

Notes of Strategic Planning

- I. There are four generic strategies are to be given by **William f Glueck** and **Lawrence R Jouch** which are describing as under :

- **Stability Strategy** :- In the present competitive era, one of the important objective of an organization to remain stable in the market to safeguarding assets, to continue in the chosen business path, to maintain efficiency, to maintain the position which already reached and to get better returns on the resources. It is the best alternative during the time of recession. During recession business faced reduced demand of its products even at low price. Funds are become scare and profit declines and organization is tried to reduce its cost. They work hard to maintain their existing market share so that company survive in the market.
- **Expansion Strategy** :- Expansion strategy is implemented by redefining the business by adding the scope of business. It is related

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with dynamism and success. It includes reformulation of major goals, make major investment, going for new products, new technology, new market, innovative decisions and so on. It includes diversifying, merging and acquiring businesses.

- **Retrenchment Strategy** :- The business enterprise can redefine its business by divesting a major product line or market. It is absolutely necessary for coping with hostile or adverse situation in the environment and when any other strategies are likely to be suicidal. It is not always very bad strategy to adopt as it save the organization's interest and minimising adverse effect and also apply resources anywhere which may be given good returns to organization.
- **Combination strategies** :- The above three strategies are not mutually exclusive. It is possible to adopt mix of the above three as per particular situations. An enterprise may seek stability in some areas, expansion in some and retrenchment in the others.

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II. There are mainly three generic strategies are given by the Michael porter which are explained here as under :

- **Cost leadership strategies** :- Cost leadership emphasizes producing standardized products at very low per unit cost for consumers who are price sensitive. It results in increasing productivity and decreasing in cost throughout the production process. It allows firms to earn higher profit than its competitors. It is adopting when market is price insensitive and no room is left for differentiation and cost leadership is better when customers are not care much about differences between brands.
- **Differentiation** :- Differentiation is strategy to producing products and services according tastes and preferences of the customers who are relatively price insensitive. It aims that distinguished its products from its competitors through unique design features, technological leadership, unique uses of products and attributes like quality and customer services. This strategy is suitable when the customers want

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attracted attributed of the products. This is useful in perfectly competitive market where all products are look similar.

- **Focus** :- It means producing products or services that fulfil the specific needs of the group of customers. It is adopt by the organization when customers have different preferences and requirements and when rival firms are not attempting to specialize in the same target market.

III. **Diversification strategy** :- It can be related or unrelated to existing businesses of the firm. Based on its nature and extent of relationship it is classified into four broad categories which are explained here as under :

- **Vertically integrated diversification** :- In it, firms are opt to engage in business that are related to existing business of the firm. The firm remain within the same process. It moves forward and backward in the chain and enter into specific products with the intension of making into new business of the firm.

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- **Horizontal integrated diversification** :- It includes acquisition of one or more similar business operating at the same stage of the production or marketing.
- **Concentric diversification** :- it is a related diversification. In it the new business is linked with existing business through process, technology or market. The new product is provided with the existing facilities and processes. The most common reason for adopting this diversification is that opportunities of firm's existing line of business available. However concentric diversification is different from vertically integrated diversification in the nature of linkage the new products with the existing one. In concentric diversification new product is connected in a loop like manner with the existing process.
- **Conglomerate diversification** :- It is unrelated diversification as no any kind of linkage is exist between new products and existing ones. The new businesses or products are disjointed from existing

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businesses or products. It is totally unrelated diversification. conglomerate diversification has no fear at all with the firm's present position. For an example godrej are diversified into oil. Soaps and so on.

IV. **Turnaround strategy** :- Retrenchment may be done either internally or externally. Internal retrenchment is known as turnaround strategy. There are certain conditions like negative cash flow, negative profits, declining market share, high turnover of employees, low morale, uncompetitive products or services and mismanagement are suggest that turnaround strategy is needed to be followed if an organization has to survive. It is referred as effort to return an organization to profitability and increasing positive cash flow to a sufficient level. It is used when both weakness and threats are adversely affected and the basic survival is in question. The action plan for successfully implemented is describe as under :

- **Assessment of current problems**
- **Analyze the situation and develop a strategic plan**

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- **Implementing an emergency action plan**
- **Restructuring the business**
- **Returning to normal**

v. **Divestment strategies** :- It involve the sale or liquidation of a portion of business or major division or SBU. It is part of restructuring.

This strategy is adopted due to various reasons which are as under :

- **When turnaround is adopted but it proved to be unsuccessful.**
- **A business that had been acquired proves to be mismatch and cannot be integrated.**
- **Continuously negative cash flow from a business that create financial problem for whole company.**
- **Increase the competition and firms are not able to cope with them.**
- **A better alternative is available for investment**
- **Technological upgradation is required if the business is to survive**

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- VI. **Liquidation strategies** :- It is most unattractive strategy in all strategies. It involves closing down the firm and selling its assets. It is considered as last option because there are serious consequences like loss of employment of workers and other employees, termination of opportunities where a firm could pursue any future activities and continuous of failure.
- VII. **Merger and acquisition strategy** :- Merger and acquisition are process of combining two or more organizations together. There is very low difference between both terms but the impact of combination is totally different in both cases. Some organizations are prefer to grow through mergers. It is considered as process when two or more companies are come together to expand the business operations. In it two organizations are combines to increase their strength and financial gain along with breaking the trade barriers. When one organization takes over the other and controls all its operations, it is known as acquisition. In this process, one financially strong organization overpowers the weaker one. It happens during the recession period.

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The combined operations are run under the name of the powerful entity.

- VIII. **Best cost provider strategy** :- It involve providing consumers more value for the money by emphasizing low cost and better quality difference. It can be done through **(i)** offerings products or services at lower price than rival firms with comparable quality **(ii)** charging similar price for the products or services with much higher quality and better features.
- IX. **Corporate strategy** :- It is basically the growth design of the firm. It describe the growth objective of the firm and also include the extent, pace, timing and direction of the firm's growth. Thus we can also describe it as a growth strategy design of the firm.
- X. **Strategic management process** :- It refers to the managerial process of forming a strategic vision, setting objectives, crafting a strategy, implementing and executing the strategy and the whatever the corrective adjustments in the vision, objectives, strategy and

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execution are deemed appropriate. The main five managerial tasks are included in this process which is as below:

- **Setting vision and mission**
- **Setting objectives**
- **Crafting a strategy**
- **Implementing and executing**
- **Evaluating performance and corrective adjustments**

I hope that above notes are useful to you in your exams. All the best. Thank You.