

Paper –Strategic Management

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Topic – Introduction, Concept, Definition & Importance of Strategic Management

INTRODUCTION

Strategy is one of the important concepts to emerge in the field of management. A company may have been successful in the past, making higher profit and goodwill in the market but with new entrants, there can be the emergence of competitors in the market. With such situations in the market, a company needs to reconsider its course of action. This reconsideration acts as a base for strategy. While analysing the market, fresh opportunities can be identified and to grab these opportunities, the company may change its old course of action and start with a new plan. This is the main function of strategy.

Strategy is an important tool for the survival of any company. A company stands nowhere without a proper strategy. It helps in defining the business by setting the goals and objectives of the company and also helps in the proper allocation of resources by adopting courses of action in favour of the company.

THE CONCEPT OF STRATEGY

The word "strategy" is derived from the Greek word "strategia", which means generalship, i.e. the actual direction of military force. The word 'strategy' means the art of the general. It is widely accepted that the emergence of strategy as a major component of management can be attributed to the increased scale and pace of technological changes, both within and outside the organization. Strategy is technique that helps a company to attain its desired goal and means to achieve the ends or objectives. A strategy is comprehensive as it covers all the major aspects of the enterprise. It is integrated and all its parts are compatible with one another.

Definitions of Strategy

According to Bower and Shirley. 'Strategy is a plan or course of action, which is of vital, pervasive, or continuing importance to an organization as a whole'

According to Gluck and Jauch. A strategy is a unified, comprehensive and integrated plan that relates the strategic advantages of the firm to the challenges of the environment. It is designed to ensure the achievement of the basic objectives of the enterprise.

The main activity of a strategy in an organization is to match the enterprise resources with the varying business conditions. It determines how the organization should be positioned in future to take advantage of the market opportunities.

According to Thompson and Strickland, A company's strategy consists of the combination of competitive moves and business approaches that managers employ to please customers, compete successfully and achieve organizational objectives

Strategy consists of making choices among alternative action programmes commitment to specific product markets, competitive moves and business approaches, on the part of the managers to achieve organizational goals. Johnson and Scholes define strategy thus: "Strategy is the direction and scope of an office organization over the long-term, which achieves advantage for the organization with through its configuration of resources within a

challenging environment to meet the deck needs of markets and to fulfil stakeholder expectations. Thus, strategy has the following features:

It helps in taking a course of action leading to a particular direction related to the company's functions.

It helps in achieving the objectives or mission of the company

It helps in dealing with uncertainties

It helps in ensuring the availability of resources for the future to implement a plan.

It helps in coordinating with different activities to achieve the desired goal.

Strategy in business has taken various connotations, based on studies and views by various management experts. While deciding the course of action, a manager may have to get involved with the following situations:

How to face the competition

Whether to undertake expansion or diversification How to ensure stability or to decide on disinvestment.

For the successful performance of a company, a unified, integrated plan must include operational concerns. The probability of success is enhanced with the combination of good strategic planning and implementation. A good strategy with poor implementation or a poor strategy with good implementation is unlikely to be successful.

IMPORTANCE OF STRATEGY

The importance of strategy has been widely accepted and applied to all the fields, especially in business and military expeditions. A good strategy provides an employee a clear vision of the purpose and objectives of the organization and helps a company to attain its desired goals, Planning the strategies in organizations forces the organizations to analyse the prospects of change in the near future and to tailor the organization for change Strategies also help the organization to plan its capital budgeting. So, even if organizations have limited funds to invest, they can allocate capital funds more effectively to attain a high rate of return on the investments.

Strategy is an important concept in management because it distinguishes winners from losers. Strategy is very important for the organizations, which want to differentiate themselves from others. The chances of achieving a goal will increase if one uses available resources in the most possible efficient way and keep a check on the process that is used to achieve the desired goal. Strategy is basically to build a course of action that can be used to move from the present to a desired situation in the future. For example, if one person wants to travel from one place to another, he must devise a plan in advance to make his tour successful. The plan involves a study and analysis of different points like route to be followed, mode of calculation of cost involved in the trip and hotel accommodation. This type of transport, thinking and planning before doing any work is called strategic planning and this planning is very crucial for the successful completion of goal. Strategy is about making tough choices and trade-offs and purposely choosing a different route. An organization without a clear strategic plan destroys its goodwill in the market. The organization becomes purely reactive to external pressures and less effective at dealing with the change. In highly competitive market, an organization without a rational strategy is likely to be defeated by its rivals and may face a declining market share or sales.

The lack of careful strategic plan of action can cause the following problems: An individual diverted towards irrelevant issues will hamper the growth of an organization.

Individuals will grab the opportunities for advancing one cause instead of the organization.

The initiatives of opponents will determine the course of events.