

# Strategic Management for Supply Chain

**23LSM3CC5**

# Strategic Management for Supply Chain

## Unit –I

### **Today we will be discussing about**

- ❖ Meaning of strategic Management
- ❖ Nature of Strategic Management
- ❖ Benefits of Strategic Management
- ❖ What is Vision and its essentials of good Vision (separately)
- ❖ What is Mission Essentials of good Mission statement (separately)
- ❖ Hierarchical levels of Mgmt , Planning and strategies
- ❖ Process of Strategic Planning
- ❖ Model/Process of Strategic management

Explanation of Step 1 /Process 1 ( Strategic Intent)

# Strategic Management (Unit -1)

- Concept of Strategic Intent
  - ( Concept of Stretch, Leverage and Fit)
  - Understanding Mission.
  - Definition of Vision
  - Benefits of having Vision statement
  - Process of envisioning

# Strategic Management (Unit -1)

- Understanding Mission
- How are Mission statement Formulated
- Characteristics of Mission Statement.
- Business Definition ( Customer Group, Customer Function and Alternative Technology.
- Goals and objectives
- Hierarchy of Objectives( Ends-Means Chain)
- Role of Objectives
- Factors affecting Objective Setting , essentials of good objectives and changes in objectives

# Strategic Management

Meaning of Strategic Management:

It is a set of Decisions and actions which lead to development of an effective strategy to help achieve corporate objectives.

Strategic management is concerned with making decisions about organisation's future direction and implementing those decisions.

# Nature of Strategic Management

## 1. It is a Process.

The process here refers to consisting of several actions which are performed in a systematic and sequential manner.

## 2. It is dynamic in nature.

It refers to continuous and flexible in nature.

## 3. It is externally focused.

The focus is on relating the organisation to external environment to determine the future position of organisation.

## 4. It stresses on Open system's approach.

The open system's approach has a continuous interaction between organisation and its environment.

# Nature of Strategic Management Contd....

## 5. It is Top Management Function

It is primarily the responsibility of Top Management . So the top Mgmt.'s focus will be on strategic issues and not operational issues.

## 6.It is Iterative process.

This refers to steps or sequence of steps is not rigid so it can be performed in any order depending on the situation.

## 7. Holistic in nature.

Strategic management takes organisation as Holistic/Comprehensive view. It is Multidimensional /Multifunctional/Integrated one.

# Nature of Strategic Management Contd....

## 8.Futuristic in nature.

It refers to strategic decision are taken based on the forecasts of future events.

## 9. It is continuous Process.

It is an ongoing process of relating the organisation's objectives and resources to opportunities in the environment.

## 10.It is analytical in nature.

## 11. It is evolutionary in nature.



# Benefits of Strategic management

## 1. Financial Benefits.

Financial benefits in terms of profits and growth based on effective strategic management.

## 2. Clarity of objectives.

Strategic management focuses attention on organisation objectives and directs actions towards objectives. Employees will perform well when they know where the organisation is going and what the organisation expects them to do.

## 3. Off setting uncertainty.

Strategic management involves forecasting the future and deciding the future course of action based on forecasting. so organisation acquires capability to cope up with future uncertainties.

# Benefits of Strategic management

## 4. Minimum resistance to change.

When objectives are clear there is increasing acceptability of change and so there is no resistance to change.

## 5. Prevention of problems.

Forecasting and strategic planning helps to anticipate problem and prevent it.

## 6. High Employee Motivation.

7. Competitive Advantage. Helps in optimum use of competencies.

8. Resource Optimization. Helps in rational allocation and use of resources.

9. Criteria for evaluation. It is based on desired level of perf &and CSF's.

## 10. Public Image.

# Hierarchical levels of Planning and Strategy

Planning levels

=====

Strategy at which it  
operates

- 
- Top Level Mgmt ===== Corporate Office ===== Corporate level strategy
  - Middle level Mgmt ===== SBU 1, SBU 2, SBU 3 ===== Business level strategy
  - Operational level Mgmt ===== Finance , Marketing ===== Functional level strategy  
HRM, Operations

# Hierarchical levels of Planning and Strategy...Contd

1. Corporate level Strategy: It involves overall plan of action which includes the objectives of organisation, acquisition and allocation of resources and co-ordination of strategic business units.

2. Business level strategy: This strategy determines where and how a company seeks to compete in business. It is a comprehensive plan that defines the SBU's objective, allocation of resources among functional areas and co-ordination between them.

3. Functional level strategy: This provides objectives for a specific function, allocation of resources among different activities.

# STRATEGIC PLANNING

## Concept of strategic planning:

Strategic planning refers to the “Process of deciding the objectives of the organisation as a whole, formulating strategies to achieve them and allocating resources to execute the strategies”.

Strategic planning answers the following questions

- a) Where are we now?
- b) Where do we wish to reach and when?
- c) How do we get from here to there?

# Process of Strategic Planning/Management

- It is FIVE stage process.

## STAGE 1: Defining the Mission:

This stage involves preparation of mission statement by describing what the organisation wants to become and why it exist?

## STAGE 2: SWOT Analysis:

At this stage , Strengths(S), Weaknesses(W), Opportunities(O), Threats(T) of the organisation is identified .

Stage 3: Identifying strategic opportunities: In this phase, the alternative strategies that are available to exploit opportunities and overcome threats are identified.

# Process of Strategic Planning/Management

- Stage 4: Choice of strategy: Various strategic alternatives are evaluated and compared in terms of cost, degree of risk etc. The alternative that is most appropriate for organisation is selected.
- Stage 5: Implementation and Follow-up: The selected strategy is executed .It involves developing action plans, allocating resources and executing the action plan.

# Process and Model of Strategic Management

Process 1 : Establishing Strategic Intent =====

Process 2: Formulating Strategies=====

Process 3: Implementing Strategies=====

Process 4: Evaluating and controlling Strategies=====

Feed back



# Process 1 : Establishing Strategic Intent

Strategic Intent is also called as “ Hierarchy of Intentions”. The hierarchy of intention ranges from –Broad Vision through Mission and Business definition down to specific objectives and goals.

Strategic intent includes study of vision, mission, defining business and setting objectives.

Strategic intent refers to the purpose the organisation strives for which can be expressed in hierarchy.

# Establishing Strategic Intent.....contd....

- Corporate level ===== Includes Vision and Mission statement
- Business Level ===== It is expressed as a business Definition
- Functional Level ===== It is expression of goals and objectives

# Establishing Strategic Intent.....contd....

The concept of Strategic Intent is aided by TWO important concepts.

1. Concept of Stretch
2. Concept of Leverage and fit.

Concept of fit: Concept of fit highlights about the MISFIT between resources of organizations and aspirations of stakeholders.

Concept of leverage: It refers to positioning the firm by matching its organisation's resources to its environment.

# Establishing Strategic Intent.....contd....

## Strategic fit:

Here Techniques like SWOT analysis are used to assess organisational capabilities and environmental opportunities.

The STRATEGY becomes a compromise between what the environment has got to offer in terms of opportunities and the counter offer that the organisation makes in the form of its capabilities.

# VISION OF AN ORGANISATION

“VISION” is Description of something in the future. (This something can be like an organisation , a business , technology or an activity.)

So vision reveals

- a) Organizations intentions, desire and expectations.
- b) Mental picture of desired future.
- c) Vision sets out core set of principles that company stands for.
- d) Vision also represents what an organisation wants to become ultimately.

Eg. Vision of HUL : To meet everyday needs of people everywhere.

Tata International: To be a leading international business company.

# Vision Statement

All Aspirations that are expressed as strategic intent should end. That end is the Vision statement.

Vision is “WHAT the firm or person would ultimately like to be”.

Eg. Some Say that in another 15 years time ,I would become GM of this large firm.

So vision is More DREAMT that it is articulated. That is the reason why it is difficult to say what vision an organisation has.

Eg. Henry Ford wished to democratize the automobiles.

Walt Disney wanted to make people happy.

# Defining vision and benefits of Vision statement

Vision statement is a Description of something in the future.

## *Benefits of Vision statement:*

1. Good vision are inspiring.
2. Good vision helps in creation of a common identity and shared sense of purpose.
3. Good Vision are competitive ,original and unique.
4. They foster risk taking and experimentation .
5. Vision statement should be of high integrity and truly genuine.

# Process of Envisioning a vision statement

The envisioning is a difficult one. A well conceived vision statement consists of TWO major components:

1. Core ideology.
2. Envisioned future.

Core Ideology is defined as enduring character of an organisation that remains unchangeable. The core ideology depends on core value and core purpose.

The Envisioned future has 2 components:

- 10-30 years Audacious goal
- A vivid description of what it will be like to achieve that goal.



# Vision of organisation

## Essentials of Good Vision:

1. Realistic in nature: Realistic refers to – People must believe that it is achievable.
2. Credible in nature: it refers to vision should be relevant to all members of the organisation.
3. Attractive in nature: Vision should inspire and encourage members of the organisation.
4. Unique in nature: Vision should have uniqueness and distinctive competence .
5. Appropriate in nature. ( Vision should be consistent with core values and benefits)

# Vision of organisation contd....

6. Vision of organisation should be motivational in nature: vision should inspire and encourage commitment .

7. Articulated :Mission should be well articulated /understood by those responsible to convert it into reality.

# MISSION

It explains the reason of the existence of an organisation.

Mission statement defines the role that an organisation plays in the society.

Eg. A Publisher exists to satisfy the information needs of the society.

Mission provides answer to “ What is our business”? “What it will be” ?  
“What it should be”?

# MISSION

Mission is what an organisation is and why it exists.

## Understanding Mission:

Organisations relate their existence to satisfying a particular need of the society.

Mission is a statement which defines the role that an organisation plays in the society.

Eg. A Book Publisher and magazine Editor are both engaged in satisfying the information needs of society.

A book publisher may aim at producing excellent reading material while a magazine editor strives to present news in a balanced manner.

Here both have an identical mission but different objectives.

# Formulation of Mission Statement

1. Many organisations derive their mission statement from particular set of tasks they perform in light of individual , national or global priority.

Eg. Several PSU's setup in year 1950's and 60's have their vision of Pt. Jawaharlal who had the aim of building a strong and self reliant India.

2. Generally Entrepreneur formulates his mission statement based on the vision that an entrepreneur decides in the initial stages of organisation's growth. Strategists formulate the mission statements through discussions.

4. Chief executives play a major role in developing a mission statement formally and informally. They set up executive committee to formally discuss and decide or develop a corporate philosophy to be followed.

5. Consultants take in-depth analysis of organisation to suggest an **Mission statement.**

# Characteristics of Mission statement

1.It should be feasible.

It means that it should be high but not impossible one , realistic and achievable.

Eg. In 1960's NASA has a mission statement –To land in Moon.

2. It should be precise.(It should not be too narrow nor too broad)

Eg. Manufacturing Bicycles –Narrow , while mobility business is too broad.

3. It should be clear.

Eg. Asian Paints –Leadership Excellence.

Eg. The Administrative Staff College –The college for practicing managers.

# Characteristics of Mission statement...Contd..

4. It should be Motivating.( Motivating for members of organisation, society and customers)

Eg. Bank –Greater emphasis on customer service is likely to motivate its employees to serve and also attract customers.

5.It should be distinctive .Mission statement should be different from other organisation.

Eg. Scooter manufacturer –if they have common mission there will not be much difference but if it defines “value for Money for years” –then it will have distinctive in the minds of customers.

# Characteristics of Mission statement.. Contd.

6.It should indicate major components of strategy.

Eg. CEO of INDAL (Indian Aluminium Co. Ltd) -A highly Diversified company retaining Aluminium as its main line of business but with an active presence in the chemical, electronics and industrial equipment business.

7.It should indicate how objectives are to be accomplished .

Eg. The Centre for Development of Telematics (C-DOT) that set its first three year mission(1984-87) developing , designing and engineering a large scale digital exchange suitable for Indian conditions. Second Mission( 1987-90) –Developing Technology prerequisites for an ISDN.



# Business Definition

According to Abell, A Business can be defined along THREE dimensions.

- ❖ Customer group
- ❖ Customer functions
- ❖ Alternative Technology
- Customer Group: Refers to WHO ?
  - Individual /Industrial Users can be customer groups.
- Customer function: Refers to WHAT ?
  - What is being satisfied for customers .
- Alternative Technology: It refers to HOW?
  - what are the ways in which a particular function could be performed for a customer.

# Business Definition

Eg. Let us take example of Watch manufacturing Company –

Customer group could be – Individual and Industrial users.

Customer function could be - Finding time, recording time, watch as a fashion accessory, gift item or piece of art.

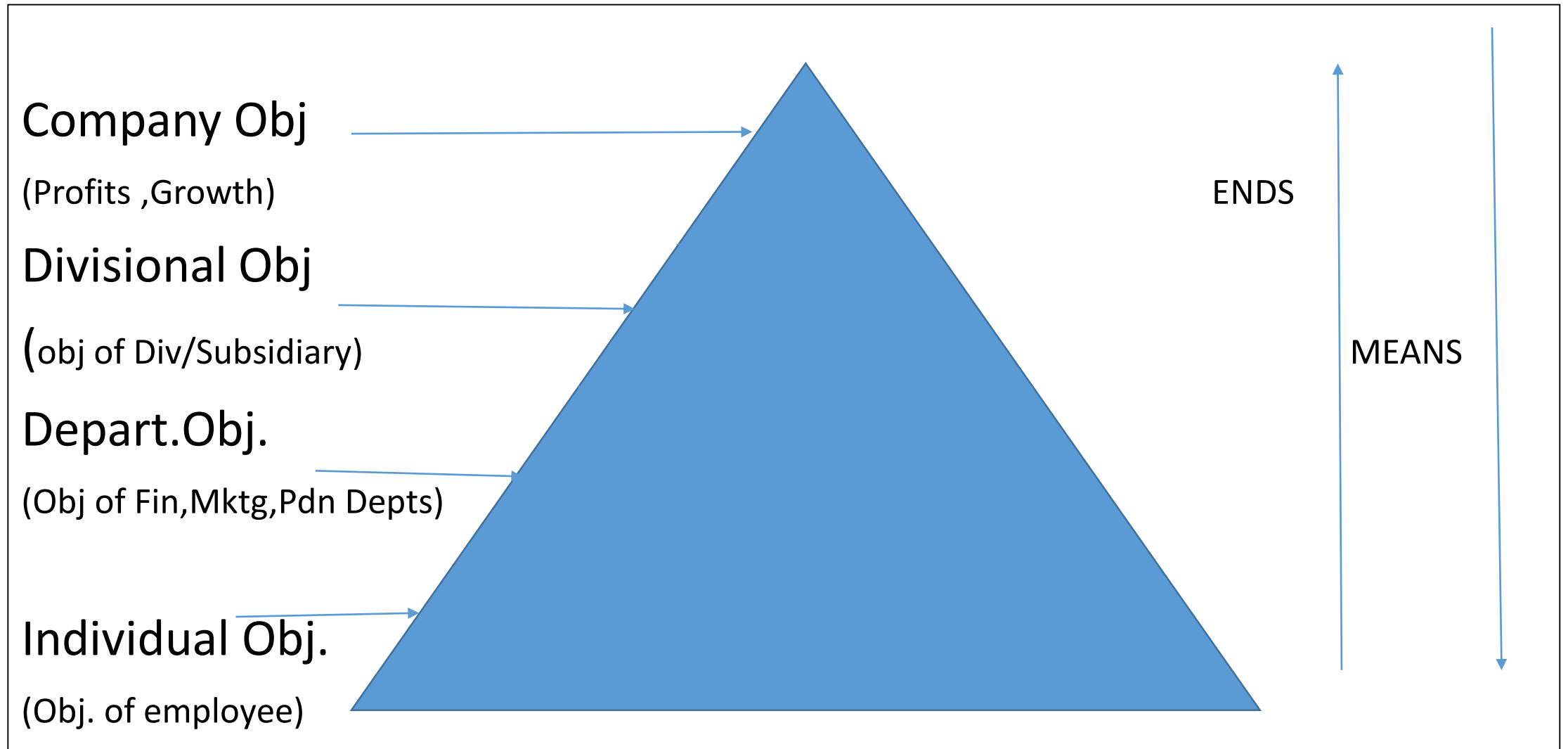
Alternative Technology could be - Mechanical , Quartz, Digital and Analog.

# Goals and Objectives

Goals: It refers to “ WHAT an Organisation wishes to accomplish in the future time period.

Objectives : It refers to HOW the goals shall be achieved.

# Hierarchy of Objectives-Ends - Means Chain



# Role of Objectives

1. It defines relationships. Relationship of an organisation with its environment.
2. It operationalize Vision and Mission. This can be done by having Long term goals and short term goals.
3. It Provides basis for decision making. Objectives facilitate unified planning and serve as a guide to strategy formulations.
4. It motivates people. objectives serve as source of inspiration for members of organisation.
5. It facilitates Decentralisation. Objectives indicate contributions of each individual /Unit is expected to make.
6. Serve as control standards. Objectives which are time bound one serve as standards against performance which can be assessed.

# Objectives

To sum up,

“If you Don’t Know where you want to reach, no path will take you there”.

In the absence of clear cut objectives, an organisation is like a ship which has no Radar and Compass.

The unchanging purpose of business like human activity, is not to go somewhere but to discover who we are and what we can become.

# Factors affecting objective setting

1. Forces in the environment (Major forces are shareholders, employees, customers, suppliers ,Govt. and society). All forces might have conflicting one. But objectives emerge out to integrate these expectations.
2. Organisational resources (resources of Organisation-Human material resources).Materials and Humans serve as constraints in obj.setting.
3. Internal Power relationships ( Power, Politics influence objective setting).The CEO who wield considerable power will decide the priority of objectives.
4. Value system of top executives(Value - Enduring belief about what is good/bad) Monetary values – emphasis on profitability as objective while Entrepreneurial values – emphasis on social objectives.
5. Management awareness( Past objectives). Objectives are set based on continuity and any change in it might be incremental one and not radical one.

# Essentials of Good Objectives

1. Understandable. Those responsible for obj. setting might be able to understand it.
2. Clear and specific (increase in sales by 10 percent next year)
3. Time bound(time frame to achieve objectives)
4. Measurable(measurable of advertisement in terms of Job applications received/hire).
5. Challenging (challenging and realistic)
6. Interrelated (Between depts. and divisions)



# Changes in objectives

Change in objective may become necessary to the following reasons.

1. Changes in Aspiration level: Eg. RIL worked to achieve the ambition of its founder D. Ambani to become biggest industrialist in India. If there is changes in top mgmt. team it leads to change in organisational objectives.

2. Change in environment: any change in external environment will lead to change in organisational objectives. Eg. Post Liberation in India most Indian firms had to change their objectives and strategies to withstand competition from foreign competitors.

Elements like Product innovation, cost reduction, quality improvement and human resource development became important objectives.

# Changes in objectives ..... Contd...

3. Pressure from stakeholders: The objective of any organisation is an outcome of integration of various stakeholders like employees, govt., shareholders, suppliers etc. if any one of this stakeholder's bargaining power increases ,it may necessitate a change in objectives of organisation.

4. Change in organisation's lifecycle : At various stages of life cycle organisation's objectives changes.

Eg. ITC formed in 1913 is still in expansion mode but other firms started during that time have completed their life cycle and exited from business .

*THANK YOU*