

Business Policy and Strategic Management

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Definition of Strategy

There is considerable confusion in management literature regarding the various terms used in strategic management. A recent survey by the American Management Association revealed that respondents found it difficult to define policy, and differentiate between strategy, policy and objectives, further compounding the difficulty. According to Andrews, strategy, policy and objectives embrace a range of statements from the “broad” and “important” to “narrow” and “unimportant”.

Policies get merged into procedures and procedures into rules. Strategies get blended into tactics, resulting in an “end-means continuum”. This can be illustrated by the following example. Suppose a company decides upon a sales growth of 35 per cent and desires to achieve this by acquiring other companies, instead of introducing new products. Acquisition in this case can be considered as a strategy chosen by the company. The company will then have to decide on the size of the firm to be acquired. If it decides on acquiring a small company, this becomes the objective.

Strategy

The word strategy has entered the field of management more recently. At first, the word was used in terms of Military Science to mean what a manager does to offset actual or potential actions of competitors. The word is still being used in the same sense, though by few only. Originally, the word strategy has been derived from Greek ‘Strategos’, which means generalship. The word strategy, therefore, means the art of the general.

According to Hoel Ross & Michael Kami, without a strategy, a company is like a ship without a rudder, going around in circles. It’s like a tramp; it has no place to go.

Features of Strategy

1. Strategy relates the firm to its environment, particularly the external environment in all actions whether objective setting, or actions and resources required for its achievement. This definition emphasizes on the systems approach of management and treats an organization as part of the society consequently affected by it.

2. Strategy is the right combination of factors both external and internal. In relating an organization to its environment, the management must also consider the internal factors too, particularly its strengths and weaknesses, to take various courses of action.
3. Strategy is relative combination of actions. The combination is to meet a particular condition, to solve certain problems, or to attain a desirable objective. It may take any form; for every situation varies and, therefore, requires a somewhat different approach.
4. Strategy may even involve contradictory action. Since strategic action depends on environmental variables, a manager may take an action today and revise or reverse his steps tomorrow depending on the situations.
5. Strategy is forward looking. It has orientation towards the future. Strategic action is required in a new situation. Nothing-new requiring solutions can exist in the past, and so strategy is relevant only to the future.

Thus you see, strategy covers the following aspects.

1. Exploring and determining the vision of the company in the form of a vision statement.
2. Developing a mission statement of the company that should include statement of methodology for achieving the objectives, purposes, and the philosophy of the organisation adequately reflected in the vision statement.
3. Defining the company profile that includes the internal culture, strengths and capabilities of an organisation.
4. Critical study of external environmental factors, threats, opportunities etc.
5. Finding out ways by which a company profile can be matched with its environment to be able to accomplish mission statement.
6. Deciding on the most desirable courses of actions for accomplishing the mission of an organisation.
7. Selecting a set of long term objectives and also the corresponding strategies to be adopted in line with vision statement.
8. Evolving short term and annual objectives and defining the corresponding strategies that would be compatible with the mission and vision statements.
9. Implementing the chosen strategies in a planned way based on budgets and allocation of resource, outlining the action programs and tasks.
10. Installation of a continuous compatible review system to create a controlling mechanism and also generate data for selecting future course of action)

Distinction between Strategy and Tactics

1. **Level of Conduct.** As discussed earlier, strategy is developed at the highest level of management either at the headquarter or at major divisional offices and related exclusively to decisions in the province of these levels. Tactics is employed at and relates to lower levels of management.
2. **Periodicity.** The formulation of strategy is both continuous and irregular. The process is continuous but the timing of decision is irregular as it depends on the appearance of opportunities, new ideas, crisis, management initiative, and other non-routine stimuli. Tactics is determined on a periodic basis by various or-ganisations. A fixed timetable may be followed for this purpose, for example, prepa-ration of budgets at regular intervals.
3. **Time Horizon.** Strategy has a long-term perspective; specially the successful strategies are followed for quite long periods. In occasional cases, it may have short-term duration. Thus, depending on the nature and requirement, its time horizon is flexible, however, emphasis is put on long-term. On the other hand, time horizon of tactics is short-run and definite. The duration is uniform, for example budget prepa- ration.
4. **Uncertainty.** Element of uncertainty is higher in the case of strategy formulation and its implementation. In fact, strategic decisions are taken under the conditions of partial ignorance. Tactical decisions are more certain as these are taken within the framework set by the strategy. Thus, evaluation of tactics is easier as compared to evaluation of a strategy.
5. **Information Needs.** The total possible range of alternatives from which a man-ager can choose his strategic action is greater than tactics. A manager requires more information for arriving at strategic decision. Since an attempt is made to relate the organisation to its environment, this requires information about the various aspects of environment. Naturally the collection of such information will be different. Tactical information is generated within the organisation particularly from accounting procedures and statistical sources.
6. **Subjective Values.** The formulation of strategy is affected considerably by the personal values of the person involved in the process. For example, what should be the goals of an organisation is affected considerably by the personal values of the persons concerned. This aspect will be taken for further discussion m this text later. On the other hand, tactics is normally free from such values because this is to .be taken within the context of strategic decisions.

Policy

The term policy has more precise definition as compared to strategy. It has been derived from the Greek word 'politeia' meaning citizen and latin word 'politis' mean-ing polished, that is, to say

clear. According to New Webster Dictionary, policy means “the art of manner of governing a nation, the line of conduct which rulers of a nation adopt on a particular question especially with regard to foreign countries, the principle on which any measure or course of action is based”. While these descriptions of policy relate to any field, policy in management context is defined by Wehrich and Koontz as follows:

“Policies are general statements or understandings which guide or channel thinking in decision making”.

Kotler has defined policy more elaborately as follows:

“Policies define how the company will deal with stakeholders, employees, customers, suppliers, distributors, and other important groups. Policies narrow the range of individual discretion so that employees act consistently on important issues”.

We may define the policy as follows:

A policy is the statement or general understanding which provides guidance in decision making to members of an organisation in respect to any course of action.

Features of a policy

1. A policy provides guidelines to the members of the organisation for deciding a course of action and, thus, restricts their freedom of action. Policy provides and explains what a member should do rather than what he is doing. Policies, when enforced, permit prediction of roles with certainty. Since a policy provides guidelines to thinking in decision- making, it follows that it must allow some discretion; otherwise it will become a rule.
2. Policy limits an area within which a decision is to be made and assures that the decision will be consistent with and contributive to objectives.
3. Policies are generally expressed in qualitative and conditional.

Strategic Management

Thus, strategic management can be defined as follows:

Strategic management is the process of systematically analyzing various opportunities and threats vis-à-vis organizational strengths and weaknesses, formulating, and arriving at strategic choices through critical evaluation of alternatives and implementing them to meet the set objectives of the organisation.

In other words we can say that Thus, you find that Strategic Management is a set of rules aimed at taking decisions for sustenance and growth of an organisation in a given environment.

It is pertinent to note here what Alfred D. Chandler has made reference to three basic

aspects of strategic process;

1. Determination of basic long term goals,
2. Adoption of course of actions to achieve these goals, and
3. Allocation of necessary resources for carrying out these goals.

Benefits of Strategic Management

In short, the most highly rated benefits of strategic management are:

- Clarity of strategic vision for the organization
- Focus on what is strategically important to the organization
- Better understanding of the rapidly changing business environment.

Strategic Management Process

Strategic management process that could be followed in a typical organization is presented here in points. The process takes place in the following stages:

1. 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.
2. In the light of stage I, the result of the current performance of the organisation is documented.
3. The Board of Directors and the top management will have to review the current performance of the documented.
4. 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.
5. The internal and external scan helps in selecting the strategic factors.
6. These have to be reviewed and redefined in relation to the Mission and Objectives.
7. At this stage a set of strategic alternatives and generated.
8. The best strategic alternative is selected and implemented through programme budgets and procedures.
9. 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.

Top Management Decisions on Strategic Issues

To establish the vision of the firm, stating of corporate objectives, and strategic thrust areas, defining a comprehensive corporate philosophy and values, identifying the domains in which an organisation would operate, learning and recognising worldwide business trends, and allocation of resources in line with corporate priorities, are some of the key areas wherein top management of organisations take decisions.

Let us now look at the domain of top management.

To meet certain specific needs of certain customers, use of common upgraded technologies by certain business units, deployment of people, physical assets or money from internal or external sources and to achieve economies of scale in deployment, certain decisions may be taken by the management.

Elements in Strategic Management Process

Each phase of strategic management process can be viewed to be consisting of a number of elements, which can be clearly defined with input and output relationships. The steps have logical connectivity and hence these are sequential. These steps can be illustrated with the help of a flow diagram. The following discrete twelve steps can be considered as comprehensive.

1. Defining the vision of the company
2. Defining the mission of the company
3. Determining the purposes or goals
4. Defining the objectives
5. Environment scanning
6. Carrying out corporate appraisal
7. Developing strategic alternatives
8. Selecting a strategy
9. Formulating detailed strategy
10. Preparing a plan
11. Implementing a strategy
12. Evaluating a strategy