

# UNIT-II

## Content

Responsibilities & tasks of Top Management: objectives of Business Characteristics, Classification, Types of objectives and their overall Hierarchy, Setting of objectives, Key areas involved.

# RESPONSIBILITIES & TASKS OF TOP MANAGEMENT

## 1. Defining Mission Statement

An organization mission includes both a statement of organizational philosophy and purpose. Many organizations define the basic reason for their existence in mission statement.

## 3. Setting Objectives

Objectives are set in all areas like profitability, market share, corporate image, social responsibility etc.

## 5. Establishing Policies

# RESPONSIBILITIES & TASKS OF TOP MANAGEMENT

## 4. Developing Strategies

A strategy is basic and broad long term plan of an organization. It is designed to ensure that the objectives of the firm are achieved through proper execution by the organization.

## 5. Resource Allocation

The top management makes arrangement of resources like physical, financial and human resources.

## 6. Setting of Standards

# MISSION STATEMENT

All management experts agree that clarifying the mission and defining the business is the starting point of business planning. Organizations define the basic reason of their existence in terms of mission statement.

Mission is what an organization is and why it exists.

*Thompson defines mission as the “essential purpose of the organization, concerning particularly why it is in existence, the nature of business(es) it is in and the customers it seeks to serve and satisfy.”*

# CHARACTERISTICS OF A MISSION STATEMENT

A mission statement should possess following characteristics:

1. It should be feasible.
2. It should be precise.
3. It should be clear.
4. It should be motivating.
5. It should be distinctive.
6. It should indicate major component of strategy.
7. It should indicate how objectives are to be accomplished.

# VISION

A vision articulates the position that a firm would like to attain in the distant future. It seeks to answer the basic question, “What do we want to become?”

*Kotter defines vision as a “description of something (an organization, corporate culture, a business, a technology, an activity) in the future.”*

Example:

“To be worlds best quick service restaurant.” **McDonalds**

# BENEFITS OF A VISION

Parikh and Neubauer point out the several benefits of a vision:

1. Good visions are inspiring and exhilarating.
2. Good visions help in creation of a common identity and a shared sense of purpose.
3. Good visions are competitive, original and unique.
4. Good visions foster risk taking and experimentation.
5. Good visions foster long term thinking.
6. Good visions represent integrity, they are

# OBJECTIVES

Objectives are the ends, which an organization intend to achieve through its existence and operations. Objectives may be defined as the long term results that an organization seeks to achieve in pursuing its mission.

Setting objectives converts the mission into specific outcomes and results. Objectives are to be set for each result area and then followed.

Vision and Mission need to be followed by



# HIERARCHY OF OBJECTIVES

It can be depicted as follows:

# HIERARCHY OF OBJECTIVES

In the hierarchy of objectives, at the top will be mission followed by the overall objectives or the long range objectives, followed by departmental objectives or strategic business unit objectives and followed by individual objectives.

The objectives at the higher level should act as ends and those at the next lower level act as means. Each level of objectives stands as an end relative to the level below it and as a means relative to the level above it.

# KEY AREAS

According to Drucker, following are the key areas where objectives are needed to be set:

1. Market standing
2. Innovation
3. Productivity
4. Physical and financial resources
5. Profitability
6. Managerial performance and development
7. Worker performance and attitude
8. Public responsibility

# TYPES OF OBJECTIVES

Objectives can be classified as:

## 1. **Economic and Social Objectives**

Economic objectives are those that are aimed at improving the financial performance of a firm. Social objectives are aimed at improving firm's value. They seek to serve the social interests such as clean environment, health and hygiene and education.

## 3. **Primary and Secondary Objectives**

May be called economic objectives. They seek to enhance organizational profitability.

Secondary objectives seek to serve more of

# CHARACTERISTICS OF

Well constructed objectives have the following characteristics (SMART):

## OBJECTIVES

1. Specific
2. Measurable
3. Achievable
4. Realistic
5. Timely

# SETTING OF OBJECTIVES

# **STRATEGIC MANAGEMENT & BUSINESS POLICY**

## **UNIT-IV CORPORATE STRATEGY**

By

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# UNIT-IV

## Syllabus

**Corporate Strategy:** Concept, Components, Importance

**Strategy Formulation:** Concept, Process and Affecting Factors

**Strategy Evaluation:** Process, Criteria

**Environmental Analysis**

**Resource Analysis**



# CONCEPTUAL FRAMEWORK

Corporate Strategy means the strategy that top management formulates for the overall company.

It describes a company's overall direction in terms of its general attitude towards growth and the

# IMPORTANCE

- Helps to attain Objectives
- Helps to minimize Risk
- Helps in Decision Making
- Facilitates Short-term Planning
- Motivates Employees
- Facilitated Optimum utilization of Resources
- Enhances Corporate Image

# **COMPONENTS OF CORPORATE STRATEGY**

# COMPONENTS OF CORPORATE STRATEGY

*According to Glueck, there are four types of Corporate Strategies:*

1. Stability Strategy
2. Growth or Expansion Strategy
3. Retrenchment Strategy
4. Combination Strategy

**CORPORATE STRATEGIES**

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graph TD; A[CORPORATE STRATEGIES] --> B[STABILITY STRATEGY]; A --> C[EXPANSION STRATEGY]; A --> D[RETRENCHMENT STRATEGY]; A --> E[COMBINATION STRATEGY]; B --> B1["- No Change<br/>- Profit<br/>- Pause / Proceed with Caution"]; C --> C1["- Concentration<br/>- Integration<br/>- Diversification<br/>- Co-operation<br/>- Internationalization"]; D --> D1["- Turnaround<br/>- Divestment<br/>- Liquidation"];
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**STABILITY STRATEGY**

**EXPANSION STRATEGY**

**RETRENCHMENT STRATEGY**

**COMBINATION STRATEGY**

- No Change
- Profit
- Pause / Proceed with Caution

- Concentration
- Integration
- Diversification
- Co-operation
- Internationalization

- Turnaround
- Divestment
- Liquidation

# COMPONENTS OF CORPORATE STRATEGY

## 1. Stability Strategy

This type of strategy is followed by the firms which are satisfied with their present position. Firms using stability strategy try to hold on to their current position. This strategy is less risky and suitable in a simple and stable environment.

# COMPONENTS OF CORPORATE

## STRATEGY Reasons for adopting Stability

### Strategy:

1. It is less risky, involves fewer changes and people feel comfortable with things as they are.
2. The environment faced is relatively stable.

# COMPONENTS OF CORPORATE

## STRATEGY

### 2. Growth or Expansion Strategy

Growth or Expansion strategy is followed when a firm aims at high growth. This strategy aims at higher objectives than before such as substantial increase in market share and/ or increase in sales targets. This type of



# COMPONENTS OF CORPORATE

## STRATEGY Reasons for adopting Growth Strategy:

1. To achieve economies of large scale production and/ or distribution.
2. To ensure survival in the long run.
3. Increasing size may lead to

# COMPONENTS OF CORPORATE STRATEGY

## 3. Retrenchment Strategy

Retrenchment strategy involves dropping some of the activities in a particular business or totally getting out of some of the businesses of the firm. This strategy is more suitable during recession and other economic crises so as to concentrate on

# COMPONENTS OF CORPORATE STRATEGY

## Reasons for adopting Retrenchment Strategy:

1. Management no longer wishes to remain in business either partly or wholly due to losses/inviability.
2. Firm wish to concentrate on its core products, which are vital

# COMPONENTS OF CORPORATE STRATEGY

## 4. Combination Strategy

Combination strategy is followed when a firm adopts a mixture of stability, expansion and retrenchment strategy.

**Reasons for adopting**

**Combination Strategy:**

1. The organization is large and faces a complex environment.

# COMPONENTS OF CORPORATE

**Reasons STRATEGY for adopting**

**Combination Strategy:**

1. The organization is large and faces a complex environment.
2. When the organization is not in a position to accomplish its objectives even after adopting alternative strategies.

# **ISSUES IN BUSINESS COMBINATIONS**

# STRATEGY FORMULATION

Strategy formulation refers to the *development of long range plans* for effective management of environmental **Opportunities** and **Threats** in the light of corporate **Strengths** and **Weaknesses**.

It includes defining the corporate mission, specifying objectives,

# **Factors Affecting Strategy Formulation**



# PROCESS OF STRATEGY FORMULATION

# TYPES OF STRATEGIES

# BUSINESS LEVEL STRATEGY

As suggested by Michael Porter, following are the three generic business level strategies:

1. Cost Leadership Business Strategy
2. Differentiation Business Strategy
3. Focus Business Strategy

# **BUSINESS LEVEL STRATEGY**

# STRUCTURAL MECHANISM TO IMPLEMENT STRATEGY

The implementation of strategy requires performance of tasks. To perform tasks, there should be various structural mechanism.

1. ***Organization Structure***
2. ***Organizational System***

# STRUCTURAL MECHANISM TO IMPLEMENT STRATEGY

## 1. Organization Structure

An organization structure is the way in which the tasks and subtasks required to implement a strategy are arranged.

A firm must design a suitable structure to undertake activities required to implement strategy. The type of structure depends

# STRUCTURAL MECHANISM TO IMPLEMENT STRATEGY

## 2. Organizational System

Since the organization has to perform a set of tasks designed to achieve its objectives, a need arises to evolve a system that would bind the different units and positions so that the performance of activities takes place in a coordinated manner.

# STRATEGY EVALUATION &

**CONTROL**  
Strategic Evaluation and Control can be defined as the process of determining the effectiveness of a given strategy in achieving the organizational objectives and taking corrective action wherever required.

*“Evaluation of Strategy is that phase of strategic management*



# **NATURE OF STRATEGY EVALUATION**

# IMPORTANCE OF STRATEGY EVALUATION

Inputs for New Strategy



# **PROCESS OF STRATEGY EVALUATION**

**STRATEGIC MANAGEMENT  
& BUSINESS POLICY  
(BBA-602)**

# UNIVERSITY SYLLABUS

## Unit I

Nature & importance of Business Policy, Development & Classification of Business Policy; Mechanism or Policy making.

## Unit II

Responsibilities & tasks of Top Management: objectives of Business Characteristics, Classification, Types of objectives and their overall Hierarchy, Setting of objectives, Key areas involved.

## Unit III

# UNIT-I

## Unit I

Nature & importance of Business Policy

Development & Classification of Business  
Policy

Mechanism or Policy making.

# BUSINESS POLICY

Business policy is the study of the roles and responsibilities of top-level management, the significant issues affecting organizational success and the decision affecting organization in the long run.

Business policy defines the scope or spheres within which decisions can be taken by the subordinates in an organization.

*A business policy is a verbal, written or an implied overall guide setting up boundaries that supply the general limits and directions in which managerial action will take place.*

**George Terry** Policies are plans in that they are general statements of principles which guide the thinking, decision making and action in

# EXAMPLES OF BUSINESS POLICY

## HR Policy

- Hiring
- Training
- Transfers/Promotions
- Wages

## Materials Policy

- Quality-Quantity
- Stores & Handling
- Vendors
- Payment Terms

## Marketing Policy

- What to sell
- Where
- To Whom
- Through Whom

## Quality Policy

- Standards
- Checks & Controls
- Feedback



# DEVELOPMENT OF BUSINESS

## As a Discipline:

<b>1911</b>	Harvard Business School introduced a course aimed at creation of general management capability.
<b>1959</b>	Gordon and Howell recommended a capstone course of business policy.
<b>1969</b>	American Assembly of Collegiate Schools of Business made the course mandatory.

From the US, the practice of including business policy in the curriculum of management spread to other of the world.

## As a Managerial Practice:

Glueck views the development of business policy as arising from the use of planning techniques by managers. Starting from day-to-day planning, managers began to use long range planning. Soon long range planning was replaced by strategic planning and later by Strategic Management.

# OBJECTIVES OF BUSINESS POLICY

1. Business policies are broad guidelines by the organization's decision makers. These guidelines indicate how an organization should deal with recurring problems in its routine operation.
2. Assists managers in taking continuous actions to achieve business goals.
3. Challenges the threatening situations.
4. Supports organizational mission.
5. Aids in strategy formulation, implementation and control.

# NATURE OF BUSINESS

Policies guide the objectives on right path.

## POLICY

A policy has following characteristics:

1. Broad Statement for the attainment of Objectives:

Policies serve as a guide to action. They help the executives to take proper action in the light of objectives of the organization.

2. Consistency in Decision making:

Policies provide consistency in decision making usually under repetitive or recurring situations.

# NATURE OF BUSINESS

## 4. Hierarchy of Policies:

### POLICY

Policies have a hierarchy. The top management determines the overall corporate policies, departmental heads determine their policies and lower level managers frame policies for routine activities.

## 6. Assist in smooth functioning:

Policies tend to avoid confusion and thereby enable the organization to undertake activities in an orderly and smooth manner.

## 6. Facilitates Allocation and Utilization of resources:

Policies facilitate allocation and utilization of

# IMPORTANCE OF BUSINESS POLICY

Business policy is a guideline that directs the organization towards achieving predetermined goals and objectives.

1. Stability to the Organization
2. Clear delegation of authority
3. Helps in taking Right Decision
4. Effective co-ordination and control
5. Optimum utilization of resources
6. Enhances corporate image
7. Helps to achieve objectives

# CLASSIFICATION OF

The Business policies can be classified into several groups as follows:

## BUSINESS POLICY

1. Classification on the basis of Levels of Management:
  - (i) Top Management Policies
  - (ii) Middle Level Management Policies
  - (iii) Lower Level Management Policies
  
3. Classification on the basis of Functional Area:
  - (i) HR Policies

# CLASSIFICATION OF

3. Classification on the basis of Expression:

## BUSINESS POLICY

(A) Express Policies-

- Oral Policies
- Written Policies

(B) Implied Policies

4. Classification on the basis of Nature of Origin:

(i) Originated Policies

(ii) Appealed Policies

(iii) Imposed Policies

5. Classification on the basis of Scope:

# CLASSIFICATION OF

6. Classification on the basis of Situation:

## BUSINESS POLICY

(i) Normal Policies

(ii) Contingency Policies

## POLICY MAKING

Formulation of Business policy requires good skills and judgment on the part of policy makers to frame clear, well-defined and purposeful policies. Following is the process of policy formulation.



# **POLICY MAKING**

# ESSENTIALS OF BUSINESS

A good business policy should be clear, simple and suitable to the organization. Following are the essentials of a good business policy:

1. Objective Oriented
2. Flexible
3. Acceptance
4. Simple
5. Suitable
6. Stable
7. Comprehensive

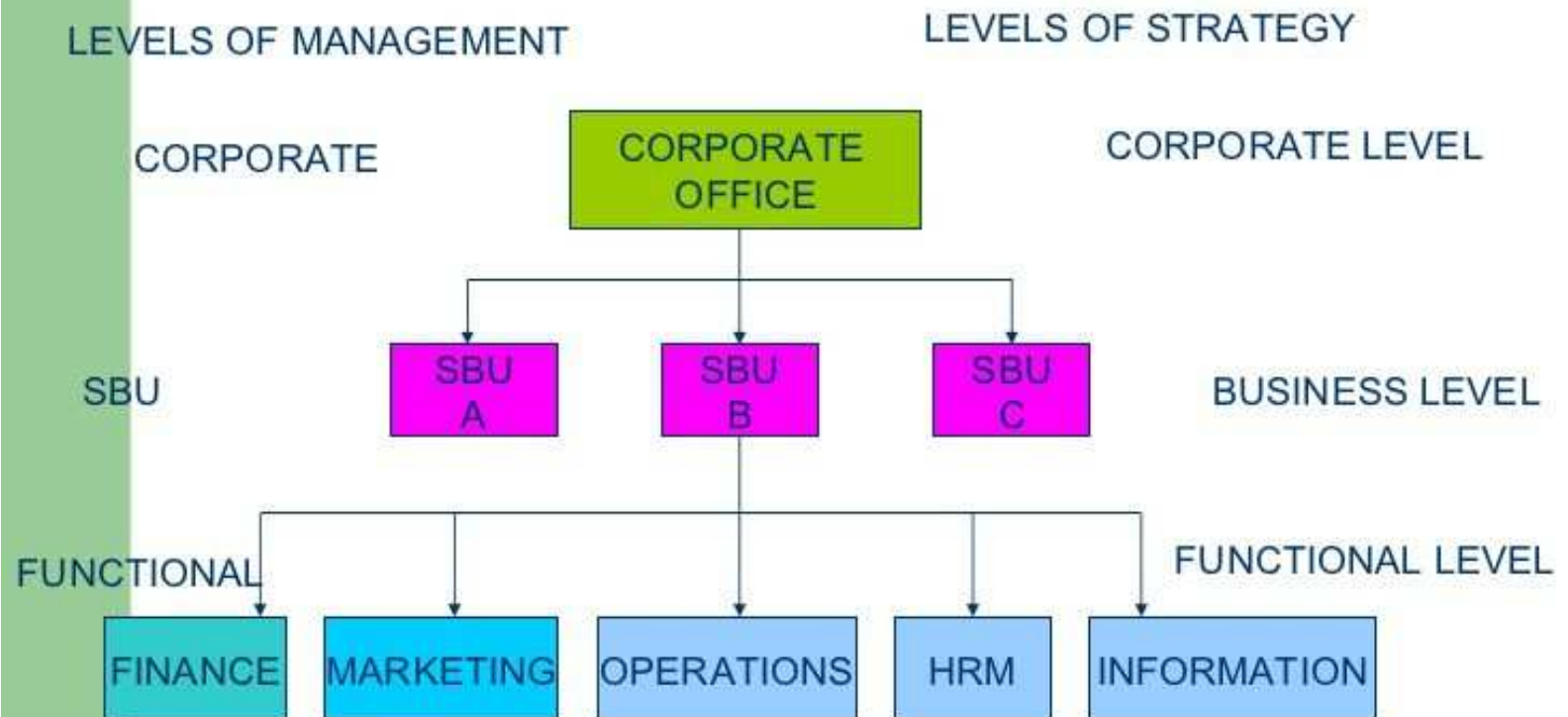
# STRATEGY

The term 'Strategy' is derived from the Greek word *Strategos*, which means Generalship-the actual direction of military force. So, the word 'strategy' literally means the art of the General.

*“The determination of the basic long term goals and objectives of an enterprise and the adoption of the course of action and the allocation of resources necessary for carrying out these goals.”* **Alfred Chandler**

*“A unified, comprehensive and integrated plan designed to assure that the basic objectives of the enterprise are achieved.”* **William Glueck**

# DIFFERENT LEVELS OF STRATEGY



# STRATEGIC MANAGEMENT

Strategic management is concerned with deciding on strategy and planning how that strategy is to put into effect.

**Strategic management refers to the process of formulating and implementing strategies and evaluating effectiveness of the strategies.**

*“Strategic management is a stream of decisions and actions that lead to the development of an effective strategy or strategies to help achieve corporate objectives”*

*Glueck*

*“Strategic Management is the systematic approach to a major and increasingly important responsibility of general management to position and relate the firm to its environment in a way that will assure its continued success and make it secure from surprise”*

*Ansoff*

# STRATEGIC MANAGEMENT

From the definitions of strategic management, we see that Strategic Management:

- It is a process
- Leads to formulation of strategy or set of strategies
- Managing the organizational systems
- For achievement of mission, vision, goals and objectives
- There is a relation between organization and the environment
- Environment analysis is necessary for success
- Satisfaction of stakeholders important

# IMPORTANCE OF STRATEGIC MANAGEMENT

1. Aids in Decision making
2. Improves Employees' Efficiency
3. SWOT Analysis
4. Aids in Planning
5. Organizing Resources
6. Helps in Evaluation
7. Facilitates Communication and Coordination
8. Helps to face competition

# **PROCESS OF STRATEGIC MANAGEMENT**