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The Impact of Company's Objectives on Strategic Management: A Case Study on Indian Retail Segment

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ABSTRACT:

This research analysis tries to showcase how objective setting helps retail business to strategically manage the affairs of a company. The analysis uses secondary descriptive data to support the arguments. Methodology contains the descriptive analysis of strategic management, objectives as a concept and types of objectives which could help companies to grow and sustain. It uses core subject concept like PESTEL analysis to analyse the external factors affecting the Indian retail sector.

INTRODUCTION:

Strategic management is a holistic process in which an organization utilises its resources to achieve end goals or objectives. Strategic management is a basic concept helpful for a company to analyse its position, its internal strengths and weaknesses, external impact factors like political set up; social aspects; demography and strategizing considering these factors and setting further course of action of a company. Course of action may be for short run or long run or both. An organisation can model its strategics in following phases

1) Setting up of comprehensible and realistic goals
2) Analysing its internal as well as external advantages or challenges. This can be done with the help of analytical tools like SWOT analysis, PORTERS five forces analysis, PESTEL analysis.
3) Based on the analysis company can strategize its future goals by clearly defining objectives, sourcing and allocating resources, relevant technological adoption.
4) Here idea or strategy is implemented. The set objectives and goals are placed on action.
5) In this phase evaluation of implemented strategies take place. Company uses various metrics to evaluate the efficiency of implemented strategies.

Strategic management helps companies achieve competitive edge among its rivals. It helps in effective working of a company towards its goals, prudent allocation of resources, efficient talent management, and its day-to-day operations. Strategic management keeps every other branch of business motivated to work towards set objectives.

Setting objectives is the first step in strategic management as well as company's sustainable growth. In simple terms, objectives are small steps company want to take and achieve them to realise end vision. Objectives of an organisation is set by top management, that is, it is part of corporate level strategy making. Objectives are very effective when they are quantifiable in nature as they help organisation get clear vision regarding goal attainment and also the timeframe.

Various types of objectives.

a) Revenue objectives: Company strategize its budget aspects, cost of production and project profits accordingly.
b) Developmental objectives: Internal development objective to achieve external development like expansion, rise in market share and long-term goals.
c) Training objectives: To provide employees with necessary knowledge with particular actions. This helps companies to stay competitive in dynamic business environment and increase performance level of employees.
d) Business/operations strategies: Restructuring as per the changing dynamics of business environment is the main focus of this strategy. It also focuses on operational aspect of business like B2B and B2C aspects.

e) Customer focused strategies: Creation value to the customer and positive customer experience are the major focus here. In retail business this aspect very crucial.

Retail industry in India:

Indian retail sector is growing in a multiplying way. Government's push towards private investment, open and ease of doing business, subsidy schemes has helped this industry to grow at a faster rate in recent days. But this sector is also very competitive and the differentiation factor is imperative to sustain in a long period. This competitive edge is provided by the carefully applied strategic management in general and smartly defined objectives in particular.

LITERATURE REVIEW:

Armstrong J.S in his study on formal planning (1982), articulated that formal planning is crucial bigger changes in an organisation. It reiterates the importance of setting up of achievable goals and planning for the same to achieve end objective.

de Burgos jimenez, J., and Cespedes Lorente, J. J. (2001), here authors explore how companies operate with environmentally friendly practices.

Engert, S, Rauter, R, and Baumgartner, R. J. (2016) in their study on business practices and its sustainability and strategic management, tried to highlight the shortcoming in availability of literature which can clearly demarcate the relationship between the business sustainability and strategic management.

Gunasekaran, A and Ngai, E.W (2004), explained how adoption how information technology could help companies excel in their supply chain management objective.

MacLennan, A.F, Markides, C.C (2021), suggests companies to have map of strategic execution to help track the objective goal attainment. This is done by converting wider objectives into specific smaller goals and internalise these goals into employees. They also warn of challenges and failure to adopt to those challenges.

Sitkin, S. B., See, K. E., Miller, C. C., Lawless, M. W., & Carton, A. M. (2011), in their concept of stretch goals, authors suggest to have short term and long run goals. And companies must balance the both to excel in long run goals. They also suggested companies to have exploring attitude to attain long run objectives and sustain.

OBJECTIVES:

1) Defining objective and explaining various kinds objectives which can be used by an organisation to achieve the goals.
2) To explain how objective setting positively impact strategic management in a company and how it extends to help achieve end results.
3) Analyse various company's objectives and those objectives helped the said companies to achieve growth prospects.

RESEARCH METHODOLOGY:

Design: This paper uses qualitative, descriptive method using secondary data to study the impact of objective setting on Indian retail segment.

Data collection: The data for this study is adopted through secondary sources like research papers, news articles, website information.

Analysis: The data adopted through various secondary sources is used to do SWOT analysis, PESTEL analysis

Scope: This research analysis will help in understanding nature of objectives of a company and its impact on strategic management of a company. Industry analysis of Indian retail sector would help students, investors and common readers.

Scope for future study: In depth analysis through close interviews or questionnaires with industry experts, executives of companies, academicians to clearly understand the strategic objectives used by the Indian retail business to sustain themselves in this highly competitive business environment and also what factors contributing to the tremendous growth of the said sector.

Indian Retail Sector and its analysis:

Indian retail space is growing at the fastest rate in the world. Its projected growth rate is \$1.5 trillion by 2030 from present around \$1 trillion with CAGR of 9%. Retail industry contribute 10% to Indian GDP. FMCG holds largest share in total retail space (EXHIBIT).

Reasons for growth:

a) Overall national economic growth
b) Rising middle class and increased spending capacity
c) Increased private investment in retail sector due to ease of doing business
d) Technological growth and positive adoption of technology by population leading to convenient way of buying

PESTEL Analysis of Indian retail sector:

a) Political factors: Indian laws, regulations are conducive to operate in India. Rules regarding FDI are in favourable to free flow of investment into retail business and selling of foreign brands (51% through government approval mode). Subsidy schemes under PLI to electronic sector would help in easy, cheap and quicker availability of electric goods. Easy accessibility of real estate by easing the conversion of agricultural land into commercial property will help in expansion. India's geopolitical relations also positively impact its retail business growth. Its membership in major multilateral groups(G20,BRICS) and strategic partnership with some of the nations like JAPAN, SINGAPORE, UK help it to attract investment.

b) Economic factors: India is growing at a faster rate and is creating wealth to its population which has contributed to increased consumption. Presently it is 3rd largest economy in terms of PPP (purchasing power parity) (https://www.ibef.org/industry/retail-india). Its GDP since the start of 21st century is averaged at 6%. This growth nation has created strong middle-class segment in population whose disposable income has contributed to increased demand in economy. This kind of factors obviously contribute to growth of specific industry like retail.

c) Social factors: Change in social fabric like increased single working youths in urban cities, increased nuclear families, comfort oriented lifestyle, changed consumption pattern due to globalisation has changed the working retail sector in a big way. India is predominated by educated youth population and economic growth has increased the disposable income of this youth segment. This segment is attracted to branded and superior quality products and ready to pay the higher price for such requirement. Increased nuclear family means increased demand for everyday goods and services. Companies are ready to invest in FMCG, electric goods, garment and online retailing to get the slice of profit in such a huge market.

d) Technological factors: Fast changing technological aspects has also affected every aspect of life. Its has changed the product perception, consumption pattern, perception of shopping and also made companies vulnerable in terms of security and competition. Time constrains or comfort lifestyle has made online delivery system more attractive and a retail store without delivery system going to lose considerable amount of business and unsustainable in long run.

e) Environmental factors: This is restrictive in nature. Companies are expected to value the sustainable way of doing business without harming the balance of nature. Government has bought many laws and regulation regarding the environment friendly business practices. For example, treatment of waste water before releasing to fresh water sources, plastic waste management, chemical waste management, restrictions to do business in certain areas, emission consciousness.

f) Legal factors: Legal system in a country help industry thrive. In particular, Indian laws regarding anti-competitive practises help smaller players to sustain against big players and also safeguarded consumers, import dumping rules help domestic players sustain from cheaper foreign goods, rules against smuggling; duplication; counterfeiting has helped increase in investment in retail industry. Some of the rules are designed to safeguard consumer rights and environment which companies has to follow.

OBJECTIVES OF A COMPANY AND ITS IMPACT:

As stated above objectives of a company are the holistic processes, plannings and implementation of a company, which helps companies to achieve their final objective. There are various types of objectives which can be broadly divided among 4 levels, that is, corporate level, business level, functional level, individual level.

At corporate level, strategic objectives are multitiered goals which are defined by leaders. Corporates has to set objectives with following characteristics to achieve those objectives,

a) Specific and simple: Objective has to be specific and not in vogue terms.

For example, core objective of Dmart is "to provide customers better products at great value". In this, objective is specific (better products at great value) and simple to comprehend.

b) Measurable: Objective of an organisations shall be measurable that is quantifiable. For example, a company with clear profit goal for its coming quarter with specific number will have better objective statement than the company which has vague profit goals.

c) Achievable/ Realistic: Considering the reality of company, it sets objectives which are realistic and can be achieved with its present capabilities.

d) Flexible: company's objective has to have agility to undergo changes according to the changing external factors like economic changes, social changes, technological changes.

e) Motivating: Objectives set by corporate leaders must motivate the employees. As a core resource of a company, people are in forefront to implement the objectives set by leaders. Hence, it must have above stated elements to inspire people of the company.

Business objectives includes,

a) Making sales: Foremost objective of a company is to make maximum sales to earn higher revenue. Production capacity building, efficient distribution and channel management, strategic partnership are other few objectives to achieve maximum sales.

b) Creation of value to the customer and customer satisfaction: Retailers must try create a positive atmosphere for customers to shop. And follow the present-day practices to make shopping a satisfying experience.

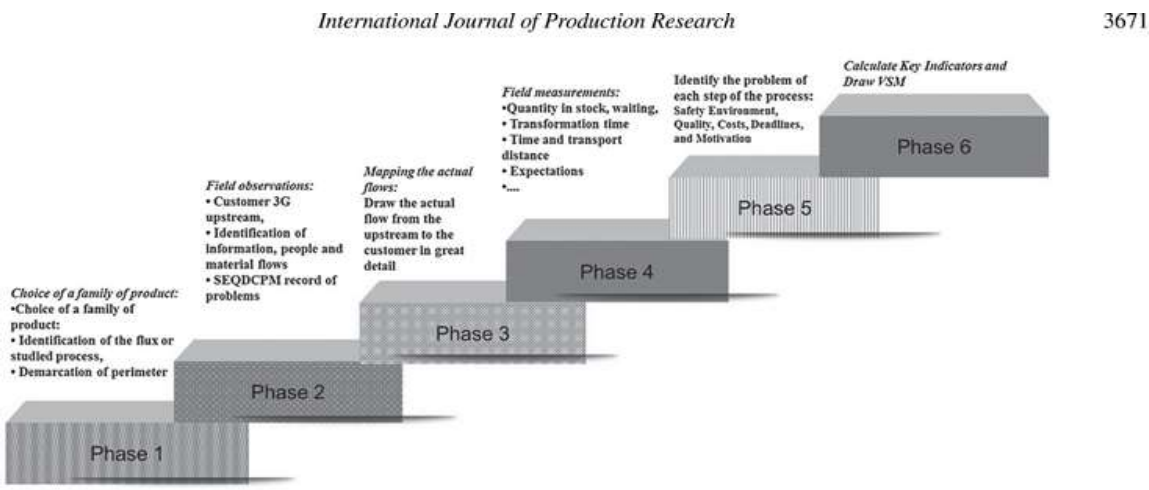
c) Creating a positive brand image: Brand image is defined as the perception customer has on particular product and that brand.

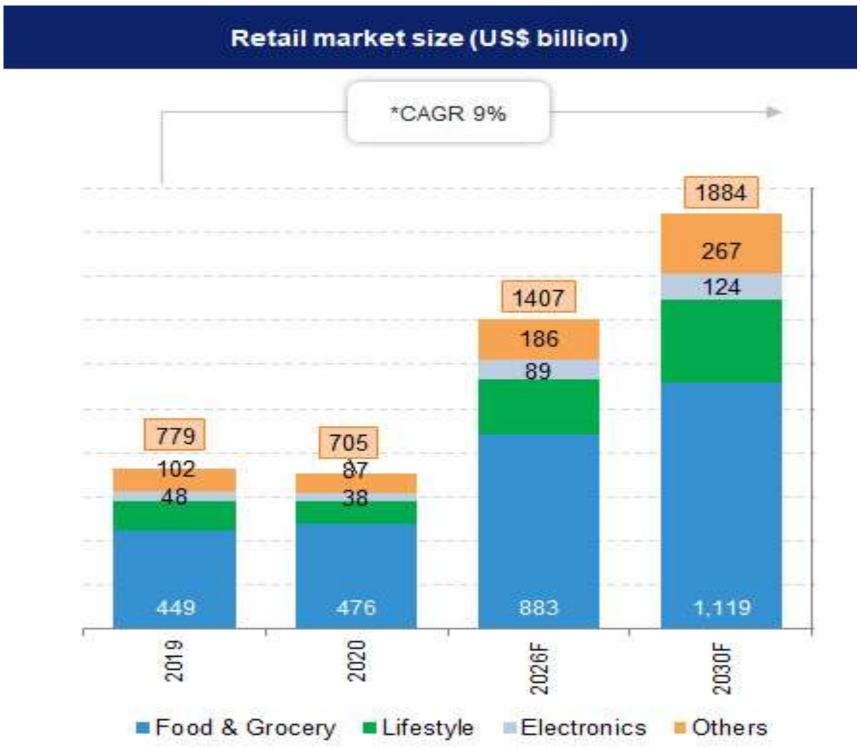
d) Reducing the cost of production: reduction of cost of production is imperative for an organisation to earn profits and in turn create value proposition to customer. This can be done through efficient management of production, raw material sourcing, adopting to new technologies.

e) Location: For retail businesses location of operation is very important factor for earning revenue and sustain in long run. Prime location is hard to acquire so smaller players find it difficult to acquire location. So, companies use rent, lease or partnership method to run business.

f) Adopting to latest technologies: In this era of technology, companies need to adopt to changing technologies otherwise there is high chances of going obsolete. Online order taking, home delivery, virtual assistance and so on are useful in creating value to customer and retention of customers.

EXHIBIT:





SOURCE: https://www.ibef.org/industry/retail-india

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