



MODULE-8 INTRODUCTION

STRATEGIC MANAGEMENT

Meaning (Detailed Theory)

Strategic management is a **long-term planning process** through which an organization:

- decides its *direction*,
- sets *goals*,
- creates *strategies*,
- implements those strategies,
- and evaluates results.

It is a **game plan** to beat competition, satisfy customers, and ensure survival + growth.

Example:

Amul makes long-term strategies on dairy procurement, pricing, distribution, and international expansion to stay market leader.

Part Proactive Strategy

Detailed Theory:

A **proactive strategy** is planned in advance. The company predicts the future, studies trends, and takes the first move in the market.

Example:

Apple proactively introduced wireless AirPods before competitors.

Result → Apple created a trend and dominated the wireless earbuds market.

Part Reactive Strategy

Detailed Theory:

A **reactive strategy** is created as a response to unexpected events or competitors' actions. It is flexible and changes based on market pressure.

Example:

Vodafone & Airtel reduced data charges only after **Jio** launched cheap 4G plans.

This was a reaction to survive.



2. ELEMENTS OF STRATEGIC MANAGEMENT

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1. Environmental Scanning

Detailed Theory:

This is the process of scanning:

- **Internal environment** → strengths & weaknesses
- **External environment** → opportunities & threats

It helps managers understand the company's actual position.

Example:

McDonald's studied Indian vegetarian culture → launched **McAloo Tikki Burger**.

2. Strategy Formulation

Detailed Theory:

After scanning, the company decides:

- mission,
- vision,
- goals,
- and alternative strategies.

It answers: **"What should we do?"**

Example:

Ola formulated the strategy to enter the EV market with **Ola Electric Scooter** after analyzing the growing EV demand.

3. Strategy Implementation

Detailed Theory:

Turning strategy into action by:

- Allocation of funds
- Designing policies
- Training employees
- Creating support systems



Example:

Domino's invested in more delivery bikes, hired more riders, introduced GPS – all to achieve their **30-minute delivery** strategy.

4. Evaluation and Control

Detailed Theory:

Management evaluates:

- Is strategy working?
- Are goals achieved?
- What corrections are needed?

Example:

Flipkart reviews monthly sales; if sales are low, it changes prices or offers discount events.

3. ADVANTAGES OF STRATEGIC MANAGEMENT

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1. Discharges Board Responsibility

Theory:

Board has legal responsibility to guide company direction. Strategic management ensures the board sets & monitors long-term path.

Example:

TCS board approves long-term digital transformation plans every year.

2. Forces Objective Assessment

Theory:

Strategy forces managers to use data & facts rather than personal feelings.

Example:

A hospital uses patient flow data before expanding ICU facilities.

3. Provides Framework for Decision-Making



Theory:

Managers get a clear reference for making choices aligned with strategic goals.

Example:

Amazon uses customer-centric strategy to decide warehouse locations.

4. Enhances Organizational Understanding

Theory:

Employees understand WHY the strategy exists & HOW it affects their work.

Example:

Teachers accepted online teaching during COVID once they understood its long-term benefits.

5. Helps Measure Progress

Theory:

Strategic plans always include measurable KPIs.

Example:

Banks track number of new accounts opened per month.

6. Provides Organizational Perspective

Theory:

Strategy takes a whole-company view, not a departmental view.

Example:

Reliance synchronizes Jio + Retail + Digital services for maximum synergy.

4. FIVE TASKS OF STRATEGIC MANAGEMENT

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1. Where are we now? (Situational Assessment)

Theory:

Company analyses its current performance, SWOT, market share, and image.

Example:



Amul reviews milk supply strength and competitor strategies before expansions.

2. Where do we want to go? (Vision)

Theory:

A future target or dream state that the company wants to reach.

Example:

Tesla wants to build the world's largest sustainable transportation system.

3. How might we get there? (Strategy Alternatives)

Theory:

Company identifies many possible paths to reach the vision.

Example:

Zomato considers options → cloud kitchens, grocery delivery, foreign expansion.

4. Which way is best? (Choice of Strategy)

Theory:

Best strategy chosen after analyzing cost, time, profitability, risk.

Example:

Zomato found **cloud kitchens** most profitable → adopted it.

5. How ensure arrival? (Control Mechanism)

Theory:

Check if strategy is working & take corrective steps.

Example:

OYO regularly checks customer feedback & removes low-rated hotels.

5. VISION STATEMENT – Detailed Theory

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Vision describes:

- What the organization *wants to be* in the future



- Long-term aspirations
- The ideal future picture

Elements of Vision

1. Mission as Base

Vision is built on what the company already is.

Example:

Google's mission → organize info

Vision → future dominated by AI-based information access

2. Future Direction

Shows where the organization wants to go.

Example:

BYJU's vision → global leader in digital education.

3. Clear Communication

A vision must be inspiring and easy to understand.

Example:

Nike: "Bring inspiration to every athlete."

6. PURPOSE OF STRATEGIC VISION

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1. Provides Direction

Everyone knows the long-term future.

Example:

Hyundai focusing on EV production by 2030.

2. Identifies Need for Change

Allows companies to shift from old methods to new ones.

Example:

Netflix moved from DVDs → online streaming.



3. Motivates Employees

Employees feel proud & committed.

Example:

SpaceX staff is passionate about making life multi-planetary.

4. Encourages Creativity

Innovation flourishes.

Example:

Adobe shifted to cloud-based subscriptions → Creative Cloud.

7. MISSION STATEMENT – Detailed Theory

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A mission answers:

“Who we are?”

“What we do?”

“Why do we exist?”

Why Mission is Needed?

1. Unanimity of Purpose

All employees work on a common purpose.

Example:

Starbucks mission → ensures uniform global service.

2. Motivates Use of Resources

Mission guides efficient use of resources.

Example:

Infosys invests in innovation aligned with mission.

3. Acts as Focal Point

Stakeholders identify with the company's purpose.



Example:

NGOs attract donors due to clear mission.

4. Converts Goals into Tasks

Mission → goals → departmental tasks.

Example:

Hospital mission → roles for doctors, nurses, support staff.

5. Helps Evaluate Performance

Helps measure whether the company is on the right path.

Example:

Retail stores check whether their customer service matches mission.

8. AREAS IN A MISSION STATEMENT

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1. Products/Services

Example:

Toyota identifies itself as a hybrid & mobility solutions provider.

2. Customer Groups

Example:

Hospitals consider patients + referring doctors as customers.

3. Markets Served

Example:

Patanjali focuses mainly on Indian FMCG market.

4. Values / Philosophy

Example:



Tata focuses on ethics, social responsibility, and trust.

9. PETER DRUCKER – MARKET-ORIENTED MISSION

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Companies must define business from customer perspective, not production.

Examples:

Wrong:

“We make cameras.”

Correct:

“We help preserve beautiful memories.”

10. OBJECTIVES & GOALS + OBJECTIVES OF STRATEGIC MANAGEMENT

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Goals → broad outcomes

Objectives → specific measurable targets

Objectives of Strategic Management

1. Identify Opportunities

Example:

ZARA identified fast-fashion opportunity.

2. Competitive Advantage

Example:

Domino's 30-minute delivery.

3. Stakeholder Satisfaction

Example:

Infosys publishes transparent reports for investors.

4. Identify Critical Success Factors



Example:

Airlines focus on on-time performance.

5. Promote Innovation

Example:

Apple develops new chipsets like M1/M2.

11. FIVE MAIN BUSINESS OBJECTIVES

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1. Survival

Example:

A new restaurant tries to break even.

2. Stability

Example:

Small business maintaining same monthly revenue.

3. Growth

Example:

Amazon expanding into cloud, pharmacy, groceries.

4. Efficiency

Example:

Maruti improving vehicle mileage to reduce cost.

5. Profitability

Example:

A dairy company reducing wastage → higher profit.



12. ORGANIZATIONAL GENOMICS

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Means understanding how organization interacts with various stakeholders through **boundary-spanning departments.**

Examples:

- **Customer Relations** → Banks' customer support
- **Investor Relations** → Reliance investor meets
- **PR Department** → handles media
- **Community Relations** → ITC rural programs

13. LEADERSHIP IN STRATEGY IMPLEMENTATION

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Key Leadership Roles

1. Monitor Progress

Example: CEO reviews KPIs weekly.

2. Promote Culture

Example: Google encourages open communication.

3. Stay Responsive

Example: Swiggy launched Instamart during COVID.

4. Ethical Leadership

Example: Removing corrupt employees even if highly productive.

5. Corrective Actions

Example: Redesigning marketing if sales drop.

14. EMOTIONAL INTELLIGENCE (EI)

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Key Aspects of EI

1. Identifying Emotions

Example: Manager senses team stress.

2. Self-Awareness

Example: Leader controls anger during meetings.



3. Empathy

Example: HR supports employee during personal loss.

4. Embracing Change

Example: Staff adapts to new software systems.

5. Managing Stress

Example: Calm communication with angry customers.

15. FAST FRAMEWORK

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F – Frequently Discussed

Example: Weekly goal review meetings.

A – Ambitious

Example: Aim to double users in 6 months.

S – Specific

Example: Reduce complaint rate from 15% → 5%.

T – Transparent

Example: Team goals displayed on company dashboard.

16. BALANCED SCORECARD (BSC)

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1. Financial Perspective

Example: ROI, Profit %.

2. Customer Perspective

Example: Amazon customer reviews.

3. Internal Processes

Example: Reducing delivery time.

4. Learning & Growth

Example: Employee skill training programs.

17. EVA – ECONOMIC VALUE ADDED

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If $EVA > 0 \rightarrow$ Value created

If $EVA < 0 \rightarrow$ Value destroyed

Example Calculation:

NOPAT = 50 lakh

Capital = 200 lakh

WACC = 20% \rightarrow Cost = 40 lakh

EVA = 50 – 40 = +10 lakh

18. RED OCEAN vs BLUE OCEAN STRATEGY

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Red Ocean Strategy

- Existing market
- High competition
- Price wars

Examples:

- Airtel vs Jio
- McDonald's vs Burger King

Blue Ocean Strategy

- New market
- No competition
- Innovation-driven

Examples:

- Uber \rightarrow App-based taxi booking
- Cirque du Soleil \rightarrow Theatre + circus
- Apple iPod \rightarrow Digital music revolution