**Dimensions of Strategic Management**

The characteristics of strategic management are as follows:

**1.** **Top management involvement:** Strategic management relates to several areas of a firm's operations. So, it requires top management’s involvement. Generally, only the top management has the perspective needed to understand the broad implications of its decisions and the power to authorize the necessary resource allocations.

**2. Requirement of large amounts of resources:** Strategic management requires commitment of the firm to actions over an extended period of time. So they require substantial resources, such as, physical assets, money, manpower etc.

**3. Affect the firm’s long-term prosperity:** Once a firm has committed itself to a particular strategy, its image and competitive advantage are tied to that strategy; its prosperity is dependent upon such a strategy for a long time.

**4. Future-oriented:** Strategic management encompasses forecasts, what is anticipated by the managers. In such decisions, emphasis is placed on the development of projections that will

enable the firm to select the most promising strategic options. In the turbulent environment, a firm will succeed only if it takes a proactive stance towards change.

**5. Multi-functional or multi-business consequences:** Strategic management has complex implications for most areas of the firm.They impact various strategic business units especially in areas relating to customer-mix, competitive focus, organisational structure etc. All these areas will be affected by allocations or reallocations of responsibilities and resources that result from these decisions.

**Strategic Management Process**

Developing an organisational strategy involves four main elements –

strategic analysis, strategic choice, strategy implementation and strategy evaluation and control. Each of these contains further steps, corresponding to a series of decisions and actions, that form the basis of strategic management process.

**1. Strategic Analysis:** The foundation of strategy is a definition of organisational purpose.This defines the business of an organisation and what type of organisation it wants to be. Many organisations develop broad statements of purpose, in the form of vision and mission statements. These form the spring – boards for the development of more specific objectives and the choice of strategies to achieve them.

**2. Strategic Choice:** The analysis stage provides the basis for strategic choice. It allows managers to consider what the organisation could do given the mission, environment and capabilities – a choice which also reflects the values of managers and other stakeholders.

**3. Strategy Implementation:** Implementation depends on ensuring that the organisation has suitable structure, the right resources and competencies (skills, finance, technology etc.),right leadership and culture. Strategy implementation depends on operational factors being put into place.

**4. Strategy Evaluation and Control:** Organisations set up appropriate monitoring and control systems, develop standards and targets to judge performance.

**Aspects of Strategy Formulation**

The following three aspects or levels of strategy formulation, each with a different focus, need to be dealt with in the formulation phase of strategic management. The three sets of recommendations must be internally consistent and fit together in a mutually supportive manner that forms an integrated hierarchy of strategy, in the order given.

**1. Corporate Level Strategy**

**2. Competitive Strategy**

**3. Functional Strategy**

Let us understand each of them one by one.

**1. Corporate Level Strategy** : In this aspect of strategy, we are concerned with broad decisions about total organisation’s scope and direction. Basically, we consider what changes should be made in our growth objective and strategy for achieving it, the lines of business we are in, and how these lines of business fit together. It is useful to think of three components of corporate level strategy:

(a) Growth or directional strategy (what should be our growth objective, ranging from retrenchment through stability to varying degrees of growth - and how do we accomplish this)

(b) Portfolio strategy (what should be our portfolio of lines of business, which implicitly requires reconsidering how much concentration or diversification we should have),and

(c) Parenting strategy (how we allocate resources and manage capabilities and activities across the portfolio – where do we put special emphasis, and how much do we integrate our various lines of business).

**2. Competitive Strategy:** It is quite often called as Business Level Strategy. This involves deciding how the company will compete within each Line of Business (LOB) or Strategic Business Unit (SBU). In this second aspect of a company’s strategy, the focus is on how to compete successfully in each of the lines of business the company has chosen to engage in. The central thrust is how to build and improve the company’s competitive position for each of its lines of business. A company has competitive advantage whenever it can attract customers and defend against competitive forces better than its rivals. Companies want to develop competitive advantages that have some sustainability (although the typical term “sustainable competitive advantage” is usually only true dynamically, as a firm works to continue it).

**3. Functional Strategy :**These more localized and shorter-horizon strategies deal with how each functional area and unit will carry out its functional activities to be effective and maximize resource productivity. Functional strategies are relatively short-term activities that each functional area within a company will carry out to implement the broader, longer-term corporate level and business level strategies. Each functional area has a number of strategy choices, that interact with and must be consistent with the overall company strategies.

**Defining Vision**

Vision has been defined in several different ways. Richard Lynch defines vision as “a challenging and imaginative picture of the future role and objectives of an organisation, significantly going beyond its current environment and competitive position.” E1-Namaki defines it as “a mental perception of the kind of environment that an organisation aspires to create within a broad time horizon and the underlying conditions for the actualization of this perception”. Kotter defines it as “a description of something (an organisation, corporate culture, a business, a technology, an activity) in the future.”

**Characteristics of Vision Statements-**

As may be seen from the above definitions, many of the characteristics of vision given by these authors are common such as being clear, desirable, challenging, feasible and easy to communicate. Nutt and Back off have identified four generic features of visions that are likely to enhance organisational performance:

1. Possibility Means the vision should entail innovative possibilities for dramatic organisational improvements.

2. Desirability Means the extent to which it draws upon shared organisational norms and values about the way things should be done.

3. Action ability means the ability of people to see in the vision, actions that they can take that are relevant to them.

4. Articulation Means that the vision has imagery that is powerful enough to communicate clearly a picture of where the organisation is headed.

**Defining Mission**

Thompson defines mission as “The essential purpose of the organisation, concerning particularly why it is in existence, the nature of the business it is in, and the customers it seeks to serve and satisfy”.

Hunger and Wheelen simply call the mission as the “purpose or reason for the organisation’s existence”. A mission can be defined as a sentence describing a company’s function, markets and competitive advantages. It is a short written statement of your business goals and philosophies.

It defines what an organisation is, why it exists and its reason for being. At a minimum, a mission statement should define who are the primary customers of the company, identify the products and services it produces, and describe the geographical location in which it operates.

**Importance of Mission Statement**

The purpose of the mission statement is to communicate to all the stakeholders inside and outside the organisation what the company stands for and where it is headed. It is important to develop a mission statement for the following reasons:

1. It helps to ensure unanimity of purpose within the organisation.

2. It provides a basis or standard for allocating organisational resources.

3. It establishes a general tone or organisational climate.

4. It serves as a focal point for individuals to identify with the organisation’s purpose and direction.

5. It facilitates the translation of objectives into tasks assigned to responsible people within the organisation.

6. It specifies organisational purpose and then helps to translate this purpose into objectives in such a way that cost, time and performance parameters can be assessed and controlled.

**.Concept of Goals and Objectives**

**Goals**

The terms “goals and objectives” are used in a variety of ways, sometimes in a conflicting sense. The term “goal” is often used interchangeably with the term “Objective”. But some authors prefer to

differentiate the two terms. A goal is considered to be an open-ended statement of what one wants to accomplish with no quantification of what is to be achieved and no time criteria for its completion. For example, a simple statement of “increased profitability” is thus a goal, not an objective, because it does not state how much profit the firm wants to make. Objectives are the end results of planned activity. They state what is to be accomplished by when and should be quantified. For example, “increase profits by 10% over the last year” is an objective. As may be seen from the above, “goals” denote what an organisation hopes to accomplish in a future period of time. They represent a future state or outcome of the effort put in now. “Objectives” are the ends that state specifically how the goals shall be achieved. In this sense, objectives make the goals operational. Objectives are concrete and specific in contrast to goals which are generalized. While goals may be qualitative, objectives tend to be mainly quantitative, measurable and comparable.

**Objectives**

Objectives are the results or outcomes an organisation wants to achieve in pursuing its basic mission. The basic purpose of setting objectives is to convert the strategic vision and mission into specific

performance targets. Objectives function as yardsticks for tracking an organisation’s performance and progress.

**Characteristics of Objectives**

Well – stated objectives should be:

1. Specific

2. Quantifiable

3. Measurable

4. Clear

5. Consistent

6. Reasonable

7. Challenging

8. Contain a deadline for achievement

9. Communicated, throughout the organisation.