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Strategy formulation: A view

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Abstract: *Strategy is, "a unified, compressive and integrated plan designed to ensure that the basic objectives of the enterprise are achieved.*

In business parlance the word strategy means a well planned course of action to achieve the desired objective. Military commander used to adopt an appropriate course of action to win the battle given the military resources and the war situation. In business also, organisations adopt different course of actions to take advantage of opportunities provided and threats posed by new developments. For example, Government of India has adopted the strategy of disinvestment in public sector undertakings to meet the resources for financing developmental expenditure on the other. Similarly a business organisation may choose a course of action i.e., strategy to face competition from multinational companies in the industry. Again, it may adopt a suitable course of action i.e., strategy to take advantage of an opportunity provided by environmental forces. For instance, teh company may diversify its production to exploit rising demand potential in the diversified sectors.

Key Words: *integrated plan designed, enterprise, business parlance, developments, disinvestment.*

Strategy as the determination of the basic long term goals and objectives of an enterprise and the adoption of the course of action and the allocation of resources necessary for carrying out these goals.

Strategy formulation is the development of long range plans for the effective management of environmental opportunities and threats in light of corporate strengths and weaknesses.

On analysing the above definition we come across the following characteristics of strategy:

1. Strategy is a planned course of action to achieve the desired objectives.
2. Strategy is a comprehensive process.
3. Strategy is an integrated process.
4. Strategy is an intellectual process.
5. Strategy is ordinarily formulated by top management. However specialists from outside may be associated.
6. Strategy is a long term process.
7. Strategy involves choice of alternative course of action.
8. Last but not the least, strategy is goal oriented.

No one can deny the importance of strategy in these days of cut throat competition and changing business scenario due to liberalisation and globalisation. Strategy enables a company to steer clear through rough weather and to take advantage of the opportunities provided by changing environment. Its need or importance would be clear from the following advantages:

1- Strategy serves as a guide like a light house. It guides the organisation to focus its attention on the achievement of the more important issues and not wasting its scarce resources on minor or insignificant issues. It provides answers to important philosophical questions relating to business. For example, what is our business? What will it be and what should it be? These are the most fundamental questions which any organisation can planning and action.

2- Strategy implies the determination of basic long-term objectives and goals of course of action for the organisation, allocation and utilisation of resources necessary to achieve these objectives. Strategy aims at achieving the objectives of an organisation inspire of threats posed by environmental changes.



3- Changing business environment poses threats to business organisations. Strategy enables the management to boldly face the threats posed by changing environment.

4- Environmental changes not only pose threats to the organisation but also provide opportunities: Strategy enables the management to enjoy the fruits of such opportunities.

5- Strategy enhances capability of an organisation for example, it increases profit or market share of an organisation. An organisation takes steps to reduce its costs or eliminate wasteful expenditure.

6- It is a corollary of the previous point. A company can enhance its organisational capability in many ways. One of them may be by improving its competitive strength. It is done by formulating strategies to increase market share or to counter the move of the competitors.

Last but not the least, strategy helps in optimum utilisation of resources. It is done by rational allocation of scarce resources and their utilisation through Strategy policies. For example, reduction in price will increase sales which may not only offset the loss caused by reduction in prices but may also enable the company to better negotiate with component suppliers.

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