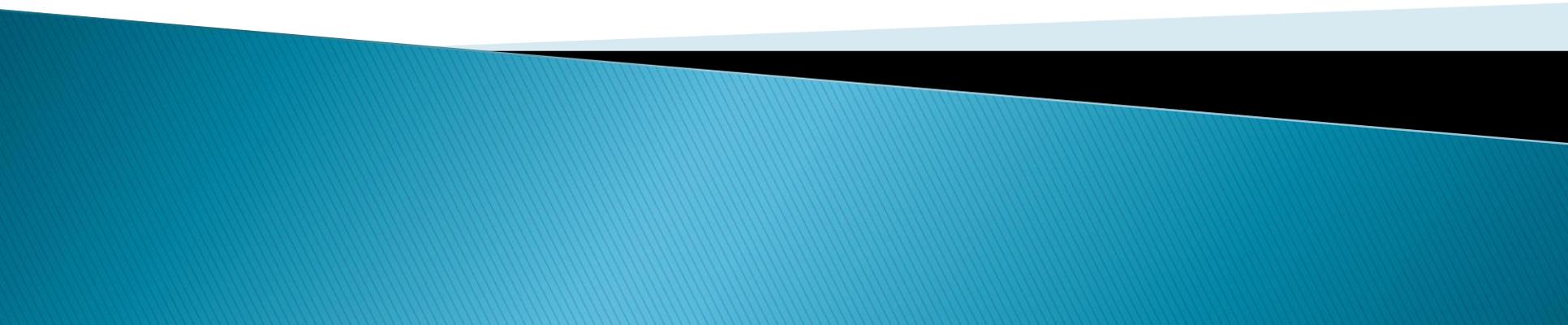


**SOS POLITICAL SCIENCE AND
PUBLIC ADMINISTRATION**

MBA FA 405

**SUBJECT NAME:
STRATEGIC MANAGEMENT**

TOPIC NAME: STRATEGIES AND THEIR ROLES



Types of Strategies



ROLE OF STRATEGY IN ORGANIZATION:

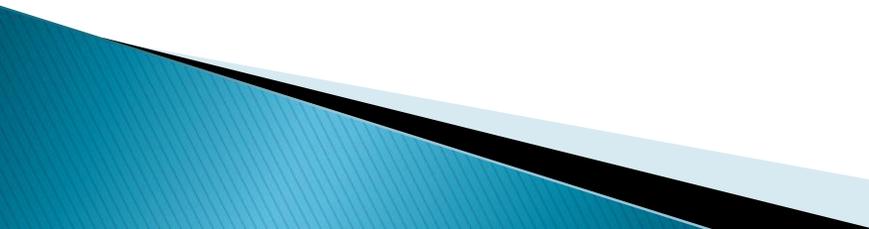
1. Framework For Operational Planning:

- ▶ Strategies provide the framework for plans by channeling operating decisions and often pre deciding them. If strategies are developed carefully and understood properly by managers, they provide more consistent framework for operational planning. If this consistency exists and applied, there would be deployment of organizational resources in those areas where they find better use. Strategies define the business area both in terms of customers and geographical areas served. Better the definition of these areas, better will be the deployment of resources. For example, if an organization has set that it will introduce new products in the market, it will allocate more resources to research and development activities, which is reflected in budget preparation.
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2. Clarity in Direction of Activities:

- ▶ Strategies focus on direction of activities by specifying what activities are to be undertaken for achieving organizational objectives. They make the organizational objectives more clear and specific. For example, a business organization may define its objective as profit earning or a non-business organization may define its objective as social objective. But these definitions are too broad and even vague for putting them into operation. They are better spelled by strategies, which focus on operational objectives and make them more practical. For example, strategies will provide how profit objective can be sharply defined in terms of how much profits is to be earned and what resources Of how much profit is to be earned and what resources will be required for that. When objectives are spelled out in these terms, they provide clear direction to per-sons in the organization responsible for implementing various courses of action. Most people perform better if they know clearly what they are expected to do and where their organization is going

3. Increase Organizational Effectiveness:

- ▶ Strategies ensure organizational effectiveness in several ways. The concept of effectiveness is that the organization is able to achieve its objectives within the given resources. Thus, for effectiveness, it is not only necessary that resources are put to the best of their efficiency but also that they are put in a way which ensures their maximum contribution to organizational objectives. In fact, taking strategic management, which states the objective of the organization in the context of given resources, can do this. Therefore, each resource of the organization has a specific use at a particular time. Thus, strategies ensure that resources are put in action in a way in which these have been specified. If this is done, organization will achieve effectiveness
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4. Personnel Satisfaction:

- ▶ Strategies contribute towards organization effectiveness by providing satisfaction to the personnel of the organization. In organization where formal strategic management process is followed, people are more satisfied by definite prescription of their roles thereby reducing role conflict and role ambiguity. If the decisions are systematized in the organization, everyone knows how to proceed, how to contribute towards organizational objectives, where the information may be available, who can make decisions, and so on. Such clarity will bring effectiveness at the individual level and consequently at organizational level. Strategies provide all these things in the organization through which everything is made crystal clear.

ROLE OF STRATEGY IN FIRMS:

1. Strategy design:

- ▶ The starting point of the strategy design process lies in the creation of philosophical principles that guide the firm's existence. These principles would combine two elements — the 'human values' and the 'operating values' of the firm. The former includes concepts such as integrity, creativity etc, while the latter may include marketplace values, such as low cost, high quality etc.
- ▶ At the next level, the philosophical principles are put to test against the opportunities offered by the environment in which the firm operates. The next level of granularity would of course entail financial plans, people plans, projects and other activities that enable the realisation of the strategy. At each of these levels, design would not simply be an academic exercise restricted to a few, but would engage the entire firm and its stakeholders. In other words, the strategy design process is neither a top-down, nor a bottom-up activity, but rather a collaborative exercise, with centralised facilitation.

2. Strategic decisions:

- ▶ Strategy has an important role to play in driving the decision processes in the firm. This occurs at two levels — first, in the key decision-making processes in the firm as a whole, and second, in the creation of protocols for decision-making within components of the firm. Protocols for sub-units help create the balance between autonomy and adherence to broader strategic goals at the level of individual components of the firm.

3. Diagnostics:

- ▶ Ongoing diagnostics is another critical function that strategy must perform. A diagnostic involves a detailed analysis of well-defined business unit level or corporate strategic issues where an external and objective perspective is valuable.
- ▶ As a function, strategy offers the right mix of distance and proximity from business issues and, thus, creates a space where established patterns of understanding can be challenged or looked at afresh. Routine diagnostics help ensure that both the strategy of the firm, as well as its manifestation in sub-units are constantly refined in light of the actual environment and its realities. In other words, diagnostics are the learning engine of the organization.

4. Scenario planning:

- ▶ Scenario planning entails visualizing the impact of multiple external and internal scenarios on the strategic goals of the firm and its stakeholders (shareholders, employees, customers etc). Essentially, it's a process of detailed de-risking of extreme possibilities, to a point that stakeholder interests are preserved in all eventualities.
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5. Innovation

- ▶ Given the wide range of issues accessed by the strategy function, the innovation practice of an organization is best placed within strategy. Innovation involves a broad range of issues, including operational innovation, new business incubation and others. Innovation requires multiple perspectives to come together, both firm within the firm and outside it. The primary role that strategy needs to play here is to conceptualize such possibilities and create working prototypes. These prototypes, in turn, could be embedded into the broader organization if found to be successful. In the absence of such a prototype ‘manufacturing’ function, most organizations choose not to prioritize innovation, since innovation and short-term goals of the organization compete for the limited attention span of operating managers, and the latter usually wins.

6. Integrated review and facilitation:

- ▶ A mature strategy function also actively reviews the firm's performance along its strategic objectives in an integrated manner, whereby the 'sum of the parts' is routinely evaluated, as opposed to just the individual parts. In this manner it can play the role of 'conscience keeper' of the firm. The strategy function can play an ongoing facilitation role, which entails that different units of the firm operate through mutual cooperation, and in sync with the broader strategic goals of the organization. These are just a few issues where the strategy function can play an important role within the firm. Note that academic constructs like corporate and business strategy have not been delineated in the items described above given the high degree of overlap between them in applied contexts.