Strategic choice

‘choosing one action among several actions selected by the firm to respond to the changes in the environment, in order to benefit from opportunities or to avoid unhealthy effects from threats.’

‘The main intention is to achieve the strategic fit between the organization and it’s environment in order to accomplish the firm’s objectives by using it’s strengths to overcome it’s weakness.’
Factors to be considered before making a strategic choice

1. An analysis of the environmental analysis
   1. SWOT Analysis,
   2. PEST Analysis,
   3. Market Analysis – (Michael Porter’s five forces of competitive strategies)

2. An analysis of the company’s resources
   1. financial resource,
   2. human resource, expertise,
   3. core competencies,
   4. value chain analysis (Michael Porter’s)

3. Portfolio Analysis
   1. BCG matrix,
   2. PLC,
   3. GE screening (9 CELL Model)
   4. SHELL Directional Matrix)
Factors to be considered before making a strategic choice

1. Stakeholder expectations.

2. The values and preferences of management decision-makers.

3. The realities of organizational climate.
   1. Management style
   2. Culture
   3. Structure
Strategic choices

Strategic choices should meet one or all of the following criteria

- **Suitability:** refers to considerations as the ability of the strategy to tackle major problems, improve competitive standing, exploit strengths, and the extent to which it meets corporate objectives.

- **Feasibility:** It refers to the extent to which that strategy can be achieved given the financial, physical and human resource base of the company. In other words, the capability of the company allows the co. to go ahead with a particular strategy.

- **Acceptability:** The strategy to be adopted should be acceptable to various interested parties, such as management, employees, shareholders and customers. Shareholders may be particularly sensitive to strategies of the acquisition. The ultimate acceptance of a particular strategy might depend on the attitude of senior management to risk.

- **Sustainability:** this refers to the extent to which the strategy is difficult for others to copy or how definitely the firm can consistently hold on to its chosen strategy.
Types of strategic options

Miles and Snow (1978) offer four main types of strategy

1. Defensive
2. Prospective
3. Analyser
4. Reactive
Thinking behind....... 

1. Defensive – to defend the business activities
2. Prospective – to gain prospects
3. Analyser – to survive and sustain
4. Reactive – to keep afloat
The defender organization

- The key focus of most defenders is to reduce cost and achieve efficiency through low-cost operations.

- The defender is unlikely to innovate and is best suited to stable environments.
The prospector organization

- The prospector organizations operate with a wide range of products in a growing and usually fast-moving market.

- Prospectors tend to focus on innovation and new market opportunities.

- Prospector organizations tend to be flexible and decentralized and tend to be creative while remaining efficient.

- The prospector organizations tend to emphasize on R&D and marketing as the crucial functions.
The analyzer organization

- The analyzer organizations are rarely first in the market.

- These organizations follow others after a thorough analysis of the market and the competitors’ behaviour.

- Analyzers can be found in both stable environments where they tend to emphasize on cost reduction and in changing environments, where they emphasize product differentiation.
The reactor organization

- The reactor organizations tend to have mismatch between environment and their strategy.

- These organizations might not have any strategy at all.

- These organizations find it difficult to respond to the changes in the environment and their strategies could be inappropriate.