SHRIMATI INDIRA GANDHI COLLEGE

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Tiruchirappalli - 620 002

# DEPARTMENT OF HOSPITAL ADMINISTRATION

# STUDY MATERIAL FOR SLOW LEARNERS

# STRATEGIC MANAGEMENT AND PLANNING


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**Prepared by**

**Ms.M.Sabina Yasmin M.Sc.,Mphil., MBA**

**STRATEGIC MANAGEMENTAND PLANNING**

**II.M.Sc. HOSPITAL ADMINISTRATION**

**1. Define strategic management.**

"Strategy can be defined as the determination of basic long term goals and objectives of an enterprise and the adoption of course of action and the allocation of resources for carrying out these goals"-Chandler

**2. What is mission?**

Mission statement clearly specifies the purpose of the organization. Mission statement describes what the organization is now and what would like to become. Therefore, mission of business provides a statement to insiders and outsiders of what the company stands for.

3**. List out the elements of strategic management process.**

A)Environmental scanning

Internal (Strengths and Weaknesses)

External (Opportunities and Threats)

B) Strategy formulation

C) Strategy Implementation

D) Evaluation and control

**4. Mention any four features of strategic decisions.**

- Strategic decisions are concerned with organizational activities
- Matching organizational activities to its resources
- Allocation and reallocation of organizational resources
- Long run direction of the company

5**. What is environment?**

The environment of a business organization is the pattern of the external conditions that influences its life and development. It includes economic, natural, technological, competitive, political, social, and cultural environments.

**6. Define environment.**

According to Prof. Keith in Davis," environment is the aggregate of all conditions events and influences that surround and affect it."

**7. What is resource audit?**

The quality of available internal resources of and organization is known better by conducting resource audit.

8**. What is value chain analysis?**

Value chain is a linked set of value-creating activities beginning with basic raw materials coming from suppliers moving on to a series of value-added activities involved in producing the products or services, and ending with distribution of goods into the hands of final customers.

**9. What is economic environment?**

The economic environment refers to the economic system in a country, the level of development, economic polices such as a fiscal, industrial, agricultural, trade polices, national income and its distributions, per capita income etc.

**10. What is demographic environment?**

Demographic factors like size, growth rate, age composition, sex composition etc., of the population, common family size, education level, language, caste, religion, etc., will have performed influences on business organization.

**11. What is stability strategy?**

Stability strategy is a strategy adopted when the organization wish to maintain the existing level of business operations and maintain it present level of profitability. It is also known as non-growth strategy.

**12. What is SBU? (Strategic Business Unit)**

Strategic business units are divisions or groups or divisions composed of independent product-market segment. These units are primarily assigned responsibility and authority of management of their own functional areas.

An SBU must have:

A unique mission

Identifiable competitors

An external market focus and

Control its business function.

**13. List out the aspects of strategy implementation.**

- Strategies.
- Policies
- Procedures
- Programmes
- Rules
- Methods
- Budgets

**14. What is a FEMA requirement?**

Foreign exchange management act was introduced in the year 2000 to replace FERA. This necessitates exchange control in the country. The objective of exchange control is to regulate the demand for foreign exchange within the limit set by the available supply.

**15. SEBI**

Stock Exchange Board of India

**16. What is MRTP Requirements?**

Monopolies and restrictive trade practice (MRTP) Act, 1969 aims at preventive monopolistic, unfair, restrictive trade practice and concentration of economic power in the hands of big industrialists.

**17. What the different structures of strategies?**

- Entrepreneurial structure
- Functional structure

- Product based structure
- SBU organization structure
- Geographical organization structure
- Matrix structure

**18. What is social audit?**

The term 'social audit' means an assessment of how well a company has discharged its social obligations. It is a systematic and comprehensive evaluation of an organaisation's social performance distinguished from its economic performance.

**19. What is portfolio analysis?**

The portfolio analysis is an important tool assisting the formulation of corporate strategy, which is concerned with generation, and allocation of corporate resources.

**20. Define forecasting.**

Forecasting may be defined as a technique of translating past experience into prediction of tings to come. It tries to evaluate the magnetite and significance of forces that will affect future operating conditions in an enterprise.

**21. What is Growth strategy?**

The growth strategy is to redefining the business by adding new products/services or new markets or by substantially increasing the current business. A company may pursue either or both internal or external growth strategies.

**22. What is Grand strategy?**

The comprehensive, general plan of major actions through which a form intends to achieve its long-term objectives in a dynamic environment is called the grand strategy.

**23. What is strategic control?**

Control of strategic can be characterized as a form of "steering control. Control helps in knowing whether the strategy implementation is in right direction or not and control is the most important managerial function.

**24. What is corporate culture?**

Organization culture can be expected as the complex pattern of beliefs, expectations, ideas, values, attitudes and behaviours displayed by the employees of an organization.

**25. What is concentric diversification?**

Diversification involves the addition of a business related to the form in terms of technology, markets or products it is a concentric diversification.

**26. What is strategic implementation?**

Strategy implementation is the process by which strategies and policies are put to action through the development of programs, budgets and procedures. Implementation requires changes in the culture, structure and management system to the entire organization.

# PART – B

1. **Explain the levels of strategy.**

   In most of the organizations, strategic management takes place at three levels. They are

   1. Corporate strategy
   2. Business strategy
   3. Functional strategy.

**1. Corporate strategy**

Corporate strategy is the top management plan to direct and run the organization as a whole. Corporate strategy is the long term strategy encompassing the entire organization. Corporate strategy addresses fundamental questions such as what is the purpose of the organization, how to establish/expand it.

2. **Business strategy**

**B**usiness strategy is also called competitive strategy. Business strategy occurs at the business unit or product level. It emphasizes improvement of the competitive position of the enterprise. Business strategy deals with the allocation of resources with in the business unit

**3. Functional strategies**

Functional strategies are formulated for different functional areas, like production, finance, marketing, personnel etc.

**2. Meaning and importance of objectives.**

Objectives are formulated to accomplish organization mission. Objectives can be defined as," The long term results that an organization seeks to achieve in pursuing it is basic mission". Objectives should not be static, they should be dynamic. That is, changes in the environment or changes in the organizational strengths and weakness may call for modification to objectives.

Objectives are the operational definitions of the organizations goals.

**Importance of objectives**

1. Objectives indicate the purpose and aims and there by the social justification for the existence of an organization.
2. Objectives provide directions for the functioning of an organization.
3. Objectives help an organization to adjust itself to the existing environment.
4. Objectives help in attaining employee's coordination and there by reduce conflicts.
5. By making clear what the result should be, objectives provide the basis for control and assessment of organizations performance.
6. Objectives help decentralization by assigning decision making to lower level personnel.

**3. Explain Resource Audit**

The quality of available internal resources of an organization is known better by conducting resource audit.

**Physical Resources:**

The physical resource audit includes identification & listing of physical resource such as machines, building, equipment etc.

**Human Resources:**

This includes identifying & listing the number of employees, their skill, age, qualification, knowledge & capacity.

**Financial Resources:**

This includes analysis & listing of sources & uses of funds, capital structure, working capital, account receivable, debtors & creditors management & control, relationship among bankers, shareholders etc.

**Intangibles:**

Resource audit must also consider intangible variables. Intangibles that are to be considered include brand image, customer loyalty, public image, quality, reliable services etc.

**4. Value - Chain Analysis**

To accomplish business objectives, organization performs various activities. Each activity is expected to contribute towards the creation of value to the economic activity of the organization. Value chain identifies & isolates the various economic value added activities such as differentiating a product, lowering the cost, & meeting customer's needs quickly.

The value creating activities can be broadly classified into two categories. They are primary activities and secondary activities.

These include the infrastructure facilities of the organization, human resource management, technology development & procurement.

**Inbound logistics**:

These are the activities concerned with receiving, storing, & distributing the inputs to the product or service.

**Operations:**

These are the activities involved in conversion of inputs provide by inbound logistics into final product form.

**Outbound logistics:**

These are the activities performed collecting, storing &physically distributing the final products to customers.

**Marketing and sales:**

These activities are concerned with selling the products to customers and induce them to buy products manufactured by the organization.

**Services:**

These are the activities conducted to enhance or maintain product's value. Organization engages in a range of service-related activities like installation, repair, training, after sales services etc.

**5. Explain Retrenchment Strategy**

Retrenchment strategy is adopted when the organization has a weak competitive position in some or all of its product lines resulting in poor performance of the company. Organization tries to reduce number of functions, products, markets, personnel, cost of overheads & other expenditure. These are three important retrenchment strategies, viz.

**a) Turn-around strategy**

Turn around strategy refers to the strategy formulated to turn a sick company into a healthier one. Reasons for decline need not always be due to external factors alone. There may be some internal factors within the organization checking the growth of the organization. Following are the actions suggested for turn-around:

* Change in the top management
* Quick cost reduction
* Building credibility
* Better internal control
* Financial restructuring

**b) Divestment Strategy**

Divestment strategy involves the sale of those units or part of business that no longer contribute for the development of the organization. Following are the reasons for divestment:

* If an acquired business is proved to be a big mismatch
* If technological up gradation is not affordable or possible
* If the organization finds some other business more profitable than the existing one
* If organization feels that it has overgrown & become unmanageable
* If company feels that it severe competition to the unit & which cannot be fought back.

**c) Liquidation strategy**

Liquidation is the act of closing down the activities of a business unit by selling its assets. Management decides to liquidate the business when the organization is the organization is making heavy loss in the past many years and the business unit is not closed now, company may lose its invested capital.

**6. Mention the characteristics of Long-term objectives.**

Over a multi year period are its long-term objectives. Objectives are a statement of what is expected from pursuing a given set of business activities.

**Acceptable**

Managers are most likely to pursue objectives that are consistent with perceptions and preferences. Certain long-term corporate objectives are frequently designed to be acceptable to major interest groups external to the firm.

**Flexible**

Objectives should be modifiable in the event of unforeseen or extraordinary changes in the firm's competitive or environmental forecasts. Flexibility is usually increased at the expense of specificity. Employee confidence may be tempered because adjustment of a flexible objective may affect the job.

**Measurable**

Objectives must clearly and concretely state what will be achieved and within what time frame. Numerical specificity minimizes misunderstanding; thus, objectives should be measurable over time.

**Motivating**

People are most productive when objectives are set at a motivating level – one high enough to challenge but not so high as to frustrate or so low as to be easily attained. The problem is that individuals and groups differ in their perceptions of high enough.

**Suitable**

Objectives must be suited to the broad aims of the organization, which are expressed in the statement of company mission. Each objective should be a step toward attainment of overall goals.

**Understandable**

Strategic managers at all levels must have a clear understanding of what is to be achieved. They must also understand the major criteria by which their performance will be evaluated.

**Achievable**

Finally objectives must be possible to achieve. This is easier said than done. Turbulence in the remote and operating environments adds to the dynamic nature of businesses internal operations. This creates uncertainty, limiting strategic management's accuracy in setting feasible objectives.

**7. Meaning and characteristics of social responsibility**

According to Keith Davis, 'social responsibility' refers to "The business man's decisions and actions taken for reasons at least partially beyond the firms direct economic or interest"

**Characteristics of social responsibility**

* The concept of social responsibility of business applies to all business organizations both in private and public sectors.

* Social responsibility of business is continuous process as business is a regular and an ongoing activity.

*The concept of social responsibility of business lays emphasis on the all round development of all the sectors of the business.

*The concept of social responsibility of business is the basis of the success of business.

Today, business cannot survive without the active support of the society.

**8. Components of operational control.**

Strategic control helps in early detection of changes in the involvement. This helps strategy makers to alter existing strategy or introduce entirely new strategy to take advantage of change environment.

Constant watch on environmental changes is very essential for the success of the strategy on the organization.

**Categories of strategic control**

1. **Premise control**
2. **implementation control**
3. **Strategic surveillance**
4. **Strategic alert control**

**1. Premise control**

Premise control is designed to knew whether the assumption on which the strategy is formulated is still valid. If premise itself is not valid, strategy formulated leads the organization in a wrong direction. Premise control helps strategist to reject invalid premises

**2. Implementation control**

Implementation control aims at determining whether the strategy is properly implemented. Implementation of strategy involves allocation of organizational resources to different activities.

If these guidelines are not properly followed, the strategy losses its significance. People must adjust to the new strategies so that the organization can be taken the new direction stated by new strategy.

**3. Strategic surveillance**

Organization must formulate strategies to combat threat. Initial direction detection of these variables reduce uncertainty and weaknesses of the organization.

**4. Strategic Alert Control**

Organization focus sudden ups and downs in its journey. These sudden changes force the organization to respond more quickly. Organization must respond immediately and modify its strategy to address these changes.

**9. What are the aims of financial policies?**

Financial plan of an organization is concerned with the planning and controlling of financial resources of the company.

Financial policy is considered as a vital and integral part of overall management.

**Three major issues of financial policies**

**Source of funds:** financial plan should take decision regarding the various sources of funds based on requirements both for working capital and fixed capital.

**Uses of funds**: Once the sources are identified and amount is collected, funds must be properly used.

**Management of funds:** It including accounting budgeting, management of cash, management of credit, risk management, cost control, tax planning etc.

**Characteristics of sound financial plan**

1. The plan must present a simple capital structure
2. It should not address only the present needs but should address future needs also.
3. It should ensure intensive use of available finance.
4. Financial plan must be flexible enough so that adjustment and readjustment of capital can be made based on the requirement.
5. Financial plan must provide for contingency.

**10. Importance of strategic evaluation**

Strategy evaluation means to “monitor and evaluate progress towards organization’s objectives and to guide or correct the process or to change the strategic plan to better accord with current conditions and purposes.”

Importance of strategic evaluation

Strategy evaluation is important for the following reasons:

**1. Feedback:** Evaluation of the strategy offers valuable feedback regarding how well the things are moving ahead. It tells whether the strategy accepted earlier is of relevance or not.

**2. Future Planning:** Strategy evaluation is important even from the point of view of future planning. Existing policy evaluation clearly explains whether the existing policy was effective or not.

**3. Motivation of Employees:** Strategic evaluation also helps in evaluating performance of people working at different levels of the organization. Organization can formulate reward and promotion strategy based on these performances. This certainly helps in motivating the people positively.

4. Strategic evaluation helps managers at various levels to verify whether the decision taken is in line with the strategic requirements of the company.

Strategic evaluation and control is concerned with the comparison of actual performance with the desired results, providing feedback necessary for management to evaluate results and take corrective action.

**11. Explain technological forecast.**

Revolutionary technological innovations as lasers, nuclear energy, satellites and other communication devices, desalination of water, electric cars, and miracle drugs have promoted many firms to invest in technological forecast. Knowledge of probable technological development helps strategic managers prepare their firms to benefit from change.

The two additional forecasting approaches Brainstorming and the Delphi technique.

**Brainstorming** is used to help a group generate new ideas and forecast. With this technique, analysis or criticism of contributions made by participants is postponed. So that creative thinking is not stifled for restricted. Because there are no interruptions, group members are encouraged to offer original ideas and build and innovative thoughts of other participants.

The most promising ideas generated by this means are thoroughly at a later time.

**The Delphi method** involves a systematic procedure for obtaining a conscious from a group of experts.

The procedure includes:

1. A detailed survey of expert opinion, usually obtained though a mail questionnaire.
2. Anonymous evaluation of the responses by the experts involved.
3. One or more revisions of answer until convergence is achieved.

The Delphi technique also expensive and time consuming can also be successful for social and political forecasting.

**12. Resource Audit**

The quality of available internal resources of an organisation is known better by conducting resource audit.

**Physical Resources :**

The physical resource audit includes identification & listing of physical resource such as machines, building, equipment etc.

**Human Resources :**

This includes identifying & listing the number of employees, their skill, age, qualification, knowledge & capacity.

**Financial Resources :**

This includes analysis & listing of sources & uses of funds capital structure, working capital, account receivable, debtors & creditors management & control, relationship among bankers, shareholders etc.

**Intangibles :**

Resource audit must also consider intangible variables. Intangibles that are to be considered include brand image, customer loyalty, public image, quality, reliable services etc.

**PART-C**

1. **Issues in strategy implementation**

Successful implementation of a strategy depends on how efficient the organization is in allocating resources, designing suitable structure, formulating functional strategies etc.

Important issues relating to strategy implementation are mentioned as followes:

1. Project implementation
2. Procedure implementation
3. Resource allocation
4. Structural implementation
5. Functional implementation
6. Behavioural implementation.

**1. Project implementation**

Project implementation involves decision regarding the project to be undertaken in future and to see that they are properly execute.

A)Conceptual stage

Environmental scanning reveals various potential opportunities to the organization. thus opportunities are to be characterized into various project.

B)Analysing stage

After a project is identified detailed analysis has to be made regarding possibility and feasibility. Examination of technical, financial, marketing, ecological, economical and legal aspects are to be made.

c)Planning stage

once it is decided that the project idea is feasible and workable, the organization should begin planning and organizing the project. Plan should mention in detail about the infrastructure, finance, manpower etc

D)Implementation stage

Activities needed to accomplish the project are put to action at this stage. Test trials are undertaken to ensure that the project is ready for the final take-off.

E)Launching stage

Implementation stage ensures that the project is ready for the operation. At the launching stage, project is handed over for the actual execution to those involved in its operation.

**2.Procedure Implementation**

Procedure is a regularity framework within which the management is supposed to implement its plans, projects and polices as per government approval. Following are the important procedures connected with a project implementation.

1.Formulation of a company
2. Licensing procedure
3. SEBI requirements
4. Foreign collaborations
5. FEMA requirements
6. MRTP requirements
7. Business incentives
8. Import and export requirements
9. Labour legislation
10.Environmental requirements.

**3.Resource allocation**

To accomplish stated objectives, organization requires various resources like physical, financial and human resources. Organization must utilize scarce resources for the maximum benefits of the organization.

There are three different approaches adopted for resource allocation

a)Top-down approach
b)Bottom-up approach
c)Mixed approach

**4. Structural Implementation**

According to Minor and Gray “Implementation of strategies is concerned with the design and management of system to achieve the best integration of people, structure, process, and resource in reaching organizational purposes”.

Strategy is influenced by several factors like the size and nature of business, market characteristics, characteristics of the strategy etc.

**5. Behavioural implementation**

Each individual is different in his own way. Individuals in the organization will have their own personal goals as well as organizational goal. These may contradict many times.

Behaviour modification is possible if proper leadership styles are adopted based on the situation .

**6. Functional Implementatiom**

A functional strategy is game plan for different functions in the organisatins. Functional strategies provide more details how each of thus functions carried out in near future. Operation strategy deals with the following issues:

1. Product planning
2. Capacity planning
3. Technology Management
4. Inventory Management
5. Purchase Management
6. Use TQM
7. Quality Management
8. Facility Location
9. Process Planning

**2. Explain Functional plans and polices.**

Corporate strategies are divided into various functional areas. Each functional head should formulate sound strategies and policies to accomplish their respective objectives.

Integration of functional strategies should take into consideration of the following:

1. Internal consistency
2. Consideration of organizational capacity
3. Minimize irregularity

4. Establishing proper linkages.
5. Timing of implementation

**1. Internal consistency**

Policies formulated by functional areas must be consistent for the effective implementation of strategies. Practice and policies should not be changed more frequently. Little modification may be incorporated and policy can be fine tuned to adjust to the situation. If one area is aggressive and others are passive, there is a total mismatch in the policy formulation and execution.

**2. Consideration of organizational capacity**

Organizations struggle hard to gain competitive advantage in the market. In order to gain competitive advantage, organization should concentrate on its core competencies and critical success factors. Understanding of core competencies helps the organization to formulate and implement suitable functional strategies.

**3. Minimize irregularity**

It is a natural tendency of individuals to domination to satisfy their needs.The some happiness in the organization. Functional heads may fight for a greater share of resource for their respective departments. In order to avoid dissatisfaction, frictions etc. functional heads should each other and formulate strategies.

**4. Establishing proper linkages.**

Decision regarding linking different functions is desirable for the successes of the strategy. Intensity of linkage must be understood for proper co-ordination.Intensity of linkage of various firm time to time based on the requirement of the strategy.

For example, if marketing department decides to sell low-cost consumer goods, there should be greater co-ordination between marketing function and production/operation function.

**5. Timing of implementation**

Timing of functional policy is vital for strategic success of on organization. Functional areas are interdependent and interrelated. Different functions cannot be undertaken in isolation. Proper blend must exist between functions. Marketing function cannot succeed without the support of production, finance and HR function.

**3. SWOT Analysis**

SWOT analysis is a systematic identification of these factors and the strategy that reflects the best match between them. It is based on the logic that an effective strategy maximizes a business's strengths ans opportunities but at the same time minimizes its weaknesses and threats.

Environmental/industry analysis provides the information to identify key opportunities and threats in the firm's environment. These can be defined as follows:

**Strengths**

Strengths are the internal capabilities of an organization which can be used to gain competitive advantage over its competitors. Following factors contributes strength of the organization :

* Human assets like good intellectual capital, talented R&D people etc.

* Good accounting policies strategic planning system &HR practices.

* High quality manufacturing, brand image, committed and talented sales force.

* Licenses & patent rights exclusively held by the company.

**Weaknesses**

Limitations or constraints which tend to decrease the competencies of the organisation particularly in comparison to competitors.Weakness may exist due to non-availability of a particular resource with the organisation.This may arise due to any of the following reasons;

* Lack of physical,human,organisational assets that are critical to the survival of the organisation.

* Lack of appropriate skill in utilizing resources

* Lack of strategic direction for the company.

**Opportunities**

Major favourable conditions in the organisation which help an organisation strengthen its position.The opportunities that may arise are:

* Emergence of new customer segments in the market

* Changes in customers buying habits & potentials

* Changes in technological,social,legal & economic environment.

Evaluation of opportunities should be limited to only those opportunities that the organisation can utilise with its existing resources.

**Threats**

Major unfavourable conditions in the organisation which may pose a risk or damage the firm's position in comparison to its competitors. Environment threat may arise due to the following changes:

* Entry of new competitors with better business models

* Change in technology for which organization is not affordable

* Change in customer habit for which organisation is not a position to respond quickly,which may shift their customers to their competitors

Following table shows points of strengths, weaknesses, opportunities and threats.

| | |
|---|---|
| Strengths | Weaknesses |
| Opportunities | Threats |

**4. Value - Chain Analysis**

To accomplish business objectives, organisation performs various activities. Each activity is expected to contribute towards the creation of value to the economic activity of the organisation. Value chain identifies & isolates the various economic value added activities such as differentiating a product, lowering the cost & meeting customer's needs quickly.

The value creating activities can be broadly classified into two categories. They are primary activities & secondary activities.

These includes the infrastructure facilities of the organisation ,human resource management ,technology development & procurement.

**Inbound logistics** :

These are the activities concerned with receiving, storing & distributing the inputs to the product or service.

**Operations :**

These are the activities involved in conversion of inputs provide by inbound logistics into final product form.

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**Marketing & sales :**

These activities are concerned with selling the products to customers and induce them to buy products manufactured by the organisation.

**Services :**

These are the activities conducted to enhance or maintain product's value. Organisation engage in a range of service-related activities like installation, repair, training, after sales services etc.

**5. Strategic / Operational Control :**

**Strategic control :**

A strategy is built around several assumptions. These assumptions are made based on environmental & organisation factors which are constantly changing.

Strategic control can be studied under the following four categories :

1. Premise control
2. Implementation control
3. Strategic surveillance
4. Strategic alert control

**1. Premise control**

As mentioned earlier, strategy is formulated based on certain premise or assumption. Premise control is designed to know whether the assumption on which the strategy is formulated is still valid. If premise itself is not valid, strategy formulated leads the organisation in a wrong direction. Therefore, based on the validity or otherwise of the assumption, strategy should be alerted or modified. Premise control helps strategist to reject invalid premises.

**2. Implementation control**

Implementation control aims at determining whether the strategy is properly implemented. Implementation of strategy involves allocation of organisational resources to different activities. Strategy gives broad guidelines to the people who use them. If these guidelines are not properly followed, the strategy loses its significance. As stated earlier,strategies are alerted to meet changed environment.

**3. Strategic Surveillance**

While considering strategy formulation, several factors prevailing in the environment are taken as the basis for strategy formulation. These must be properly addressed. For these reasons, organisation must formulate strategies to combat threat. Initial detection of these variables reduces uncertainties & weaknesses of the organisation.

**4. Strategic Alert Control**

Organisation faces sudden ups & downs in its journey. These sudden changes forces the organisation to respond more quickly. Government may collapse; there may be an industrial disaster. Organisation must be ready with contingency plans to tackle these problems.

**6. Retrenchment Strategy**

Retrenchment strategy is adopted when the organisation has a weak competitive position in some or all of its product lines resulting in poor performance of the company. Organisation tries to reduce number of functions, products, markets, personnel, cost of overheads & other expenditure. These are three important retrenchment strategies, viz.

**a) Turn-around strategy**

Turn around strategy refers to the strategy formulated to turn a sick company into a healthier one. Reasons for decline need not always be due to external factors alone. There may be some internal factors within the organisation checking the growth of the organisation. Following are the actions suggested for turn-around :

* Change in the top management

* Quick cost reduction

* Building credibility

* Better internal control

* Financial restructuring

**b) Divestment Strategy**

Divestment strategy involves the sale of those units or part of business that no longer contribute for the development of the organisation. Following are the reasons for divestment:

* If an acquired business is proved to be a big mismatch

* If technological up-gradation is not affordable or possible

* If the organisation finds some other business more profitable than the existing one

* If organisation feels that it has overgrown & become unmanageable

* If company feels that it severe competition to the unit & which cannot be fought back.

**c) Liquidation strategy**

Liquidation is the act of closing down the activities of a business unit by selling its assets. Management decides to liquidate the business when the organisation is the organisation is making heavy loss in the past many years &the business unit is not closed now, company may lose its invested capital.

**7. Forecasting Technques.**

**Economic Forecasts.**

These forecasts were primarily concerned with remote factors, such as general economic conditions, disposable personal income, the consumer price index, wage rates, and productivity. Derived from government and private sources, the economic forecasts served as the frame work for industry and company forecasts.

**Social Forecasts`**

Some firm have recognized this and forecast social issues as part of then forecasting is very complex. Recent efforts have involved analyzing such major social areas as population, housing, social security and welfare, health and nutrition, education and training, income, and wealth and expenditures.

**Political Forecasts.**

Some strategic planners want to treat political forecasts with the same seriousness and consideration given to economic forecasts. They believe shifts toward or against a broad range of political factors-such as the size of government budgets, tariffs, tax rate, defense spending, the growth of regulatory bodies, and the extent of business leader participation in government planning-can have profound effects on business success.

**Technological forecasts.**

Such rapidly developed & revolutionary technological innovations as lasers, nuclear energy, satellites & other communication devices, desalination of water, electric cars,& miracle drugs have prompted many firms to invest in technological forecasts. Knowledge of probable technological development helps strategic managers prepare their firms to benefit from change.

The two additional forecasting approaches techniques are **Brainstorming** and the **Delphi technique.**

**Brainstorming** is used to help a group generate new ideas and forecasts. With this technique, analysis or criticism of contributions made by participants is postponed so that creative thinking is not stifled or restricted. Because there are no interruptions, group members are encouraged to offer original ideas & build on the innovative thoughts of other participants.

The most promising ideas generated by this means are thoroughly evaluated at a later time.

**The Delphi method** involves a systematic procedure for obtaining a consensus from a group of experts. The procedure includes:

1. A detailed survey of experts opinion, usually obtained through a mail questionnaire.

2. Anonymous evaluation of the responses by the experts involved.

3. One or more revisions of answers until convergence is achieved.

The Delphi technique, although expensive and time-consuming, can also be successful for political forecasting.

**8. Environmental analysis**

*** Economic environment:**

The economic environment refers to the economic system in a country, the level of development, economic policies such as fiscal, industrial, agricultural, trade policies, national income and its distribution, per capita income etc.

Government may help priority sectors by formulating favorable policies. The scope of private business largely depends on the economic system. There is a freedom to private enterprises in the free market economy.

*** Technical environment:**

Some of the technological advancements are computers, laser technology, robotics, satellite networks, fiber optics etc. Magnitude of operation, production quality, cost structure etc.

*** Competitive environment:**

In recent years, degree of competition is increasingly tremendously. competitor's action and responses to the existing environment must be carefully analyzed. If they respond quickly and adopted themselves to the changed environment, organisation losses its competitive advantage to its competitors. The information to be collected regarding competitors include number of product lines, product differentiation, price, quality, market share, advertising, location, service, productivity, competitive advantage etc., in recent years, deregulation has hanged the face of competition in several industries like telecommunication, banking , airlines , media.

*** Political environment :**

The political environment of a country is significantly relevant to business organisation. In practice, the political party in power makes profound impact on the economic atmosphere. Political / legal environment has direct economic impact on business firms.

*** Demographic environment:**

Demographic factors like size, growth rate , age composition, sex composition etc., of the population, common family size , education level, language, cast, religion , etc., will have a profound influence on business organisation.

*** Socio-Cultural environment:**

Socio-cultural environment is concerned with analysis of the attitudes, values, desires, expectations, education, beliefs, and customers of the people in the society, traditions, social institutions, class structure etc. Social environment may be understood as "the environment of the society as a whole". Cultural environment is understood as "an aggregate of subcultures, each with different concepts and beliefs".

*** Internal environment:**

International market influences the growth of domestic companies, especially export oriented industries. A favorable export market enables business firm to develop a good foreign market for its products and strengthen its domestic position. Change in the international economic environment will also affect the home industry.

*** Natural environment:**

National factors such as resource available, weather and climate conditions, topographical factors , location aspects in the global context, port facilities etc. are of vital importance in the business environment. He must have knowledge of shortage of resources, increasing cost of energy, increased levels of population, and government intervention in natural resource management.

9. **Boston consulting group's (BCG) Matrix**

It is the simplest way of showing a company's portfolio of investments. The company's product lines or business units are plotted on the matrix according to the growth of the industry and its relative market share.

The model shown in proposes a separate strategy to be developed for each of the units, depending on its location in the 2 x 2 matrix.

Relative market share is defined as the market share of the relevant business to the market share of its largest competitor.

The business growth rate is expressed as a percentage of the market growth rate. The BCG matrix is plotted on a semi-log graph with the business growth rate expressed in percentage and relative competitive position in log form. Business units are categorized as one of the following four types for the purposes of strategic decision-making.

**Question marks**

Companies under this category are also referred to as 'problem child' or 'wild cat'. Question marks are those firms which have potential for success but need heavy investments for development. If question marks are to become Stars, it is necessary to draw money from mature products and invest in question marks.

**Stars**

Stars are market leaders. They are at the peak of the PLC and can generate enough cash to maintain their high share. When market growth rate slows down, stars become cash cows.

**Cash Cows**

Business units in this category bring in more money than what is required to maintain their market share. They are in the outer end stage of maturity in the PLC are 'milked' for cash to be invested in new question marks. Question marks unable to have a dominant share in the market slowly become 'dogs'.

**Dogs**

Dogs have low market share and do not have the potential for cash generation. They have to be either sold off or harvested carefully for whatever cash they may bring in.

**10. Mc.Kinsey 7 S. Framework:**

- **Srategy:**

  Long-term decision aimed of going competitive advantage for the organization. Strategy must give scope for modification to suit environmental changes.

- **Structure:**

  Shows authority and responsibility relationship between the people working at different levels. It a chart that explains who reports to whom. It clearly shows how the tasks are subdivided and integrated. Based on the change in the strategy, structure must also be altered.

- **Systems:**

  Several activities are involved in daily operation of a business. Flow of activities should follow a system for an effective accomplishment of objectives. Proper system avoids confusion and duplication of work. Changes that are made in the structure should be incorporated in the system of operation.

- **Style:**

  Leadership style adopted y the management goes a long way in attaining organizational goal. How managers act is more important than what managers say. Managers behaviour influences the behaviour of their subordinates.

- **Staff:**

  Acquiring and developing employer is vital in the oranizational success. Committed workforce is an asset to the organisation. They must be motivated to contribute their maximum efforts for the development of the organisation. Quality and quantity of workforce should change to suit the demanding situation.

- **Shared values:**

  Beliefs, mindset and assumptions that of the organisation has an impact on the overall corporate culture. Shaping the minds of people to adjust to the changed environment is more essential. It is the belief and value system that takes employees and the organization to newer heights.

- **Skill:** Organizational capabilities and competencies help the organisation to gain competitive advantage. These strong qualities must be polished and streenghtened to maintain competitive advantage over a long period of time.

**11. Features of good objectives.**

1. **Objectives should be understandable:**

   Objectives should not be weak and ambiguous. They should be expressed clearly. Also, this should be made clearly known to the people who work for their accomplishment.

2. **Objectives should be related to the time frame:**

   Objectives must specify the time frame within which the stated objectives must be achieved.

3. **Objectives should be specific:**

   Objectives should state what exactly the company is trying to achieve within a specified time. For example, company plans to achieve a 12% increase in its sales in the current year.

4. **Participation:**

   To the extent possible, formulation of objectives should involve the participation of important people responsible for the accomplishment of the objectives. The sense of participation will provide morale, motivation and a moral responsibility for the achievement of the objectives.

5. **Objectives must be realistic:**

   Objective should be reasonable and realistic in the sense that they should be achievable taking into consideration the existing environment.

6. **Consistency:**

   Objectives should be mutually consistent throughout the organization. It objectives are set concentrating on one area disregarding other areas, it will lead to problems. Therefore, different objectives of various functional areas should correlate with each other and they must be mutually supportive to accomplish the overall objectives.

7. **Measurability:**

   Objectives should be capable of being measured. To measure the performance of an objective it should be clearly defined either in quantitative or qualitative terms. For example, if objective is set to achieve 15% ROI, it can be clearly measured whether achieved result is matching with the desired result.

**8. Flexibility:**

Objectives should not be very rigid. It must provide scope for flexibility. Changes in the environment or changes in organization strengths and weaknesses may call for modifications to the objectives.

**9. Ranking:**

An organization with multiple objectives should assign relative priorities and indicate the time frame within which these objectives must be attained.

These are the various features of good objectives.

**12. Limitations of strategic management.**

1. Strategic management decisions are based on certain assumptions if these assumptions are not valid, the plans based on them would not be realistic.
2. Strategic management is a means to achieve organizational mission or objectives. If mission or objectives are unrealistic, strategy formulated based on these objective will also turn out to be unrealistic.
3. Sometimes it is argued that strategic management makes an organization over-ambitious. This over-ambition leads to organizational failure.
4. Strategic management uses SWOT analysis as a powerful tool for making suitable strategies. If this SWOT analysis is not right, strategy formulated to address the opportunities and kill threats is an utter failure.
5. Strategic management decisions are based on environmental factors. Company does not have any control over external environment. Sudden changes call for alteration of strategies of employees.
6. Success for strategic management is dependent not only on the strategy formulation but also on effective implementation. If implementation is not effective, even an excellent strategy would not produce excellent result. Many strategies fail at implementation phase.
7. It is also argued that strategic management is a costly exercise. An elaborate exercise is needed to identify opportunities, understand weaknesses and threats. This also calls for analysis and implementation of best course of alternative.

8. Strategic planning is a complex and difficult task. It requires people with vision, commitment and expertise. For the proper implementation , appropriate system must also exist

9. As mentioned earlier, strategic management provides for flexibility, it means that strategies will be reviewed and modified based on the change in the environment. People may resist adapting to these changes frequently.

10. Many people question the use of strategic management. The reason for this is that there are examples of failures of organizations in spite of adopting strategic management. Also there are instances of success of organizations without adopting strategic management.

## 13. Aspects of strategy implementation:

Strategy implementation includes the following:

- Strategies
- Policies
- Procedures
- Programs
- Rules
- Methods
- Budgets

**Policies:**

Policies provide the framework within which the decision-makers are expected to operate while making decisions relating to the organization. According to George R. Terry “policy is a verbal, written or implied overall guide setting up boundaries that supply the general limits and directions in which managerial actions will take place”.

**Procedures:**

Procedures are clear-cut administrative specifications prescribing the time sequence for work to be done. Thus, procedure tells how a particular activity is to be carried out.

**Difference between policies and procedures**

1. Polices are guide to decision making whereas procedures are a guide to action.
2. There is scope for interpretation and discretion while formulating policies. But there is no scope for discretion in case of procedures.
3. Policies are part of strategies for business concern. But procedure is a toll and guide for operation.
4. Policies are formulated by top management. But procedures generally are formulated by lower level managers.

**Methods:**

A method is a manual or mechanical means by which each operation is performed. It establishes a manner for doing on operation. Methods specify the way in which a particular step is to be performed. Procedure tells the various steps to be taken to perform a particular task, but method tells how a particular step in the procedure is to be procedure as it addresses only one step of procedure. But method is more detailed than procedure as it explains concerned step in detail.

**Rules:**

A rule specifies what is to be done and what may not be done in a given situation. No smoking is an example of a rule. Rules demand strict compliance. Violation of rule generally attracts disciplinary action. Rule is more rigid than a policy.

**Difference between policy and rule:**

1. Policy is a general statement of management decision whereas rule is a specific statement telling what should or what should not be done.
2. Policy is less specific type of standing plan whereas rule is the most specific type of standing plan.
3. Policy is flexible whereas rule is rigid.
4. Policy gives some discretion to the executive while implementing it. But rules do not give any discretion to implement it.

**14. Explain various steps in implementation of a strategy.**

1. Resources allocation
2. Fixing key tasks and priorities
3. Assigning tasks
4. Authority delegation
5. Formulating methods for co-ordination
6. State policies as designed for implementation
7. Clearly state the various goals of individual managers
8. Develop MIS and feed back system for evaluation
9. Provide incentives and rewards to reinforce the behavior of workers to new systems
10. Manager improvement programmes to develop the talent to implement the strategy
11. Implement the designed strategies
12. Watch the operations, evaluate results and provide feedback to management to correct the deviations or gaps.