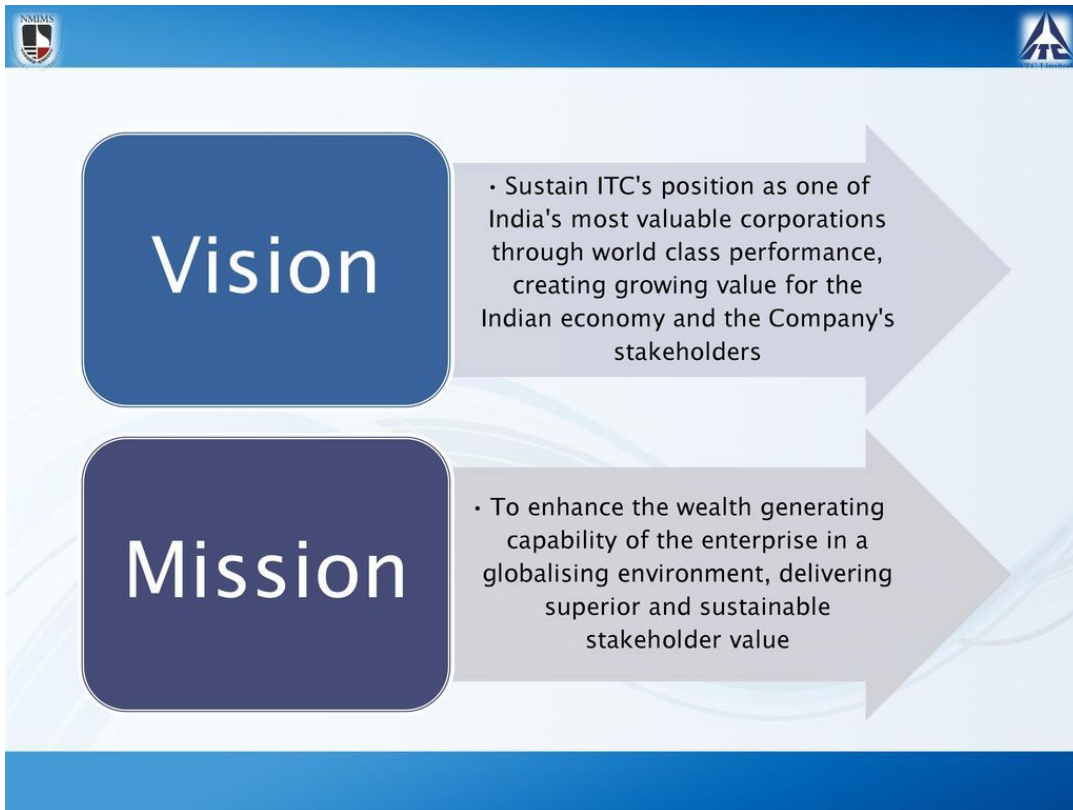
Benefits of having vision.

- Good visions are inspiring and exhilarating(ഉന്മേഷദായകമായ) (making one feel very happy, animated, or elated; thrilling)
- Vision represent a discontinuity, a step function and a jump ahead so that the company knows what it is to be.

Benefits of vision

- ❑ Good visions help in the creation of a common identity and a shared sense of purpose.
- ❑ Good visions are competitive ,original and unique. They make sense in the market place as they are practical.
- ❑ Good visions foster risk taking and experimentation
- ❑ Good vision foster long-term thinking
- ❑ Good visions represent integrity;they are truly genuine and can be used to the benefit of people.

ITC'S VISION & MISSION



BRANDS OF ITC



Vivel

JOHN
PLAYERS

WILLS LIFESTYLE



ESSENZA DI WILLS
YOUR ESSENCE, YOUR SOUL.



AIM

Paperkraft

MANGALDEEP

CANDYMAN

Superia



mint-o

ई-चौपाल





Nestle



Vision:

To bring consumers foods that are safe, of high quality and provide optimal nutrition to meet physiological needs. In addition to Nutrition, Health and Wellness, Nestlé products bring consumers the vital ingredients of taste and pleasure.

Mission:

Make better food so that people live a better life.

MYSTEPS.CO.IN



Nestlé

MYSTEPS.CO.IN



Lean
cuisine



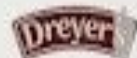
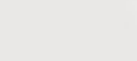
DOG
CHOW



Nestlé

ONE

Beneful



NESPRESSO



Mission

From vision, move to the second level of strategic intent, that is mission.

Defining mission.

Thompson(1997) defines mission as the "essential purpose of the organisation, concerning particularly why it is in existence, the nature of the business(es) it is in and the customers it seeks to serve and satisfy.'

Mission

- Hunger Wheelen(1999) say that mission is the purpose or reason for the organisation's existence'.

Ex.India today : Making sense of India

HUL: to " Add vitality to life" leading to various strategic actions of being the largest consumer goods company in India.

Mission of **HUL-ADD VITALITY TO LIFE.**

BRANDS OF HUL



Characteristics of a mission statement

1. It should be feasible-It should be realistic and achievable-its followers must find it to be credible.
2. It should be precise:
3. It should be clear-HUL- Add vitality to life
4. It should be motivating[Bank of Baroda's vision 2020,includes the mission of 'pursuing best global Practices for delivering added value to customers' in order to achieve its mission of becoming a "technology –enabled customer –centric financial services organisation.



Characteristics of a mission statement



5. It should be distinctive

Honda mission statement is **"maintaining a global viewpoint, we are dedicated to supplying products of the highest quality, yet at a reasonable price for worldwide customer satisfaction."**

Ford's corporate mission is **"to make people's lives better by making mobility accessible and affordable."** This mission statement focuses on moving people, which is a basic function expected in automobiles and the transportation sector. Such emphasis on mobility indicates the purpose of Ford's business in society.

Characteristics of a mission statement



6.It should indicate the major components of strategy.

The mission of HCL info system is 'to provide world-class information technology solutions and services to enable our customers to serve their customers better'.

Emphasis in the strategies of the company on providing cutting edge technology and customer –orientation.

Characteristics of a mission statement



7. It should indicate how objectives are to be accomplished.

LG Electronics has its mission of 'becoming 2' by 10 ', that is ,double the sales volume and profit by year 2010.

Corporate Governance

Defined:

Refers to the relationship among the board of directors, top management, and shareholders in determining the direction and performance of the corporation.

Corporate Governance

Board of
Directors



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graph LR; A[Board of Directors] --> B[•Setting corporate strategy, overall direction, mission or vision]; A --> C[•Hiring and firing the CEO and top management]; A --> D[•Controlling, monitoring, or supervising top management]; A --> E[•Reviewing and approving the use of resources]; A --> F[•Caring for shareholder interests];
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•Setting corporate strategy, overall direction, mission or vision

•Hiring and firing the CEO and top management

•Controlling, monitoring, or supervising top management

•Reviewing and approving the use of resources

•Caring for shareholder interests

Corporate Governance

Role of the Board in strategic management

- Monitor**
 - Developments inside and outside the corporation
- Evaluate & Influence**
 - Review proposals, advise, provide suggestions and alternatives
- Initiate & Determine**
 - Delineate corporation's mission and specify strategic options

Board of Directors

Members:

Inside directors

- “Management directors”
- Officers or executives employed by corporation

Outside directors

- “Non-management directors”
- May be executives of other firms but not employed by board's corporation

Board of Directors Continuum

← DEGREE OF INVOLVEMENT IN STRATEGIC MANAGEMENT →					
Low (Passive)			High (Active)		
Phantom	Rubber Stamp	Minimal Review	Nominal Participation	Active Participation	Catalyst
Never knows what to do, if anything; no degree of involvement.	Permits officers to make all decisions. It votes as the officers recommend on action issues.	Formally reviews selected issues that officers bring to its	Involved to a limited degree in the performance or review of selected key decisions, indicators, or programs of management.	Approves, questions, and makes final decisions on mission, strategy, policies, and objectives. Has active board committees. Performs fiscal and management audits.	Takes the leading role in establishing and modifying the mission, objectives, strategy, and policies. It has a very active strategy committee.

Agency Theory

Problems arise in corporations because the agents (top management) are not willing to bear responsibility for their decisions unless they own a substantial amount of stock in the corporation.

Stewardship Theory

Executives tend to be more motivated to act in the best interest of the corporation than their own self-interests. Theory argues that over time, senior executives tend to view the corporation as an extension of themselves.

Board of Directors

*“Outsider” overly simplistic term --
Some outsiders are not truly objective
and could be considered insiders.*

Examples:

- *Affiliated Directors*
- *Retired Directors*
- *Family Directors*

Board of Directors

Membership Trends

(Survey, 1999)

- **75% of boards have at least 1 female director**
- **25% of boards have two female directors**
- **60% of boards have at least one minority member**

Board of Directors

Codetermination

- *The inclusion of a corporation's workers on its board of directors.*

Board of Directors

Interlocking Directorates

Direct Interlocking Directorate –

- When two firms share a director or when an executive of one firm sits on the board of a second firm.

Indirect Interlocking Directorate –

- When two corporations have directors who also serve on the board of a third firm.

Board of Directors

Nominations & Elections

Traditional Approach:

- CEO invites members to serve**
- Shareholders approve in annual proxy statement**
- All nominees are usually elected**

Board of Directors

Nominations & Elections

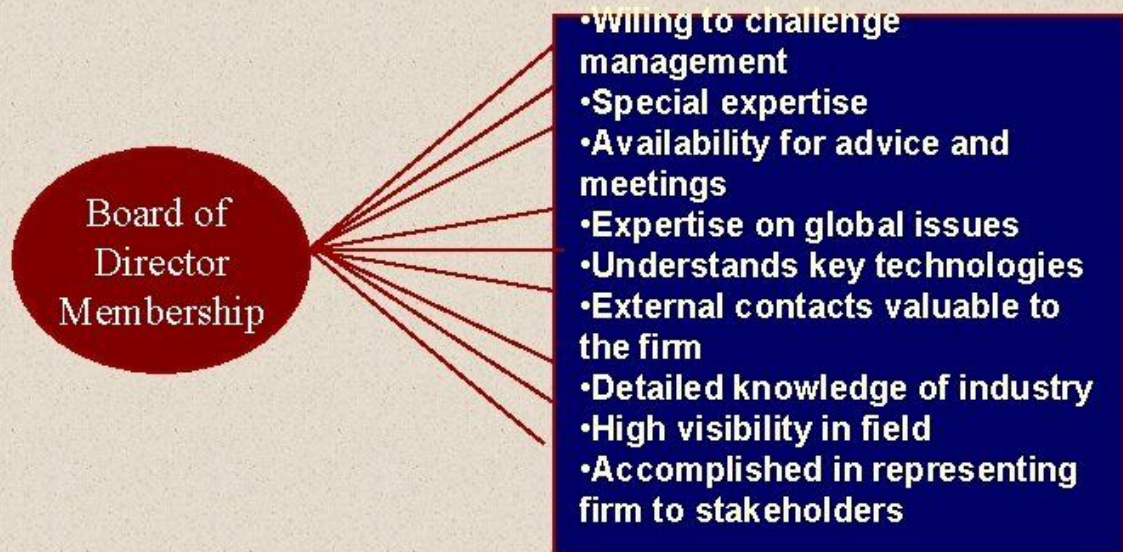
Staggered Board Approach:

Corporations whose directors serve terms of more than one year, divide the board into classes, and stagger elections so that only a portion of the board stands for election each year.

Board of Directors

Nominations & Elections

Criteria for Selection



<https://slidetodoc.com/chapter-2-corporate-governance-and-social-responsibility-power/>

Performing strategic evaluation and control

18.Performing strategic evaluation

19.Exercising Strategic control

20.Reformulating strategies

STRATEGIC PLANNING PROCESS

A Model of the Strategic Planning Process

1. Select the corporate mission and major corporate goals.