



Manufacturing Technology
Management Sample Material
VS-1259

Vskills Certifications

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1. STRATEGIC MANAGEMENT

Strategic management involves the formulation and implementation of the major goals and initiatives taken by a company's top management on behalf of owners, based on consideration of resources and an assessment of the internal and external environments in which the organization competes.

1.1. What is Strategy

A strategy can be described as an action plan that provides a direction that has to be adopted by the organization in order to achieve its objectives. In this way, strategy is a decision-making choice and it involves the consideration of the strengths and weaknesses of the organization and also the external environment that has an impact on the organization. While in the past, strategy was mainly used by the military but now, it has become an integral part of the business organizations also. In case of business organization, a platform is required to consider the plans and policies that have been adopted by the competitors and then the plans of the organization have to be modified in such a way so that the superiority of the products or the services of the organization can be established. At the same time, strategy also helps in deciding the objectives of the organization as well as the way in which the resources of the organization have to be deployed in order to achieve these objectives.

In this way, strategy is related with deciding the long-term goals of the organization and also the adoption of a course of action and allocating the resources that are required to achieve these goals. Therefore a strategy is a broad plan that can be used to take the company to the position where it wants to be in future from the place where it is at present.

Features of strategy

There are certain basic features of strategies.

- ✓ A strategy comprises the general course of action that has to be followed by the organization in order to achieve its objectives.
- ✓ Strategy involves the choices that decide the direction and the nature of the activities that have to be performed by the organization in order to achieve these goals.
- ✓ Strategy also has to consider the tactics that are going to be used by the competitors. In this way, a strategy should not only be capable of achieving the objectives of the organization but at the same time, it should also be capable of countering the steps that are being taken by the competitors.
- ✓ A strategy should provide the right combination of internal and external factors. For this purpose, the sense and weaknesses of the organization and also the influence of external factors should be considered when making a strategy that can be adopted by the organization.
- ✓ A strategy can never be static. Therefore, a strategy may have to be changed or modified in view of the particular needs of the changing times.
- ✓ In some cases, searches may also involve contradictory action. Due to reason that a strategy depends on several different factors, a manager may have to take action immediately or may result in such action for a later date, depending on the situation.

- ✓ A good strategy is always forward-looking. This means that the strategy should always be future oriented. However the past actions can be used by a strategy for guiding the decisions that have to be made in future.
- ✓ Strategies are made by the top-level management of the company. On the other hand, the managers at the low level are expected to implement the strategies that have been decided by the top management of the organization.

1.2. Strategic Management Processes

Business organizations devise various methods for strategy formulation. The strategic management formulation and implementation methods vary with product profile, company profile, environment within and outside the organization, and various other factors. Large organizations which use sophisticated planning use detailed strategic management models whereas smaller organizations where formality is low use simpler models. Small businesses concentrate on planning steps compared to larger companies in the same industry. Large firms have diverse products, operations, markets, and technologies and hence they have to essentially use complex systems. In spite of the fact that companies have different structures, systems, product profiles, etc, various components of models used for analysis of strategic management are quite similar

The strategic management consists of different phases, which are sequential in nature.

What are these Phases: There are four essential phases of strategic management process. In different companies these phases may have different, nomenclatures and the phases may have different sequences, however, the basic content remains same. The four phases can be listed as below.

- ✓ Defining the vision, business mission, purpose, and broad objectives.
- ✓ Formulation of strategies.
- ✓ Implementation of strategies.
- ✓ Evaluation of strategies.

These phases are linked to each other in a sequence. It may not be possible to draw a clear line of difference between each phase, and the change over from one phase to another is gradual. The next phase in the sequence may gradually evolve and merge into the following phase. An important linkage between the phases is established through a feedback mechanism or corrective action. The feedback mechanism results in a course of action for revising, reformulating, and redefining the past phase. The process is highly dynamic and compartmentalization of the process is difficult. The changeover is not clear and boundaries of phases often overlap.

1.3. Strategic Management Process in an Organization

Strategic management process that could be followed in a typical organization can be as per the following stages:

- ✓ The Strategic Planner has to define what is intended to be accomplished (not just desired). This will help in defining the objectives, strategies and policies.
- ✓ In the light of stage I, the result of the current performance of the organisation is documented.
- ✓ The Board of Directors and the top management will have to review the current performance of the documented.

- ✓ In view of the review, the organization will have to scan the internal environment for strengths and weaknesses and the external environment for opportunities and threats.
- ✓ The internal and external scan helps in selecting the strategic factors.
- ✓ These have to be reviewed and redefined in relation to the Mission and Objectives.
- ✓ At this stage a set of strategic alternatives are generated.
- ✓ The best strategic alternative is selected and implemented through programme budgets and procedures.
- ✓ Monitoring, evaluation and review of the strategic alternative chosen is undertaken in this mode. This can provide a feedback on the changes in the implementation if required.

1.4. Strategic Decision-making

Strategic management is characterized by its emphasis on strategic decision-making. As an organization grows bigger and becomes complex with higher degree of uncertainty, decision-making also becomes increasingly complicated and difficult. Strategic decisions have to deal essentially with the long-term future of the organization and have three important characteristics.

- ✓ **Rare.** Strategic decisions are not common and have no precedents.
- ✓ **Consequential.** Strategic decisions involve committing substantial resources of the company and hence a high degree of commitment from persons at all levels.
- ✓ **Directive.** Strategic decisions can serve as precedents from less important decisions and future actions of the organizations

Mint berg's Model

According to Mint berg, the modes of strategic decisions- making are:

Entrepreneurial mode

Formulation of strategy is done by a single person in this mode. The focus is on opportunities. Strategy is guided by the founder's vision and is characterized by bold decisions. In the Indian set-up, we can cite the case of Wipro InfoTech as an example of this mode of strategy formulation.

Adaptive mode

This mode of decisions making is referred to as "muddling through". It is characterized by reactive solutions rather than a proactive search for new opportunities. We can again cite the example of Wipro InfoTech introducing the sale of customized Personal Computers in response to Dell Computers entering the Indian market.

Planning mode

This mode of decision making involves systematic information gathering for situational analysis, generating alternate strategies and selection of the appropriate strategy. As could be inferred, this mode includes both the proactive mode and the reactive solutions to current problems. For example, entry of MNCs into the automotive markets in India has made the lead player Maruti Suzuki to come out with new models and discard/slow down production of non-moving and old models.

Sometimes organizations may adopt a fourth mode, called the logical incrementalisation mode. This is a synthesis of all the three modes of strategic decision making listed above. Quinn describes logical incrementalisation as: "An interactive process in which the organization probes

the future, experiments and learns from a series of partial (incremental) commitments rather than through global formulation of total strategies.”

1.5. Environmental Analysis

Environmental analysis, also known as environmental scanning or appraisal, is the process through which an organization monitors and comprehends various environmental factors and determines the opportunities and threats that are provided by these factors.

Thus, there are two aspects involved in environmental analysis:

- ✓ Monitoring the environment, i.e. environmental search
- ✓ Identifying opportunities and threats based on environmental monitoring

On the basis of the above concept, following features of environmental analysis may be identified:

- ✓ Environmental analysis is a holistic exercise in which total view of environment is taken rather than viewing trends piecemeal. Though for environmental analysis, the environment is divided into different components to find out their nature, function, and relationship for searching opportunities and threats and determining where they come from, ultimately the analysis of these components is aggregated to have a total view of the environment. This is necessary because some elements of the environment may indicate opportunities while others may indicate threats.
- ✓ Environmental analysis is a heuristic or exploratory process. While the monitoring aspect of the environment is concerned with present developments, a large, part of the process seeks to explore the unknown terrain, the dimensions of possible futures. Since futures are unknown, the analysis emphasizes on ‘what could happen and not necessarily what will happen.’ The emphasis must be on alternative futures, seeking clarification of the assumptions about the future, speculating systematically about alternative outcomes, assessing probabilities, and drawing more rational conclusions.
- ✓ Environmental analysis must be a continuous process rather than being an intermittent scanning system. In this process, there is continuous scanning of the environment to pick up the new signals or triggers in the overall pattern of developing trends. Detailed studies are undertaken to focus closely on the track of previously identified trends which have been analyzed and assessed and found to be of particular importance to the organization.

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