

Module 3: Chapter 4

STRATEGIC MANAGEMENT



**Indian Association of Preventive and Social Medicine
Gujarat Chapter**

Chapter 4: Strategic Management

Learning Objectives:

After reading this chapter the participants will be able to:

1. Understand the concept of strategic management
2. Know the principles & process of strategic managements
3. Enlist the advantages of strategic management

Any organization that doesn't plan for the future isn't likely to have one.

Planning without action is futile, but action without planning is fatal.

Strategy Management:

- Under National AIDS Control Program, in the beginning focus was towards generating mass awareness through mass media, but later on it was shifted to focused IEC in High Risk Group and interventions for Targeted Groups.
- For Polio eradication; routine immunization, supplementary immunization, surveillance of AFP & targeted “mop-up” campaigns are considered four pillars.
- New approaches for prevention and control of vector-borne diseases are emphasizing "Integrated Vector Management" – as an approach that reinforces linkages between health and environment, optimizing benefits to both.
- In routine immunization at PHC out reach session are planned on fixed date and day.

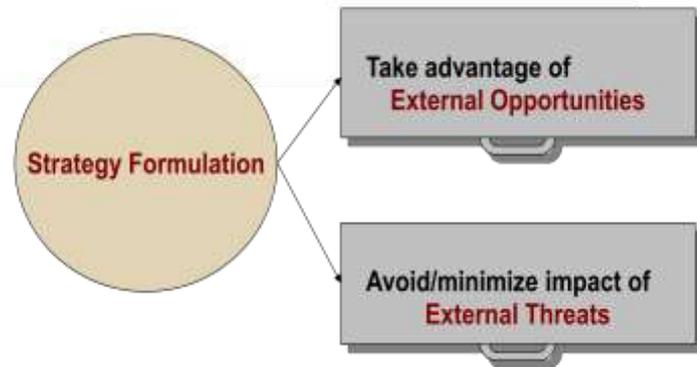
The commonality out of all above situations is that an approach, method, ways are suggested and being used in all situation are helping in achieving the goal and objectives of the respective programs. These approach, methods, ways etc are the called “strategies”. Strategy is an action an organization takes to attain superior performance and *formulating, implementing and evaluating such strategies are strategic Management.*

Resources are scarce and health problems are numerous, also epidemiological picture of health situation keep on changing from over the period of time as well as it varies from place to place. Over the period of time epidemiological understanding of the health situation increased, newer drugs, technologies and instruments are coming up. Hence it is required to adopt the strategy which gives and advantage over the other one.

Strategic Management can be defined as the art and science of formulating, implementing, and evaluating cross-functional decisions that enable an organization to achieve its objectives.

Strategy is management's overall plan and actions for deploying resources and skills taking into consideration opportunities and threats in the environment to achieve its mission, vision and objectives and to establish a favorable competitive position or success. Strategic management is therefore concerned with overall all functions of Management.

Basic Tenet of Strategic Management



The term *strategic management* is used synonymously with the term *strategic planning*. The latter term is more often used in the field or business world, whereas the former is often used in academia. Many occasions the term *strategic management* is used to refer to strategy formulation, implementation, and evaluation, with *strategic planning* referring only to strategy formulation.

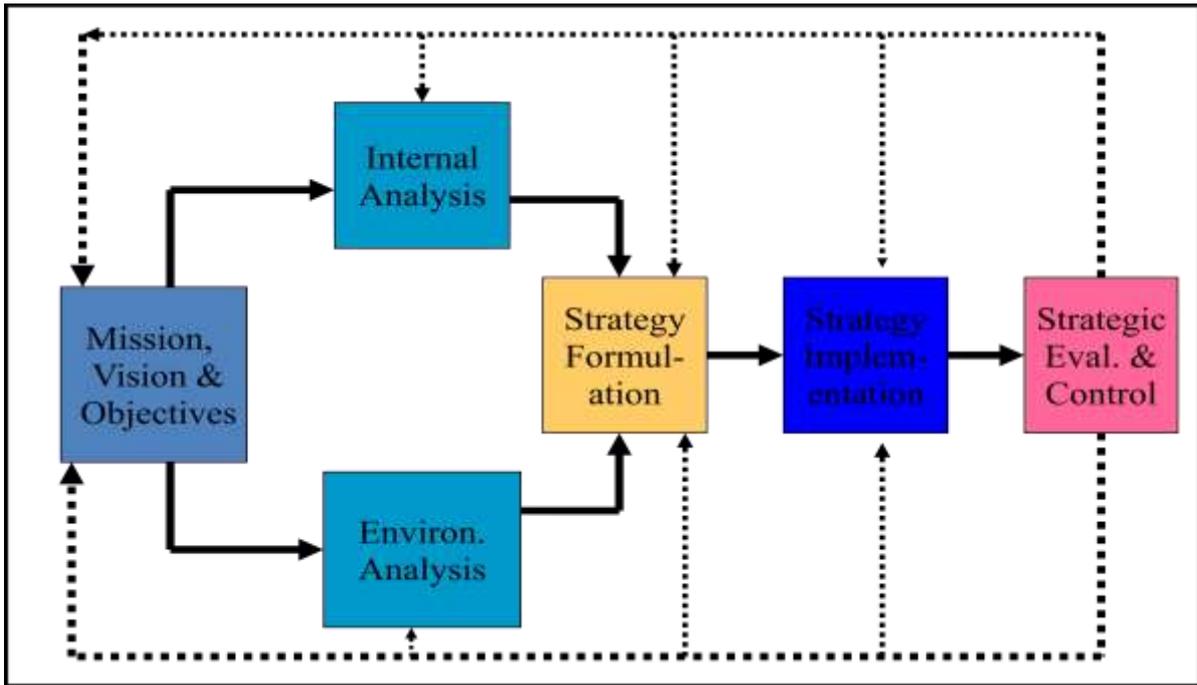
Strategic plan is, in essence, a game plan for any project or program. Just as a cricket team needs a good game plan to have a chance for success, a organization must have a good strategic plan to have compete success. A strategic plan results from tough managerial choices among numerous good alternatives, and it signals commitment to specific health situation, policies, procedures, and implementation in lieu of other, "less desirable" courses of action.

Strategic planning forces managers to think analytically. It stresses on paying attention on the future output and outcome i.e. success or failure. It helps in developing greater understanding about environment and develops ability and outlook of managers to see on the basis of performance evaluation and assessment

Strategic Management Process:

The process by which managers choose a set of strategies to pursue goal and objectives of the organization is Strategic Management Process.

Strategic Management Process is on-going and continuous cycle of situation analysis (internal evaluation & environmental scanning), establishing a mission, vision and objectives strategy formulation, strategy implementation, strategic control and performance Evaluation.



The *strategic-management process* consists of three stages: strategy formulation, strategy implementation, and strategy evaluation.



Strategy formulation:

It *includes* developing a vision and mission, identifying an organization’s external opportunities and threats, determining internal strengths and weaknesses, establishing long-term objectives, generating alternative strategies, and choosing particular strategies to pursue.

The strategy formulation process involves designing a course of action for addressing strategic issues facing the organization, program, project after going through the external and internal evaluation processes. Actual strategy of a program, project or organization involves planned **or intended actions**, i.e. deliberate & purposeful actions or **reactive or emergent actions** i.e. reactions to unanticipated events in program, project or organization’s micro and macro environments.



Strategy formulation is concerned with the all levels of program, project or organization:

High Management Level (Governance, Corporate Level) : This strategies are known as Corporate strategies. These strategy deals with specific area Government/organization wants to be in & how to manage those areas. In Health sectors Government’s decision to identifying the thrust areas and allocation of resources are dealt at High Management Level: Focusing Rural Population, encouraging

Research or use of IT, involving AYUSH, launching NRHM, NUHM etc are some examples of strategy formulation at High Management Level. It can be well reflected in National Health Policy, National Goals and Five year plans as well as annual health budget.

Middle Level (Executive Level, Business or Implementation Level): Theses strategies are know as Competitive strategies or Implementation strategies: Conventionally in profit making business organize are always looking for get a competitive advantage in

given situation as well as over the competitors. In public health the strategies are mainly focusing getting the desired objectives in effective and efficient manners, i.e. with optimum use of resources. Mass approach to high Risk approach for prevention and control of any disease, integrated vector control strategy, Targeted Intervention in HIV control, DOTS etc are example of executive level strategies.

Lower Level (Operational, Functional Level): These strategies are known as functional strategies or operational strategies. These strategies are short goal-directed decisions & actions of an organization’s various operational or functional departments. Arranging a camp or campaign, reaching the target population though booth or house to house visits are examples of strategies concerning with lower level management.

Strategy-formulation issues include deciding what new project, program or health area to adopt, which program-project to abandon, how to allocate resources, whether to expand the services or integrate, whether to cover all areas or selected areas, how to overcome a hostile environment or barriers. Because no country, state or organization has unlimited resources, strategists must decide which alternative strategies will benefit the most. Strategy-formulation decisions commit to specific Health problem, program, project, services, method, and technologies over an extended period of time. Strategies determine long-term competitive advantages. For better or worse, strategic decisions have major multifunctional consequences and enduring effects. Top managers have the best perspective to understand fully the ramifications of strategy-formulation decisions; they have the authority to commit the resources necessary for implementation.

Strategy implementation:

It is often called the “action stage” of strategic management. Implementing strategy means mobilizing staff and managers to put formulated strategies into action. Often considered to be the most difficult stage in strategic management, strategy implementation requires personal discipline, commitment, and sacrifice.

Strategy implementation requires a development of annual objectives i.e. short term objectives or annual target, implementation policies, motivate staff and allocate resources to formulated resources

Strategies formulated but not implemented serve no useful purpose. Successful strategy implementation hinges upon managers’ ability to motivate employees, which is more an art than a science.



Interpersonal skills are especially critical for successful strategy implementation. Strategy-implementation activities affect all staff and managers in an organization. Every division and department must decide on answers to questions, such as “What must we do to implement our part of the program/project or organization’s strategy?” and “How best can we get the work done?” The challenge of implementation is to stimulate managers and employees to work with pride and enthusiasm toward achieving stated objectives.

Strategy evaluation:

Strategic Evaluation is the final stage in strategic management. Managers desperately



need to know when particular strategies are not working well. Good strategy gives an extra edge, while erroneous strategic decisions can have severe negative impact. Strategy evaluation is the primary means for obtaining this information. Strategic evaluation is vital to organization. Strategic evaluation is the process by which *desired outcomes* (mission, vision, & objectives) are compared with *achieved outcomes* to determine if there are gaps. If any gap is there then to initiate corrective actions by monitoring changes in environment – changing scenario, newer opportunities, peoples needs & expectations.

All strategies are subject to future modification because external and internal factors are constantly changing. Three fundamental strategy-evaluation activities are

- (1) Reviewing external and internal factors that are the bases for current strategies,
- (2) Measuring performance, and
- (3) Taking corrective actions.

Strategy evaluation is needed because success today is no guarantee of success tomorrow! Success always creates new and different problems; complacent organizations experience demise.

Benefits of Strategic Management:

1. It helps in identification of Opportunities
2. Objective view of management problems is developed.
3. Improved coordination & control among the staff, managers at all levels.
4. Minimizes adverse conditions & changes
5. Decisions that better support objectives are taken.
6. Effective allocation of time & resources can be carried out.
7. Internal communication among personnel improves.
8. Integration of individual behaviors is observed.
9. Clarification of individual responsibilities is sought.
10. Encourage forward thinking in managers.
11. Encourages favorable attitude toward change in team.
12. Provides discipline and formality to the management in activities.

KEY TERMS IN STRATEGIC MANAGEMENT

Strategic Competitiveness :

- When a organization successfully formulates and implements a value-creating strategy.

Strategy

- An integrated and coordinated set of commitments and actions designed to exploit core competencies and gain a competitive advantage.

Strategic Management Process

- **The full set of commitments, decisions, and actions required for a organization to achieve strategic competitiveness and earn above-average returns.**

Strategist : Strategic Leaders

They are the most responsible for success or failure of the organization. Strategists have various job titles, such as chief executive officer, president, owner, chair of the board, executive director, chancellor, dean, or entrepreneur. They are *usually found in high levels of management* , which help organization gather, analyze, and organize information, track the changes in situation and trends, develop forecasting model, evaluate corporate and divisional performance.

Effective strategic leaders manage the organization effectively & efficiently, sustain a high performance over time, make better decisions than their others, make candid, courageous, pragmatic decisions, understand how their decisions affect the internal systems in use by the organization, solicit feedback from peers, superiors and employees about their decisions and visions

Competitive Advantage :

- When a organization implements a strategy that its competitors are unable to duplicate or find too costly to try to imitate.
- Any thing an organization does for especially well compare to other.

Mission & Vision Statements

- **Vision Statements** *answers the question: "What do we want to become or what we wants to ultimately achieve?" It is a first step in strategic planning. Oftentimes it is a single sentence. Vision statement stretches and challenges people and evokes emotions and dreams. The vision goes beyond the mission statement and clarifies the long-term direction of the program/ organization. (Where the*

organization is going), it reflects management's aspirations for the organization/program.

Mission statement :

- Mission Statement specifies the areas /activities in which the organization intends to work and to whom it intends to serve. It is more concrete than the organization's vision. It is the basic purpose or reason for organization's existence, its values (role to stakeholders – clients-beneficiaries, staff, community, etc.).
- Mission statement answers the question “What &/or how we want to do? A clear mission statement describes the value and priorities of an organization and broadly charts its future direction.

Examples of Vision and Mission Statement :

- “Our vision is to take care of your vision.” by Stokes Eye Clinic, Florence, South Carolina, US.
- The Mission of the Indian Red Cross is to inspire, encourage and initiate at all times all forms of humanitarian activities so that human suffering can be minimized and even prevented and thus contribute to creating more congenial climate for peace.

Apollo Hospital: Vision & Mission Statement

- Apollo's vision for the next phase of development is to 'Touch a Billion Lives'.
- Our mission is to bring healthcare of International standards within the reach of every individual. We are committed to the achievement and maintenance of excellence in education, research and healthcare for the benefit of humanity.

Environmental Analysis

- It is one of the most important activities in the strategic management. It involves the evaluation of the “business” environment of the organization. All external influences that impact a Organization's decision and performance.

Environment consists of the international/national economy; changes in demographic structures; social, cultural and political trends; technology; legal, governmental and the natural environment, stakeholders, suppliers, clients/beneficiary; staff, unions and owners and shareholders, etc.

External opportunities and threats are refer to benefit or harm to the organization, program or project due to any change in above factors in environment.

- A basic tenet of strategic management is that organizations need to formulate strategies to take advantage of external opportunities and to avoid or reduce the impact of external threats.

Internal Analysis :

- It involves the evaluation Organization's resources and capabilities. Resources are tangible **resources like** financial or physical assets or **intangible resources like** brand name, reputation (product/service & organization), organizational culture, etc. **Capabilities or competencies are the** managerial ability, specialized skill & knowledge base of staff, etc.

- **Internal Strengths & Weaknesses**

Based on internal analysis of organizations strive to pursue strategies that capitalize on strengths and improve weaknesses. They arise in the management, promotion, finance, accounting, production/ operations, staff capacity, research and development, and management information systems. Identifying and evaluating organizational strengths and weaknesses in the functional areas of a business is an essential strategic management activity. Organizations strive to pursue strategies that capitalize on internal strengths and eliminate internal weaknesses.

Long Term Objectives :

Objectives can be defined as specific results that an organization, program or projects seeks to achieve in pursuing its basic mission or goal. *Long-term* means more than one year. Objectives are essential for organizational success because they state direction; aid in evaluation; create synergy; reveal priorities; focus coordination; and provide a basis for effective planning, organizing, motivating, and controlling activities. Objectives should be specific, measurable, achievable, relevant and time bound.

Strategies :

Strategies are the means by which long-term objectives will be achieved. Strategies are potential actions that require top management decisions and large amounts of the organization, program or project's resources. In addition, strategies affect an organization's long-term prosperity, typically for at least five years, and thus are future-oriented. Strategies have multifunctional or multidivisional consequences and require consideration of both the external and internal factors facing the organization.

Annual Objectives : Short term objectives

Annual objectives are short-term milestones that organizations must achieve to reach long term objectives. Like long-term objectives, annual objectives should be specific, measurable, achievable, relevant and time bound. We also use term “Target” for such short term objectives. Annual objectives should be established at the governance, executive and operational levels in a large organization. A set of annual objectives is needed for each long-term objective. Short term objectives to be framed for all or important divisions, activities or outputs. Short term objectives are especially important in strategy implementation, whereas long-term objectives are particularly important in strategy formulation. Annual objectives represent the basis for allocating resources.

Policies :

Policies are the means by which annual objectives will be achieved. Policies include guidelines, rules, and procedures established to support efforts to achieve stated objectives. Policies are guides to decision making and address repetitive or recurring situations.

Stakeholders :

- Individuals and groups who can affect, and are affected by, the strategic outcomes achieved and who have enforceable claims on an organization’s performance. Claims on the organization’s performance are enforced by the stakeholder’s ability to withhold participation essential to the organization’s survival. The more critical and valued a stakeholder’s participation, the greater a organization’s dependency on it. For health Government, beneficiaries, local leaders, religious leaders, family members of beneficiaries, other health care providers, International and bilateral developmental agencies etc. Managers must find ways to either accommodate or insulate the organization from the demands of stakeholders controlling critical resources.

In short:

- Strategies are means to achieve long term objectives, while annual objectives are means to achieve long term objectives. Annual objectives are brocket parts of long term objectives. Polices are means to achieve annual objectives.

SWOT and Strategic Choice

The *Strengths-Weaknesses-Opportunities-Threats (SWOT) Matrix* is an important matching tool that helps managers develop four types of strategies: SO (strengths-opportunities) Strategies, WO (weaknesses-opportunities) Strategies, ST (strengths-threats) Strategies, and WT (weaknesses-threats) Strategies.³ Matching key external and internal factors is the most difficult part of developing a SWOT Matrix and requires good judgment—and there is no one best set of matches.

SWOT Matrix

Analysis	Strengths – S	Weaknesses – W
Opportunities – O	SO Strategies <i>Use strengths to take advantage of opportunities</i>	WO Strategies <i>Overcoming weaknesses by taking advantage of opportunities</i>
Threats – T	ST Strategies <i>Use strengths to avoid threats</i>	WT Strategies <i>Minimize weaknesses and avoid threats</i>

SO Strategies use an organization's internal strengths to take advantage of external opportunities. All managers would like their organizations to be in a position in which internal strengths can be used to take advantage of external trends and events. Organizations generally will pursue WO, ST, or WT strategies to get into a situation in which they can apply SO Strategies. When an organization has major weaknesses, it will strive to overcome them and make them strengths. When an organization faces major threats, it will seek to avoid them to concentrate on opportunities.

WO Strategies aim at improving internal weaknesses by taking advantage of external opportunities. Sometimes key external opportunities exist, but an organization has internal weaknesses that prevent it from exploiting those opportunities. For example, there may be a high demand for electronic devices to control the amount and timing of fuel injection in automobile engines (opportunity), but a certain auto parts manufacturer may lack the technology required for producing these devices (weakness). One possible WO Strategy would be to acquire this technology by forming a

joint venture with an organization having competency in this area. An alternative WO Strategy would be to hire and train people with the required technical capabilities.

ST Strategies use an organization's strengths to avoid or reduce the impact of external threats. This does not mean that a strong organization should always meet threats in the external environment head-on.

WT Strategies are defensive tactics directed at reducing internal weakness and avoiding external threats. An organization faced with numerous external threats and internal weaknesses may indeed be in a precarious position. In fact, such an organization may have to fight for its survival, merge, retrench, declare bankruptcy, or choose liquidation.

Note that a SWOT Matrix is composed of nine cells. As shown, there are four key factor cells, four strategy cells, and one cell that is always left blank (the upper-left cell). The four strategy cells, labeled *SO*, *WO*, *ST*, and *WT*, are developed after completing four key factor cells, labeled *S*, *W*, *O*, and *T*. There are eight steps involved in constructing a SWOT Matrix:

1. List the organization's key external opportunities.
2. List the organization's key external threats.
3. List the organization's key internal strengths.
4. List the organization's key internal weaknesses.
5. Match internal strengths with external opportunities, and record the resultant SO Strategies in the appropriate cell.
6. Match internal weaknesses with external opportunities, and record the resultant WO Strategies.
7. Match internal strengths with external threats, and record the resultant ST Strategies.
8. Match internal weaknesses with external threats, and record the resultant WT Strategies.

Although the SWOT matrix is widely used in strategic planning, the analysis does have some limitations. First, SWOT does not show how to achieve a competitive advantage, so it must not be an end in itself. The matrix should be the starting point for a discussion on how proposed strategies could be implemented as well as cost-benefit considerations that ultimately could lead to competitive advantage. Second, SWOT is a static assessment (or snapshot) in time. A SWOT matrix can be like studying a single frame of a motion picture where you see the lead characters and the setting but have no clue as to the plot. As circumstances, capabilities, threats, and strategies change, the

dynamics of a competitive environment may not be revealed in a single matrix. Third, SWOT analysis may lead the organization to overemphasize a single internal or external factor in formulating strategies. There are interrelationships among the key internal and external factors that SWOT does not reveal that may be important in devising strategies.