STRATEGIC MANAGEMENT DECISION MAKING FRAME WORK

Strategic management intends to run an organization in a systematized fashion by developing a series of plans and policies known as strategic plans, functional policies, structural plans and operational plans.
For strategic planning and the planning process must be holistic, a periodic, futuristic intellectual and creative with emphasis given on critical resources of the firm otherwise, the organization will fall in the traps of tunneled vision, inertia myopia frenzy and dilution.

STRATEGY AT DIFFERENT LEVELS:

Strategies at different levels are the outcomes of different planning needs. There are two extreme modes of planning namely proactive mode and reactive mode. value system of the top executives in respect of risk may be described with reference to two extreme states, viz. high risk taking state and low risk taking state. Plan at this apex level assigns priorities for allocation of corporate resources among the various business units.

Business strategy is the managerial plan for achieving the goal of the business unit.

The two most important internal aspects of a business strategy are the identification of critical resources and the development of distinctive competence for translation into competitive advantage.
Functional strategy is the low level plan to carryout principal activities of a business.

FINANCIAL PLANNING

Financial planning is the backbone of the business planning and corporate planning.

There is a general belief that profit maximization is the main financial objective. In reality it is not.
if one assigns more importance to short run profit maximization and avoids many activities like skill development, training programme, machine maintenance and after sales service, long run survival even may be at a stake and long run profit maximization may become a day dreaming concept. It is also worth pointing out that profit maximization objective does not take into consideration effects of time, It treats inflows of equal magnitude to be received at different time points as equal and thereby ignores the fact that money values changes over time.

INTERFACE OF FINANCIAL POLICY AND STRATEGIC MANAGEMENT

Sources of finance and capital structure are the most important dimensions of a strategic plan. Another important dimension of strategic management and financial policy interface is the investment and fund allocation decisions. Financial policy of a company cannot be worked out in isolation of other functional policies. The nature of interdependence is the crucial factor to be studied and modelled by using an in depth analytical approach. This is a very difficult task compared to usual cause and effect study because corporate strategy is the cause and financial policy is the effect and sometimes financial policy is the cause and corporate strategy is the effect. This calls for a bipolar move.

BALANCING FINANCIAL GOALS VIS-À-VIS SUSTAINABLE GROWTH

right distribution of resources may take a difficult shape if we take into consideration the rightness not for the current stakeholders but for the future stake holders also.

One may have noticed the save fuel campaign, a demarketing campaign that deviates from the usual approach of sales growth strategy and preaches for conservation of fuel for their use across generation. Incremental growth strategy, profit strategy and pause strategy are other variants of stable growth strategy. The strong concept of sustainability is concerned with the preservation of resources under the primacy of ecosystem functioning.

A firm has to think more about the collective needs and less about the personal needs. This calls for taking initiatives to modify, to some extent, the human behaviour.

PRINCIPLES OF VALUATION

the degree of sustainability approach for sustainability and modification in the sustainability principle must be based on financial evaluation Basically there are two alternative methods for evaluation. valuation method pricing method. Valuation method depends on demand curve approach by either making use of expressed preferences or making use of revealed preference. Pricing method is a non demand curve approach that takes into consideration either opportunity costs or alternative costs or shadow projects or government payments or those response method depending on the nature of the problem and environmental situation. In case of sustainable growth the conventional cost benefit analysis may not be an appropriate tool for making choice decision. because conventional cost-benefit analysis draws no distinction between natural capital and man made capital Within the constant natural assets rule the extended cost-benefit analysis can still retain the flavour of economic efficiency if one takes into consideration how resources should be best allocated among the competing users.