BASICS OF MANAGEMENT

DEFINITION OF MANAGEMENT

"Management is the art of getting things done through others and with formally organised groups."

Harold koontz

"Management is to forecast, to plan, to organize, to command, to coordinate and control activities of others."

Henri Fayol

"Management is the art of knowing what you want to do and then seeing that they do it in the best and the cheapest manner."

F.W. Taylor

"Management is a distinct process consisting of planning, organising, actuating and controlling; utilising in each both science and arts, and followed in order to accomplish pre-determined objective."

George R.Terry

FUNCTIONS OF MANAGEMENT

Management is described as the **process of planning, organizing, directing, and controlling** the efforts of organizational members and of using organizational resources to achieve specific goals.

PLANNING: it is the function of determining in advance what is to be done and who is to do it.

This implies setting goals in advance and developing a way of achieving them efficiently and effectively.

Organizing: Organizing is the management function of assigning duties, grouping tasks, establishing authority, and allocating resources required to carry out a specific plan.

- Once a specific plan has been established for the accomplishment of an organizational goal, the organizing function examines the activities and resources required to implement the plan.
- It determines what activities and resources are required. It decides who will do a particular task, where it will be done, and when it will be done.
- Organizing involves the grouping of the required tasks into manageable departments or work units and the establishment of authority and reporting relationships within the organizational hierarchy.
- Proper organizational techniques help in the accomplishment of work and promote both the efficiency of operations and the effectiveness of results.
- Different kinds of business require different structures according to the nature of work.

Staffing: Staffing is finding the right people for the right job.

- A very important aspect of management is to make sure that the right people with the right qualifications are available at the right places and times to accomplish the goals of the organization.
- This is also known as the human resource function and it involves activities such as recruitment, selection, placement, and training of personnel.

Directing: Directing involves leading, influencing, and motivating employees to perform the tasks assigned to them.

- This requires establishing an atmosphere that encourages employees to do their best.
- Motivation and leadership are two key components of direction.
- Directing also involves communicating effectively as well as supervising employees at work.
- Motivating workers means simply creating an environment that makes them want to work.
- Leadership is influencing others to do what the leader wants them to do.
- A good manager directs through praise and criticism in such a way that it brings out the best in the employee.

Controlling: Controlling is the management function of monitoring organizational performance toward the attainment of organizational goals.

- The task of controlling involves establishing standards of performance, measuring current performance, comparing this with established standards, and taking corrective action where any deviation is found.

- Here management must determine what activities and outputs are critical to success, how and where they can be measured, and who should have the authority to take corrective action.
- The various functions of a manager are usually discussed in the order given above, suggesting that a manager first plans, then organizes, puts staff in position, then directs, and finally controls.

IMPORTANCE OF MANAGEMENT

a) Effective Change Management Tool: An efficient management works as an effective change management tool and helps the transition of an organisation from good to great.

b) Helps achieve group goals: Management helps an organisation plan and continuously adjust with the ever-changing external business environment. It also helps improvement of the quality of decisions taken and improves control over the functioning of various departments of the business unit, thereby making achievement of group goals possible.

c) Optimum utilisation of resources: Proper management and efficient allocation of resources helps efficient and optimum utilisation of scarce resources.

d) Improved functioning of business: Management helps a business function effectively

- by improving the understanding, ability and morale of the human capital employed in the business;
- by achieving higher coordination;
- by creating an environment of mutual respect and trust;

- by increasing motivation levels; and
- by effective supervision.

e) Development of various resources: Management helps in all round development of various resources, viz. human resources, machines, materials and capital, at the disposal of the business entity.

f) Contributes towards better organisation: Management helps better structuring of the organisation by properly defining the authority and responsibility of employees at various levels, and by ensuring the right job fit for the employees.

g) Proper Direction to the organization: Management provides proper direction to the organisation to achieve its goals and the laid down roadmap.

h) Integration of various interests: Integration of the interests of various groups, in an organisation, is an important role played by management.

i) Management of fluctuations: Management of ups and downs, caused by business cycles and other external factors, is an important function of management.

j) Innovation: Creativity and innovation on the part of management of an enterprise play an important role in the growth of the organisation. This helps the organisation to stay ahead of its competition.

k) Inculcation of team spirit: Management helps inculcation of team spirit among different departments of an organisation by improving coordination.

Problem-solving: Effective management acts as a friend, philosopher and guide to the employees and helps them to better their performance, by supporting them to solve their day-to-day problems in a proactive manner.

m) Helps Employee Growth: Introduction of the latest management techniques, new production methods, new service delivery systems, new training methodologies, and new team building techniques help employee growth to a large extent.

MANAGEMENT THOUGHTS & APPROACHES

The various management thoughts can be classified as under:

Classical or Traditional School

The classical school believes in the use of technology for increasing the efficiency of the employees and lays down more emphasis on the organization, looking at <u>the organization as a machine and the employees as its parts, who are important only as a means of production.</u>

The salient features of the classical or traditional school include:

a) Having an integrated and centralized system

b) Greater emphasis on production

c) Concentration on errors and their rectification

d) Assuming employees' continuity irrespective of organizational changes

e) Based on an accounting model and

f) Giving equal weightage to different types of jobs and employees.

Neoclassical or Behavioural School

- This school is an extended version of the traditional school and was developed because of the weaknesses observed in the classical theory.
- This school of thought propounded the influence of human actions on the very existence of an organisation.
- An organisation, according to this theory, comprises of both formal and informal forms of organization, a fact which was overlooked by the Classical theorists.

This School of Thought had the following salient features:

a) Focus on motivation.

b) Different persons get motivated diversely for satisfying their specific needs.

c) For efficiency measurement, communication is a critical input.

d) For organizational performance, team-work is essential.

e) The thought has two different perspectives, viz. Human Relations perspective and Psychological perspective.

This school of thought was also the originator of Maslow's hierarchy of needs, Douglas McGregor's X and Y Theory, and Motivation-Hygiene Theory.

The theory can be summarized as follows:

- Human beings have wants and desires which influence their behavior. Only unsatisfied needs influence behavior, satisfied needs do not.

- Since needs are many, they are arranged in order of importance, from the basic to the complex.
- The person advances to the next level of needs only after the lower-level need is at least minimally satisfied.
- The further the progress up the hierarchy, the more individuality, humanness, and psychological health a person will exhibit.

DOUGLAS MCGREGOR'S X AND Y THEORY

gave an insight into the two aspects of human behavior.

Theory X stated that humans do not work without close supervision, while Theory Y propounded that humans love to work and there is no need of coercing them to work for achieving organizational goals.

Theory X Assumptions:
- The average human being is inherently lazy by nature and desires to work as little as possible. He dislikes work and will like to avoid it if he can.
- He avoids accepting responsibility and prefers to be led or directed by some other.
- He is self-centered and indifferent to organizational needs.
- He has little ambition, dislikes responsibility, and prefers to be led but wants security.
- He is not very intelligent and lacks creativity in solving organizational problems.
- He, by nature, resists change of any type.

Theory Y Assumptions:

- Work is as natural as play, provided the work environment is favourable. Work may act as a source of satisfaction or punishment. An average man is not really against doing work.

- People can be self-directed and creative at work if they are motivated properly.

- Self-control on the part of people is useful for achieving organizational goal. External control and threats of punishment alone do not bring out efforts towards organizational objectives.

- People have capacity to exercise imagination and creativity.

- People are not by nature passive or resistant to organizational needs. They have become so as a result of experience in organisations.

MOTIVATION-HYGIENETHEORY, also known as Two-Factor Theory The factors that motivate people can change over their lifetime, but "respect for me as a person" is one of the top motivating factors at any stage of life.

He distinguished between:

Motivation; (e.g., challenging work, recognition, responsibility) which give positive satisfaction, and

• Hygiene factors; (e.g., status, job security, salary and fringe benefits) that do not motivate if present, but, if absent, result in demotivation.

Quantitative School or Management Science

- The Quantitative School of Management developed mainly after World War II and emphasizes the use of mathematical and statistical models for finding solutions to managerial problems.

- The scientific management techniques, laid down by Fredrick Winslow Taylor, also helped in laying down the foundations of this approach.

The main characteristics of the quantitative approach to management include:

a) Creation of models, theories and hypotheses.

b) Collection of empirical data.

c) Development of mathematical and statistical models.

d) Data analysis.

e) Experimenting in controlled environment.

f) Testing with changes in variables.

g) Development of various instruments.

h) Development of quantitative techniques.

The System School of Management

- This school of management thought was propounded by Daniel Katz, an American Psychologist, and Ludwig Von Bertalanffy, an Australian Biologist.

- They advocated the concept of management being an open system, which is required to interact with the environment constantly for getting resources, which are both valuable and limited.

- The main objective of the research undertaken by the systems school was to understand the external environment and conditions faced by an organization and find ways of handling such conditions.
- For example, a bank provides financial services and products to its customers and the customers react by liking or rejecting the product.

The Contingency School of Management

- The best or the optimal way shall always depend or be contingent on the internal and external environment.
- In other words, there cannot be a standard solution to various business situations faced by the management.
- Each leader might deal with the same situation in different ways, depending on his/her leadership style.
- Studies on the behaviour of leaders were conducted in 1950's by researchers in Ohio State University and University of Chicago (University of Michigan Survey Research Centre).

The findings of scholars from both universities, though similar, were given different names, which is detailed below:

S. No.	Ohio State University Findings	S. No.	University of Chicago Findings
1.	1. Consideration leader behaviour: (a) Believes in building good rapport with subordinates and having good interpersonal relationship.	1.	1. Relation-oriented behaviour:

	(b) Shows support and concern for people.		(a) Encourages social interactions (b) Involves mutual respect and trust (c) Empowers people
2.	2. Initiating structure leader behaviour: (a) Believes in proper structure for planning, scheduling and aligning different roles, with the task completion and attainment of business goals in mind.	2.	2. Task-oriented behaviour: (a) Defines structure and business goals (b) Emphasises planning (c) Defines priorities (d) Has a model for rewarding and punishing

The Contemporary School of Management

- Management theory continues to advance because of the constant evolution of business practices and management techniques, especially in the wake of technological advancements.

- The concepts of 'Total quality management' and 'Learning organization' are quite relevant in this context.

Total Quality Management

Total Quality Management focuses on the management of an organisation for delivering high quality goods and services to its customers. The approach originated in Japan after the Second World War.

The four main elements of this approach are:

1. Employee involvement: A high degree of involvement of employees is instrumental in preventing quality issues before they occur.

2. Customer focus: To improve quality, an organization needs to focus fully on the requirements of its customers, and understand their business and what they want, with the objective of delivering products and services suitable to them.

3. Standardisation: It is very important to use industry standards as benchmarks for comparison with competitors and for evaluating your own performance.

4. Continuous Monitoring: There should be continuous thrust on monitoring and changing for the better, so as to achieve improvement in all the areas of an organization.

- Deming, Juran, and Crosby were three main contributors to the Total Quality Management approach.

- He laid down the following **fourteen principles of Total Quality Management:**

1. Consistency of purpose: A consistency of purpose should be created for improving services and products.

2. Adoption of the new philosophy: The Organisation should adopt the new Total Quality Management philosophy.

3. Ceasing dependence on inspection: The organisation should stop depending on inspection for achieving quality.

4. Stopping lowest bid system: The practice of considering price as the criteria for awarding business contracts should be abolished and the total cost should be minimised by having a lower number of suppliers.

5. Introduction of all-round improvement: Constant improvement in the planning, production and service process should be introduced and be made a perpetual process.

6. Instituting On-the-job training: Modern on-the-job training methods should be established.

7. Instituting leadership: The culture of leadership should be adopted and initiated.

8. Driving out fear: The organisation should drive out fear by improving two-way communication.

9. Breaking down barriers: Barriers between staff areas and departments should be removed to improve co-ordination.

10. Eliminating exhortations: The workforce should not be given any targets or slogans or exhorted to achieve production levels, without devising new methods.

11. Eliminating arbitrary numerical targets: Fixing arbitrary production quotas for the workforce and numerical targets for the management, should be avoided.

12. Permitting pride of workmanship: The barriers to the pride of workmanship, as well as the annual rating or merit system, should be removed with emphasis on improvement in quality.

13. Encouraging education: A vigorous program of knowledge, education and self-improvement for everyone, in the organisation, should be instituted.

14. Action for achieving transformation: Action should be initiated by the management for accomplishing the transformation by involving everyone by conducting Seminars and through other means.

Learning Organisation

- Present-day organizations face continuous environmental and technological changes.
- An organization cannot survive if it does not adapt itself to the dynamic competitive environment, which continues to be the biggest challenge faced by any organisation, which wants to grow.

The five disciplines of a learning organisation are:

1. Personal Mastery: This is considered as the cornerstone of a learning organization which involves developing a capacity to achieve personal goals by creating an environment conducive to the growth of an employee's personal vision, which further leads to a shared vision.

2. Shared vision: This can be made possible when you trust people and collaborate, instead of only complying with instructions of higher-ups. Business Leaders work together with employees to achieve a joint vision.

3. Mental Models: A mental model assists us in developing our understanding about the impact of the assumptions and generalisations, deeply ingrained in our minds, on our interactions with people, and the decisions taken by us. To quote Senge: "Understanding the difference

between hearing what someone said, and truly understanding what they said, and understanding the gap between what happened and what we perceived happening, requires reflection. In a non-reflective environment, we take what we see as truth."

4. Team learning: According to Senge, humility is the very basis of team learning. The Team Members have to be ever willing to reflect and consider views of other people and should always be prepared to forget their personal biases for creating a collaborative work environment.

5. Systems Thinking: The idea of 'systems thinking' envisages that everything is interrelated and interconnected. We cannot act as a disjointed set of personal silos. We need to look at the whole picture and understand how each part is connected. In his book, The Fifth Discipline, Senge has stated that "Systems thinking is a sensibility—for the subtle interconnectedness that gives living systems their unique character.

MANAGEMENT CHALLENGES & OPPORTUNITIES

Management faces a lot of challenges in achieving the business objectives and also gets a lot of opportunities, which need to be properly evaluated in a time-bound manner.

Several issues are faced by the management including:

a) Which business model to adopt?

b) How to manage the information explosion?

c) How to manage the changes taking place every now and then?

d) How to face the threat of globalization?

e) How to manage the impact of environmental sustainability?

BUSINESS MODELS

- Business models are based on the type of clients to be served, the product offerings, the revenue earning model, ways of differentiating and sustaining competitive advantages, and the manner in which products or services are provided.

- While the simplest business model shall be a model which helps the management to sell the goods or services at a profit, such models may or may not work.

Some of the other possible business models are:

a) Solution-Providing or Consulting Services Model: Under this model, the business may provide consulting services that help improve the client's operations. IBM has used this model.

b) Profit Pyramid Model: Under this model, the customers are provided **low-priced products initially and gradually they are moved to expensive products,** where the business earns higher profits. General Motors followed this model.

c) Multi-component Systems Model: Such models have been used by companies like Gillette and HP. **Gillette sold the cheaper razors on a no-profit no-loss basis and made money on High-end razor blades.** HP has done it with its printers and ink cartridges, where once a customer buys the printer, he also becomes dependent on HP for cartridges.

d) Advertisement Model: These models offer the basic product free and make money through advertising. YouTube, Google, etc. are live examples.

e) Switchboard Model: This model allows a firm to act as an intermediary for connecting multiple sellers with multiple buyers. eBay, Amazon, and Flipkart are businesses that have used this model successfully.

f) Time Model: This model depends on how fast research and development happen A business that pioneers some new idea shall be successful initially, till other competitors join the bandwagon.

g) Efficiency model: A business following this model just waits for the market to mature with standardization of the product and enters with low-cost and low-margin products with mass appeal. Southwest **Airlines, Wal-Mart, and Dell** have been using this model.

h) Blockbuster model: This model is typically used by industries which are having protection under patent laws, like the pharma and film industry, **where profits depend on a few items and are driven by star appeal.**

i) Profit multiplier model: This model involves developing concepts that may or may not be profitable but are used for driving other products through synergy. For example, Walt Disney used cartoon characters for developing theme parks, merchandise, and licensing opportunities, which gave them huge profits.

j) Entrepreneurial model: This model deals with offering specialized products or services to clients which are not attractive to large competitors but have the potential for fast growth. There are so many cases today where big companies like Tata have acquired smaller players with potential, e.g., 1MG was acquired by Tata.

k) De Facto industry-standard model: Free products, under this model, may be offered at a very low cost to increase the market share and for

saturating the market to make everybody talk about the product as a great brand and industry standard.

MANAGING THE CHANGE

- "There is nothing permanent except change" is said by Heraclitus, a Greek philosopher who lived 2500 years ago.
- Generally, when people are well-settled in their job, they do not want to come out of their comfort zones.

They do not want to

o learn new techniques of management;

o adapt to new technologies, and

o undergo training and hone their skills.

And for this, the managers have to ensure that the change is smooth and does not affect productivity and profitability.

NEW PRODUCTS & SERVICES

The introduction of new products and services might be necessitated because of several reasons, like lack of demand, changes in consumption patterns, changes in customers' expectations, technological innovations, competition, changes in government or regulatory regulations, etc.

TECHNOLOGICAL CHANGES

- A business, which wants to grow and stay relevant, has to keep evolving and changing with the times and stay up-to-date with technology.

- In the case of banks, fintech is changing the role and relevance of banking, and new business models are being combined with technology.
- There is a race to enhance customer satisfaction with the help of technology and to make the whole banking experience simple, convenient, and transparent.

EMPLOYEE MANAGEMENT

- Human capital has become very vital for any organization in today's scenario because a lot of investment takes place in training an employee.
- The main challenge before the management is to create an environment, where employees love to work and give their best, where performance is rewarded, where the organizational objectives are achieved, and employees develop bond of loyalty.

GLOBALIZATION AND ENVIRONMENTAL SUSTAINABILITY

"We are moving toward a global economy. One way of approaching that is to pull the covers over your head." Another is to say: "It may be more complicated - but that's the world I am going to live in, I might as well be good at it." - Phil Condit, Former Chairman and CEO of Boeing.

IMPACT OF GLOBALIZATION

- Globalization has brought many changes in the world. It has created a lot of opportunities for business entities.

- More or less, the whole world has become a single market and businesses are finding new opportunities to grow their business. Cooperation at the international level is increasing.

This, however, is also impacting the environment due to the following reasons:

Increase in Transport of Goods: This has resulted in increased emissions, destruction of habitat and harmful effects on various species.

Economic Specialisation: Although globalisation has helped nations in specialising, this has also resulted in the overuse of natural resources, reduction in forest cover and loss of habitat.

Reduced Biodiversity: Climate changes, introduction of invasive species, reduction of forest cover and loss of habitat, greenhouse gas emissions, acidification of oceans have all contributed to the reduction of biodiversity around the globe.

IMPACT OF ENVIRONMENTAL SUSTAINABILITY

The global challenges faced by us include poverty, inequality, climate change, environmental degradation, peace and justice.

Because of these issues, environmental sustainability has emerged as a hot topic in the 22nd century and the United Nations has fixed the following sustainable development goals, which are the blueprint to achieve a better and more sustainable future for all:

GOAL 1: NO POVERTY: Economic growth must be inclusive to provide sustainable jobs and promote equality.

GOAL 2: ZERO HUNGER: The food and agriculture sector offers key solutions for development and is central for hunger and poverty eradication.

GOAL 3: GOOD HEALTH AND WELL-BEING: Ensuring healthy lives and promoting the well-being for all at all ages is essential to sustainable development.

GOAL 4: QUALITY EDUCATION: Obtaining a quality education is the foundation to improving people's lives and sustainable development.

GOAL 5: GENDER EQUALITY: Gender equality is not only a fundamental human right, but a necessary foundation for a peaceful, prosperous and sustainable world.

GOAL 6: CLEAN WATER AND SANITATION: Clean, accessible water for all is an essential part of the world, we want to live in.

GOAL 7: AFFORDABLE AND CLEAN ENERGY: Energy is central to nearly every major challenge and opportunity.

GOAL 8: DECENT WORK AND ECONOMIC GROWTH: Sustainable economic growth will require societies to create the conditions that allow people to have quality jobs.

GOAL 9: INDUSTRY, INNOVATION, AND INFRASTRUCTURE: Investments in infrastructure are crucial to achieving sustainable development.

GOAL 10: REDUCED INEQUALITIES: To reduce inequalities, policies should be universal in principle, paying attention to the needs of disadvantaged and marginalized populations.

GOAL 11: SUSTAINABLE CITIES AND COMMUNITIES: There needs to be a future in which cities provide opportunities for all, with access to basic services, energy, housing, transportation and more.

GOAL 12: RESPONSIBLE CONSUMPTION AND PRODUCTION: Responsible Production and Consumption.

GOAL 13: CLIMATE ACTION: Climate change is a global challenge that affects everyone, everywhere.

GOAL 14: LIFE BELOW WATER: Careful management of this essential global resource is a key feature of a sustainable future.

GOAL 15: LIFE ON LAND: Sustainably manage forests, combat desertification, halt and reverse land degradation, halt biodiversity loss.

GOAL 16: PEACE, JUSTICE, AND STRONG INSTITUTIONS: Access to justice for all, and building effective, accountable institutions at all levels.

GOAL 17: PARTNERSHIPS: Revitalize the global partnership for sustainable development. The present-day management is faced with the challenge of maintaining a balance between the environmental sustainability expectations and its business goals. This will definitely impact the decision-making, as also the types of businesses undertaken by any business organization.

INTRODUCTION TO STRATEGIC MANAGEMENT

DEFINITION OF STRATEGIC MANAGEMENT

- "Strategic management is the process by which a firm manages the formulation and implementation of its strategy" **(Carpenter, M. A., & Sanders, W. G. (2009).**

- The word strategy comes from the Greek word, strategies, meaning the **"General's views"**.

- A strategy combines explicit statements and implicit beliefs and understandings in and around an organization about:

a) **Mission:** Its core purpose (mission) and how, if at all, its mission will (or must) change in the future.

b) **Vision:** An image of its future direction and what it intends to achieve.

c) **Clientele:** Its scope, meaning, thereby, its main clientele now and those in the future (and consequently the potential clientele that are and will remain outside its scope).

d) **Resources:** The resources and competencies that create value for its clientele and how these will (or must) change to maintain and enhance the future value created.

e) **Present and Future**

• The foundations of its present competitive standing and future sustainability.

DIFFERENCE BETWEEN PLAN AND STRATEGY

PLAN:

- A plan is an arrangement, a pattern, a program, or a scheme for a definite purpose.

- A plan is very concrete in nature and does not allow for deviation. If "Plan A" doesn't work, you don't alter "Plan A" and try again. Rather, you move to "Plan B;" which may be totally different.

- A plan is most useful when staying well organized and on track is the highest priority.

- A plan provides a coherent framework from which to build and a sure direction to follow, with intermittent milestones to pass, to reach an end goal.

STRATEGY:

- A strategy is a blueprint, layout, design, or idea used to accomplish a specific goal.
- A strategy is very flexible and open to adaptation and change when needed.
- A strategy encourages openness and debate from every side of the equation.
- A strategy allows for a natural flow of thought and continual momentum that builds, till success is reached.

STRATEGIES

- The purpose of the strategy of the organization is to maximize the competitive advantages and, at the same time, minimize the competitive disadvantages.

For example, even though SBI Funds Management Limited, the Asset Management Company for SBI Mutual Fund, was a major competitor in the mutual fund business, it was not likely to achieve its challenging objective of achieving the number one position in the Indian Mutual Fund Industry, by significantly increasing the assets under its management and its net profits in 2021, without making a major change in strategy.

- A typical business entity normally considers three different types of strategies, as under:

a) **Corporate strategy** of a company covers the overall direction followed by the company.

- It is the general attitude of the company towards growing and managing its different business lines, products, and services.

b) **Business strategy** is to be prepared at the level of the business unit or at the level of product or service.

- A business strategy could be competitive or cooperative.

- Under a competitive strategy, a company might try to differentiate its services whereas, a company following a cooperative strategy may form an alliance with other companies to extend its reach to global markets and get a competitive advantage.
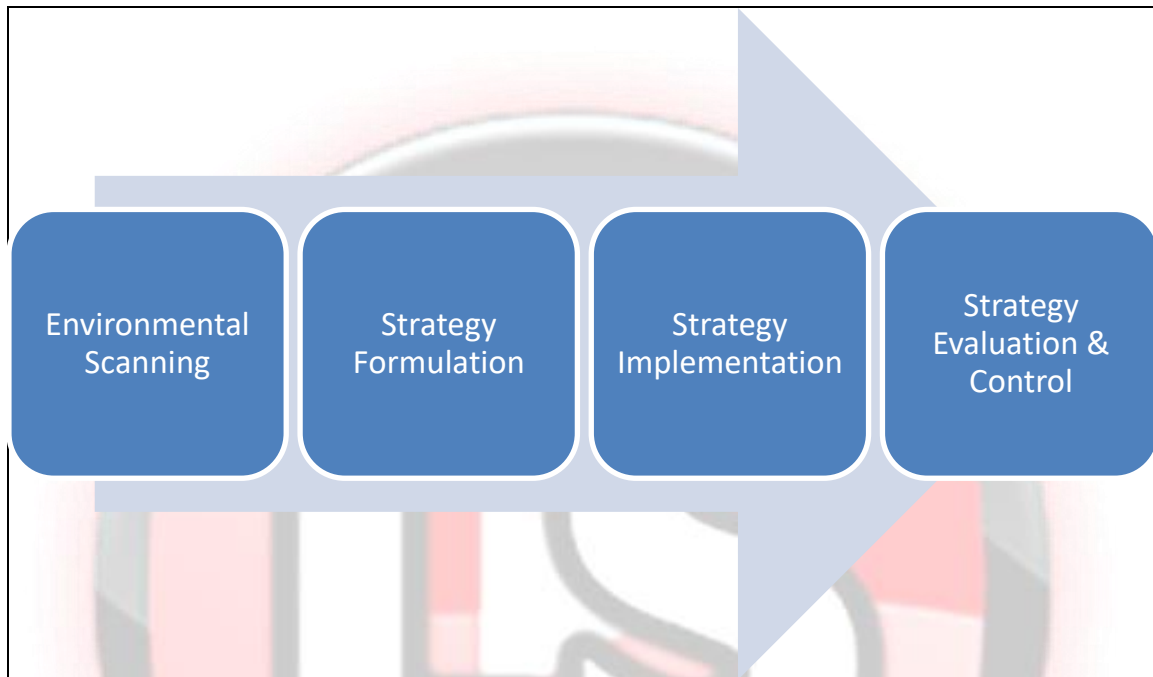
> For instance, Intel, which manufactures computer microprocessors, has allied with Microsoft to differentiate itself from AMD, its main competitor.

c) **Functional strategy** refers to the approach adopted by functional areas for achieving the objectives of the business unit and the company by maximizing the productivity of available resources.

It involves the development and fostering of a distinctive capability to create a competitive advantage.

> for example, Demand may be created by spending huge amounts on advertising and creating awareness about the distinct advantage of using the advertised products.

ELEMENTS OF STRATEGIC MANAGEMENT

Strategic management has the following four basic elements:

| Environmental Scanning | Strategy Formulation | Strategy Implementation | Strategy Evaluation & Control |

THE CONTEXT (ENVIRONMENTAL SCANNING)

- This refers to the monitoring, evaluation, and dissemination of information received from the internal and external environments.
- SWOT Analysis is one of the easiest ways of conducting environment scanning.
- The core competencies of an organization depend on its strengths. The Opportunities and Threats form part of external factors and are generally outside the ambit of the top management's short-term control.

STRATEGY FORMULATION

- On the basis of information gathered from situation analysis, to set strategic direction through business mission and vision statements, establish strategic objectives to reach there, and generate, evaluate, and select corporate, business, and functional strategies to pursue.

- Creating a vision is an essential act of leadership and it must relate to the expectations of its customers while being grand enough and imaginative enough to fuel the employees' spirit.

- A mission statement reveals what an organization wants to be and whom it wants to serve.

Organizational mission statements should include ten components:

- customers,
- products or services,
- markets,
- technology,
- concern for survival,
- growth and profitability,
- philosophy,
- self-concept,
- concern for public image, and
- concern for employees.

The Visions and Missions of some renowned entities are as under:

ENTITY	VISION	MISSION
SBI	Be the Bank of choice for a transforming India	Committed to providing simple, responsive, and innovative financial solutions
Google	• Google's Android phones offer its users free access to Google Maps and provide navigation and communication. Google is also branching into other areas as well, such as the famous Google cars that operate on their own. • This is part of Google's vision of a future where cars drive themselves and people can participate in more productive activities	To organize the world's information and make it universally accessible and useful.

	during their commute. • The site Google+ is part of Google's vision for social media, which is integrated into phones and all other aspects of life. • Google Chrome browser is part of the company's vision of a more open market for Web browser add-ons. • The innovative company has even started a new venture called Calico, which is focused on creating a healthier future for all mankind.	
The Titan Company Limited	We create elevating experiences for the people we touch and significantly	We will do this through a pioneering spirit and a caring, value-driven culture

	impact the world we work in.	that fosters innovation, drives performance and ensures the highest global standards in everything we do.
Aditya Birla Group PNB	To be a premium global conglomerate with a clear focus on each of the businesses. To position PNB as the 'Most Preferred Bank' for customers, the 'Best Place to Work In' for employees, and a 'Benchmark of Excellence' for the industry.	To deliver superior value to our customers, shareholders, employees, and society at large. Creating Value for all its customers, Investors, and Employees for being the first choice for all stakeholders.

STRATEGY IMPLEMENTATION

- Strategy implementation is the fine art of detailing: <u>what all is to be done, when various tasks are to be performed, where are they to be performed, how they are to be performed and who will perform</u>.
- Strategy implementation is the process of performing all the activities necessary to do what has been formulated.

STRATEGY EVALUATION AND CONTROL

Strategy evaluation is a logical step to obtain feedback on the strategy's performance and take corrective actions, if needed, in the light of constant external and internal changes.

PHASES OF STRATEGIC MANAGEMENT

A business entity normally develops its strategy in the following four phases:

BASIC BUDGETARY PLANNING

- This is an area where all managers, especially the Sales Managers, are involved in providing their views on the changes in the business environment and proposing the next year's budget.
- Although this planning exercise takes a lot of time, yet it is, at best, an elementary form of strategic management.

FORECAST-BASED PLANNING

- This has prompted managers to go in for a model for the long term. So, a project having a term longer than a year may be considered.
- However, this phase also needs a lot of management time to ensure the preparation of forecasts in a scientific manner.
- The flip side of this type of planning is the competition among managers to get a larger funds allocation for their area of operation.

EXTERNALLY ORIENTED (STRATEGIC) PLANNING

- In certain cases, because of ineffective five-year plans involving a lot of internal politics, the top management takes steps to control the entire strategic planning process by taking external help.
- Assistance from outside consultants is sought, wherever sophistication and innovation for gathering information and for projecting future trends, are required.
- The approach is top-down and strategic planning is entrusted to key managers of the organization, led by top in-house planning experts. The process involves the formulation of a formal strategy by top executives and implementation by lower-level managers.

STRATEGIC MANAGEMENT

- Instead of an annual plan, strategic plans for a longer term of five years were introduced with a continuous review at shorter intervals.
- The information on strategic planning was made available to all the managers, workers, and employees at various levels of the business entity, with the help of local area networks and intranets.
- External Consultants, to help to develop strategic plans, came into picture.
- Strategic management, therefore, became more broad-based, although the role of top management was slightly diluted because planning now no longer remained a top-down approach and became more and more interactive.

BENEFITS OF STRATEGIC MANAGEMENT

- The right strategy impacts a business entity's performance positively.
- Strategic planning continues to attain more and more important because of the ever-changing business environment.

The three most important benefits of strategic management are as under:

a) The management gets a clearer sense of the strategic vision of the business entity.
b) Management is able to clearly focus on strategically important issues, faced by the entity.
c) The dynamic environment can be better understood by management.

BUSINESS ENVIRONMENT ANALYSIS

- Take the case of the **Russia-Ukraine war**. It is impacting all countries and a lot of businesses across the globe.
- However, **war** or acts of God like an **earthquake, floods**, etc. are exceptions.
- There are other uncertainties, like technological changes and advancements, the ecological and social environment, regulatory changes, and political, social, cultural, and demographical changes, which can impact the performance of a business.
- The operating environment of a company like suppliers, customers, competitors, etc. may also change.

- It is, therefore, imperative that a **manager is able to analyse**, understand and appreciate the business environment in which the organisation operates.
- **A SWOT Analysis** helps a lot in such situations. Effective managers must understand their external environment well and have to remain prepared for any eventualities and contingencies.