STRATEGIC CHOICE

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INTRODUCTION

- Strategic choice is essentially a decision making process. The decision making process consist of setting objectives , generating alternatives that will help the organization achieve its objectives in the best possible manner and finally implementing the chosen alternative.

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- Strategic choice could be defined as

" The decision to select from among the grand strategies considered, the strategy which will best meet the enterprise's objectives. The decision involves focusing on a few alternatives, considering the selection factors, evaluating the alternatives against these criteria and making the actual choice"

STEPS IN STRATEGIC CHOICE (OR) THE PROCESS OF STRATEGIC CHOICE

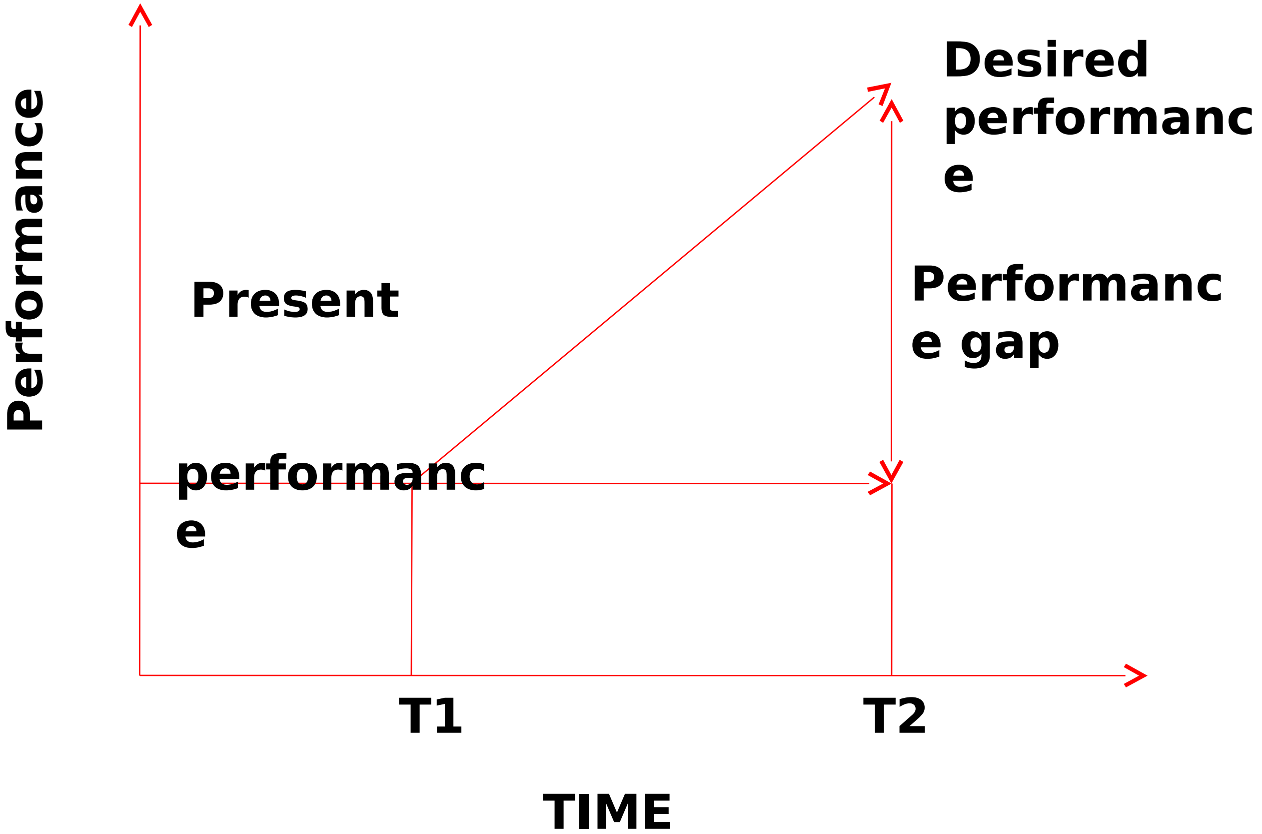
- There are four steps in the process of strategic choice as enumerated below:

  1. Focusing on strategic alternatives.
  2. Analysing the strategic alternatives.
  3. Evaluating the strategic alternatives.
  4. Choosing from among the strategic alternatives.

I.FOCUSSING ON STRATEGIC ALTERNATIVES

- Focusing on alternatives could be done by visualizing the future state and working backwards. This done through Gap analysis.
- A company sets objectives for a future period of time, say three through five years and then works backward to find out where it can reach through the present level of efforts. By analyzing the difference between the projected and desired performance, a gap could be found.
- **Gap analysis = projected performance – desired performance**

GAP ANALYSIS FOR FOCUSSING ON STRATEGIC ALTERNATIVES



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- At corporate level , the strategic alternatives are four : **Expansion, Stability, Retrenchment and Combination.**
- **STABILITY STRATEGY-** where the gap is narrow the stability strategy would seem to be a feasible alternative. **Ex:** HUL lifebuoy soap.
- **EXPANSION STRATEGY-** If the gap is large due to expected environmental opportunities, expansion strategies are more likely. **Ex:** HUL introduced Sunslik shampoo in US first and then expanded its product to Europe, Asia and Latin. Which increased its market potential.
- **RETRENCHMENT STRATEGY** – If the gap is large due to past and expected bad performance, retrenchment strategies may be more suitable**. Ex:** Nokia refocused its strategy with a partnership of Microsoft.
- **COMBINATION STRATEGY** – In a complex scenario where multiple reasons are responsible for the gap, combination strategy likely to occur. **Ex:** Reliance Industries, while consolidating its position in the existing businesses such as textile and petrochemicals, aggressively entered new areas such as Information Technology.

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- At business level the Organization need to think alternative ways of competing.
- Choice is essentially between positioning the business as being low-cost, differentiated or focused.
- It needs to understand the conditions of the industry’s risk and benefit of each competitive positioning before making a choice.
- The three dimensions along which a business is defined **customer groups, customer functions and alternative technologies,** enable a decision maker to think in a structured fashion and systematically move in one or more dimensions, generating a number of feasible alternatives.

II. ANALYSING THE STRATEGIC ALTERNATIVES

An analysis has to rely on certain factors. These factors are termed as selection factors Such as objective factors and subjective factors.

- **The Objective Factors-** Based on analytical techniques and hard facts or data.

  For example: An example of an objective factor for selection is the market share, expressed as a percent of the total market share of a company's business in its industry.

- **The Subjective Factors-** Based on one's personal judgment, collective or descriptive factors.

  For example: An example of subjective factor is the perception of the company's top management regarding the prospects of the business in the next 2 to 3 years.

III. EVALUATING THE STRATEGIC ALTERNATIVES

- Evaluation of strategic alternatives basically involves bringing together the analysis done on the basis of the objective and subjective factors.
- To observe what is important, both the factors have to be consider together.

IV. CHOOSING FROM AMONG THE STRATEGIC ALTERNATIVES

- The evaluation of strategic choice should lead to a clear assessment of which alternative is the most suitable under the existing conditions.
- The final step of making the strategic choice. One or more strategies have to be chosen for implementation. Also a blue print has to be made that will describe the strategy and the condition under which they operates.

Subjective factors in strategic choice

- If the word were utterly logical ,strategic choice would simply be a rational, systematic process of finding alternatives, analysis and evaluating them and choosing the best one.
- It is widely accepted that strategic decision making is a complex activity no one set of factors can be sufficient for exercising a strategic choice.
- Here we are especially concerned about the subjective factors in strategic choice. subjective factors are essentially intuitive and descriptive in nature.

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We identify six types of subjective factors ,

- Consideration for government policies
- Perception of critical success factors and distinctive competencies
- Commitment to past strategic action
- Strategist’s decision styles and attitude to risk
- Internal political considerations
- Timing and competitor considerations

Consideration for government policies

- A significant feature of the Indian economy is that despite a series of Liberalization measures initiated since 1991-it still remain centrally planned and regulated. State intervention in business is very evident.
- strategies within organizations are aware of the crucial role that the government place shutdown policies and priorities.
- This is especially true in the case of industries such as a airlines, banking, pharmaceuticals, power, railways, or telecommunication, that depend heavily on government regulations .
- strategic alternatives companies have been considered by companies have to seen in the context of government policies.

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- Multinational companies in India such as Hindustan Unilever and ITC acknowledge that the strategic choice made by them have been dictated by national industrial and economic policies formulated by government.
- Changes in the government either at the central or the state level are of much significance to industrialist as they are concerned about the shift in policies and priorities and they likely impact, they would have on their business
- Annual reports by the chairman of companies invariably devote a lot of attention to the government policies and their impact on different industries and business.

Perception of CSFs and distinctive competencies

- Critical success factors and distinctive competencies are important issues in government and organizational appraisal. How they are perceived by strategies make them important subjective factors in strategic choice
- While considering several strategic alternatives, strategies could be guided by the distinctive competency they the organization possesses and they CSF that ensure success in an Industry.
- For Instance if the CSF in a particular industry are low cost productions, ensure supply of raw material and the quality of the after sales service then an organization can evaluate itself on these basis ad conclude whether it processes significant strength in these areas or not.

Commitment to past strategic action

- It is rare that an organization completely break away from its past strategies and embarks upon a totally low course of action. Experience shows that they move in an incremental fashion. Called upon to exercise a strategic choice, strategies are more likely to start from where the organization is, and work up the way have been adopted by it to reach where it was.
- There is another practical reason why past strategic action affects strategic choice. Strategic reason involve not only the formations of particular strategies that also commitment in terms of resource and personal.
- Having made a serious commitment is difficult to move to areas where existing resources and person become redundant.

CONTINGENCY STRATEGIES

- Strategic choice is made on the basis of certain conditions, assumptions and premises. Where there is a change of conditions, shift in assumptions and the premises do not turn out to be wholly valid, then the strategy chosen becomes partly irrelevant.
- Contingency strategies are formulated in advance to deal with uncertainties that are natural part of business.
- The Indian companies which formulate the contingency strategies in order to cope up with environmental changes and uncertainties associated with environmental forecasting.

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- Government and bureaucracy make contingency strategies specially related to defense and management of law and order to avert crisis and manage if it occur.
- **For example :**

1. Industries that are open to vagaries of nature such as oil and gas often make contingency strategies.
2. Industries exposed to higher risk such as air transportation and insurance too need contingency strategies.

Strategy implementation

- Strategy implementation mainly concerns the managerial exercise of putting a freshly chosen strategy into place. The strategic plan devised by the organization proposes the manner in which strategies could put in action.
- Strategies by themselves do not lead to action. They are, in sense, a statement of intent implementation tasks are meant to realize the intent.
- Strategies, therefore have to be activated through implementation.

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- The characteristics and nature of strategy implementation are,
  - Action oriented.
  - Comprehensive in scope.
  - Demanding varied skills.
  - Wide ranging involvement.
  - Integrated process.

Barriers to strategy implementation

- Hrebiniak's own empirical findings listed the following major obstacles are,
  - An inability to manage change.
  - Poor or vague strategy.
  - Not having guidance or a model to guide implementation efforts.
  - Poor or inadequate information sharing.
  - Unclear responsibility and accountability.
  - Working against the organizational power structure.

MAJOR THEMES IN STRATEGY IMPLANTATION

- Activating strategies
- Managing Change
- Achieving effectiveness

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- **Activating strategies**

  The theme of activating strategies serve to prepare the ground for managerial tasks and activities of strategy implementation. we have identified three sets of activity under this theme that we believe to be relevant for Indian organization. They are

  1.project implementation.

  2.process implementation.

  3.resource allocation.

- The activation strategy is depicted in the form of pyramid is shown in the following figure.

The pyramid of activation strategy

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- The activation strategy is depicted in the form of pyramid with strategies at the top.
- Strategies lead to several plans. Each plan lead to several programmes. Each programme result in numerous projects for the development of new product.
- Projects are supported by budgets prepared through the resource allocation process. The administrative mechanism of policies ,procedure ,rules and regulation support the working of the organization while it implements the projects, programme, plans and strategies.

Managing change

- The next theme is the core of strategy implementation and deal with managing change in complex situations.
- Managing change therefore is an essential requirement for the success of strategy implementation. Managers are often referred to as change agents. They diagnose the organization problems or proactively anticipate future challenges and opportunities and then proceed plan for change.

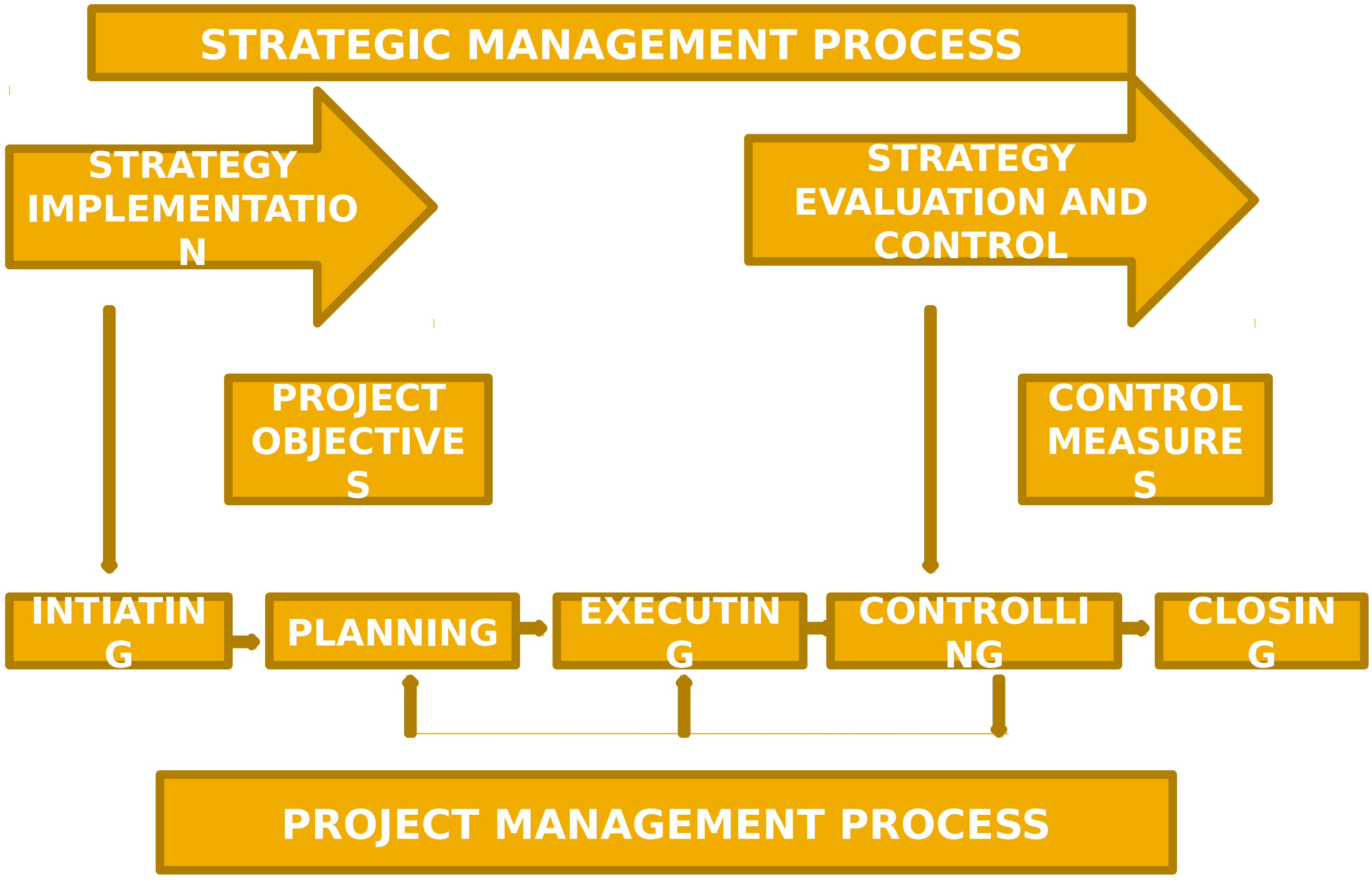
Achieving effectiveness

- The last theme in strategy implementation Is the outcome of the process. This theme will cover two sets of activities of functional and operational implementation.
- The method of achieving effectiveness is to improve organizational effectiveness such as profitability ,growth, market share, quality and efficiency and it cover a wide array of managerial effectiveness. These may also include, financial management, marketing management, operations, human resource management and information management.

Project implementation

- A project is the basic unit of a programme. A programme is a portfolio of projects that may be interrelated and interdependent in complex ways. Several programme are required to implement a plan.
- **Project management** is the discipline of initiating, planning, executing, controlling, and closing the work of a team to achieve specific goals and meet specific success criteria.

Strategy implementation through project management



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1 Initiate
Define preliminary project schedule, estimate cost and risk
Develop Project Charter
Plan resources
2 Plan
Define detailed project schedule, estimate cost and risk
Develop project management plan (PMP)
Secure resources
3 Execute
Conduct kick-off
Perform project work
4 Monitor & Control
Manage scope
Manage schedule
Manage costs
Manage risks
Manage stakeholders and project team
5 Close
Perform administrative closure
Release project resources

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- **INITIATING:** projects are initiated as a part of a programme used to execute plan to implement strategies.
- **PLANNING:** A project plan document is prepared, providing details of identification activities, sequence of activities, cost estimates, time schedules,resource requirements and risk assessment.
- **EXECUTING:** The major part of project managemen t where the activities identified in the project plan are put into action.
- **CONTROLLING:** Keeping track of the execution process through controls exercised on cost,time,resource utilisation and risk.
- **CLOSING:** The formal end of the project involving adminstrative closure and handing over to the operative personnel.

THANK YOU