Vidharbha Professional Academy

Nagpur

Strategic Management

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Strategic Management

50 Marks*

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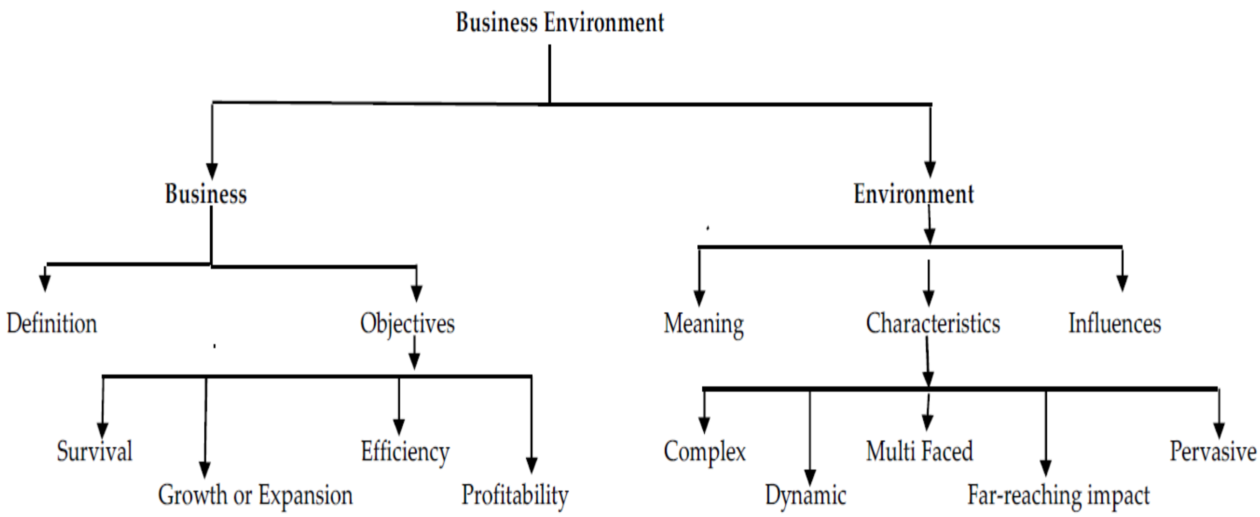
CHAPTER 1 **BUSINESS ENVIRONMENT**

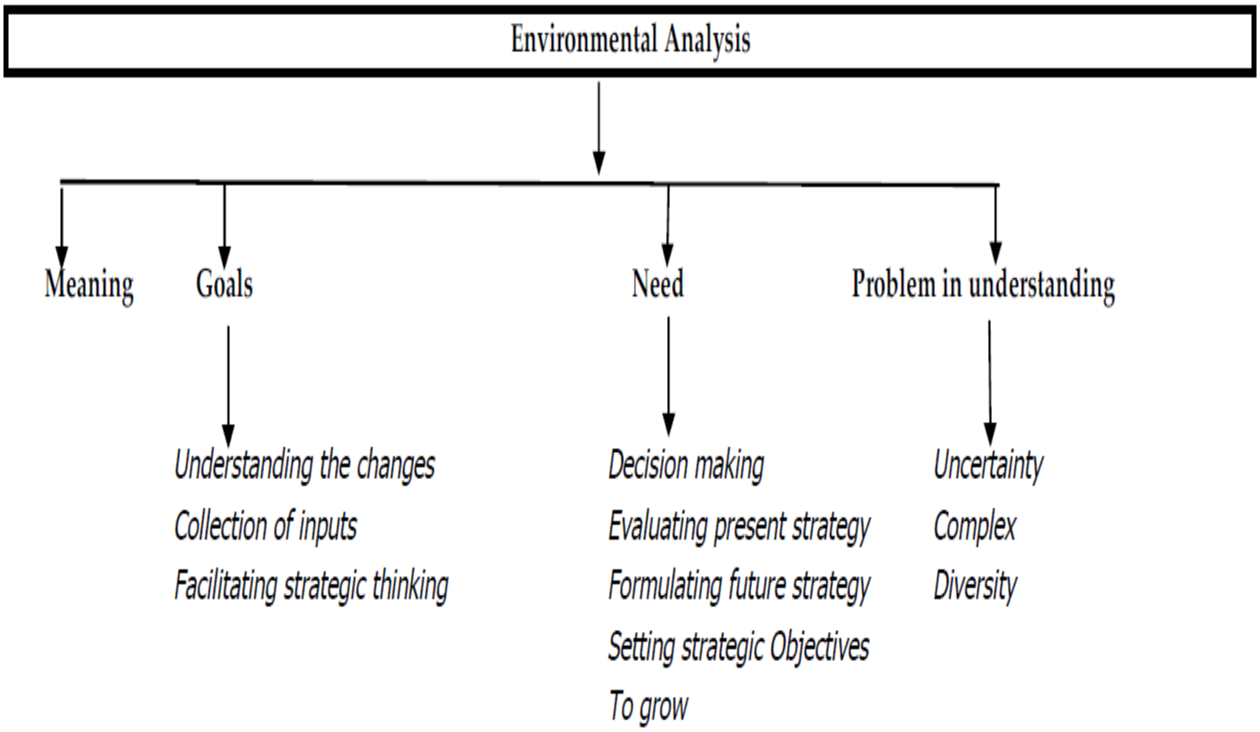
Business Environment



1) **Business**: - Business means conducting some activities like sales, purchase, manufacturing, etc. to achieve some objectives such as growth, profit, etc.
2) **Environment**: - Environment is surrounding. Like demand, supply, etc.
3) **Survival**: - A business should have the capability to survive markets jolts or shocks.
4) **Growth**: - In term of increase in profit, revenue, capacity, number of employees, etc.
5) **Efficiency**: - An efficient or aggressive working environment. Try to be best in their Field.
6) **Stability**: - Stability means continuity of business. In term of customer satisfaction, etc
7) **Profitability**: - To achieve profits for its owner or shareholders, by following rules & Regulation.
8) **Complex**: - It consists of many interrelated factors and understanding this factor is difficult.
9) **Dynamic: -** Business Environment changes continuously due to changing needs.
10) **Multi Faced:** - Some welcome changes as opportunity some perceives it as a threat.
11) **Influences:** - These components influences or affect a business for its day to day activities and long term profit and Growth.
    a. Competition
    b. Changes in supply & Demand
    c. Government Rules on industry and taxes
    d. Changes in Technologies.

CHAPTER 1 **BUSINESS ENVIRONMENT**

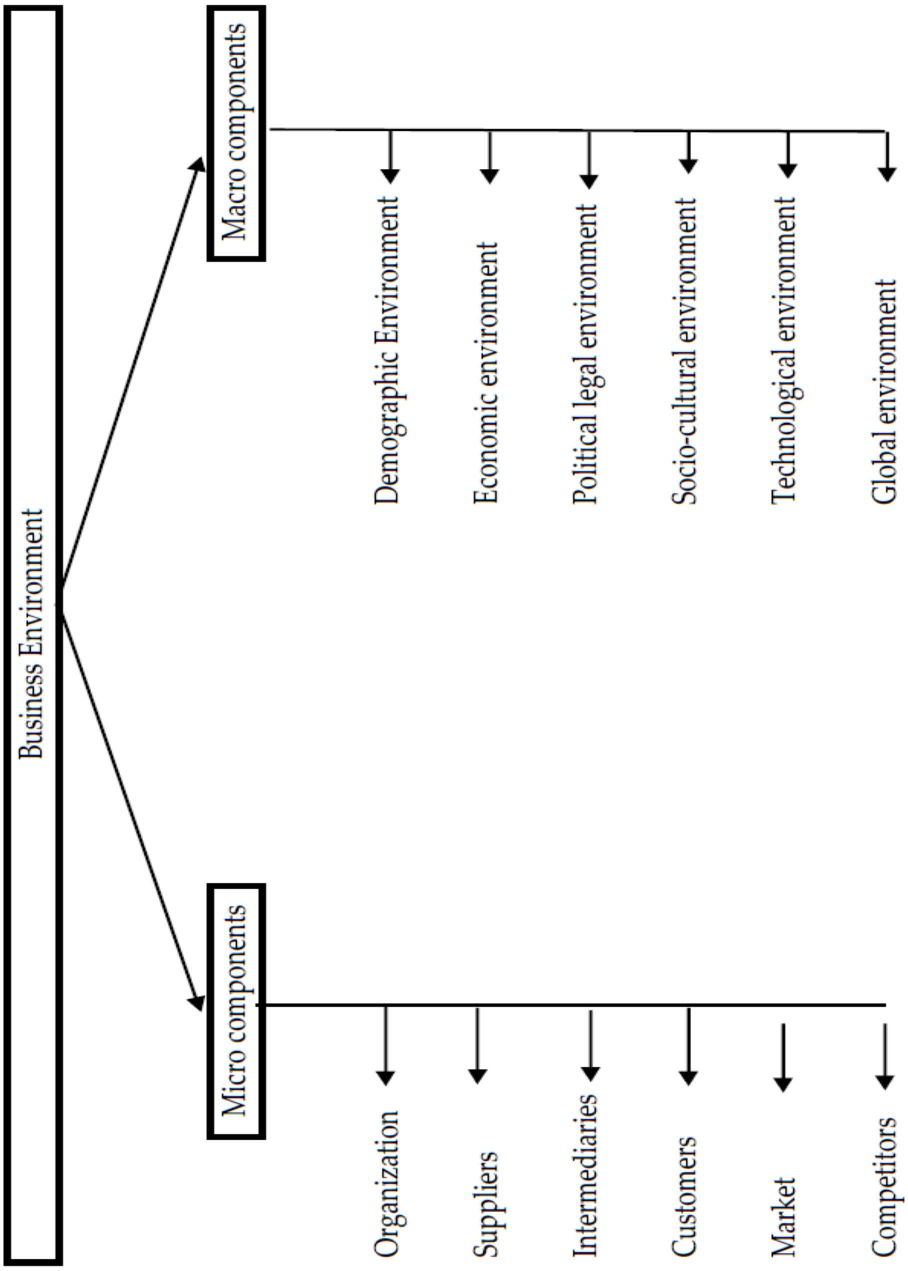
Environment Analysis



1. **Meaning: -** Checking/Analyzing the changes occurring's in business environment so as to enable the industry, to react to environment changes and achieve competitive advantage.

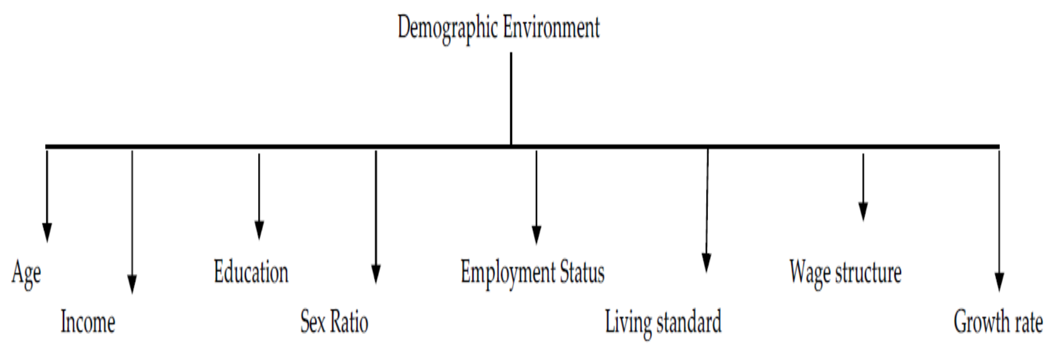
CHAPTER 1 **BUSINESS ENVIRONMENT**

Business Environment



CHAPTER 1 **BUSINESS ENVIRONMENT**

Demographic Environment

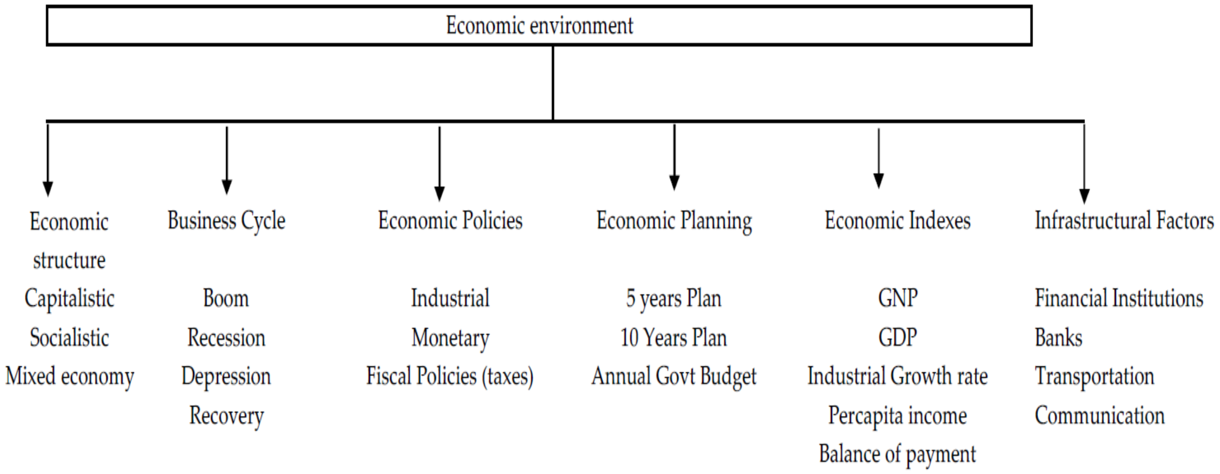


"Demographic means characteristic of population in area, district, country or in world"

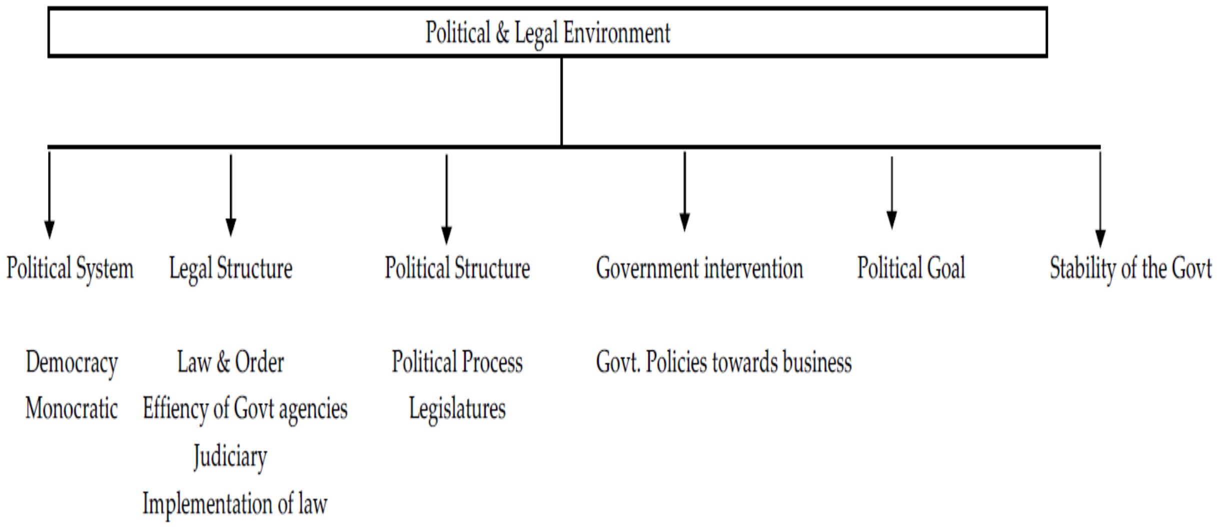
Data with respect to these factors, as trends over time, is of great interest to businessmen other than to economist. Businesses often analyze the demographic data and its trends to understand what these trends offers, in term of;

1. Opportunities and treats
2. Market Size of Industry

We all know most of the software companies like to open their centers in Bangalore and other metropolitan cities because the demographic environment of these cities best suits their requirement of skilled manpower. So these cities provide opportunities to get required manpower at appropriate cost but may also present threats in the form of high attrition of manpower.

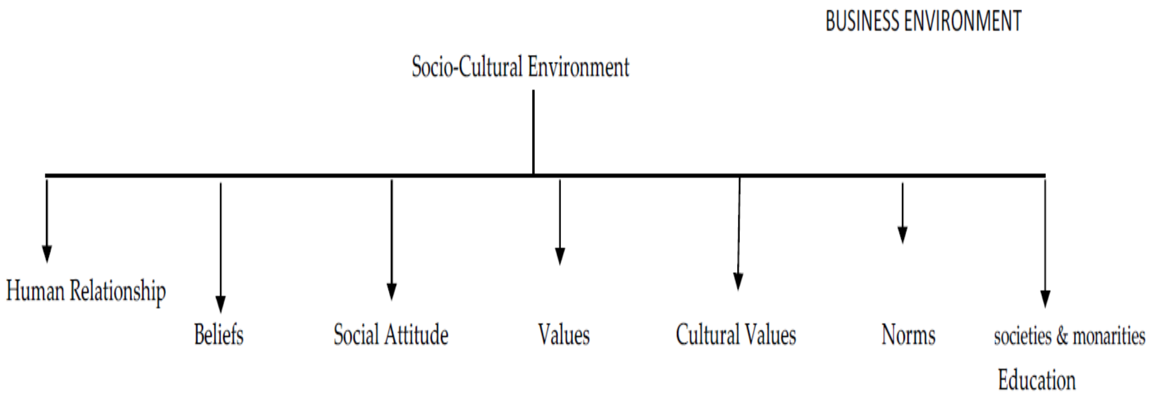


Economic environment in itself is a very broad component. In general, it describes the situation in the region and nation in which companies operate. It broadly describes the condition of money market, manpower, buying power of consumer, supply and demand for goods, policy and planning of government, etc

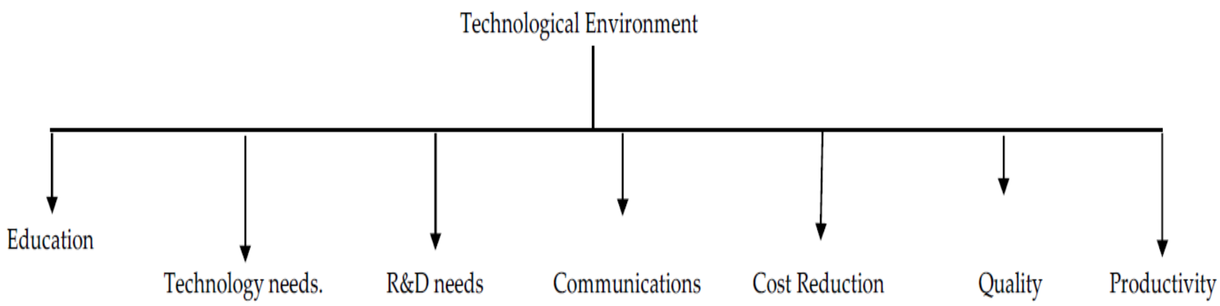


The government policies have great influences on businesses. The government guides the business environment in country. No business can isolate it-self from legal-political system of country. Therefore, it is very important that business should take care of legal-political environment in their strategic planning for appropriate growth and avoiding any risk of govt. interfaces and legal situation for business operation.

CHAPTER 1 BUSINESS ENVIRONMENT

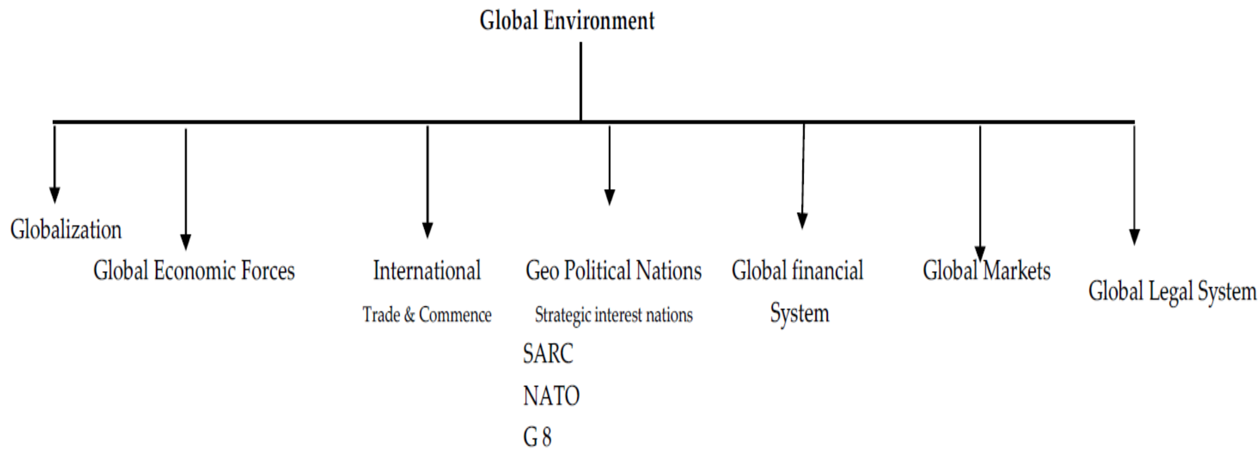


Socio-cultural environment consist of social attitudes and cultural values and its impact on the business of the organization. For example, organization in India designs their working environment and marketing polices as per the regional social-cultural belief. Banking systems in Islamic Countries redesign their banking operations to support the core belief of those countries. Therefore, it is important that business organization should study the social- cultural environment to carefully design and implement their strategic for products and services marketing.

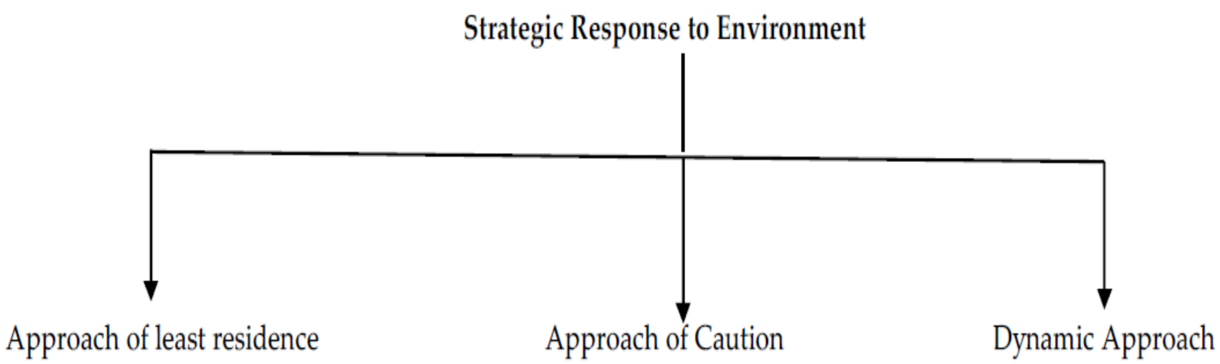


Technology and business are highly inter-related and inter-dependent, technological innovations or advancement pave the way for business innovations and advancement. Use of technologies influences style of business operations which leads to many opportunities for business and also makes many existing operation obsolete.

CHAPTER 1 BUSINESS ENVIRONMENT



Now-a-days, it is very difficult for organization to think only at regional or national level. The globalization is also a part of organization planning and growth. Globalization refers to integration of world into one huge market.



1. **Conservative**: Such enterprises are passive in their operation and these enterprise react only when external environment forces them to do so. Also known as slow moving organization. For example Govt. banks and organization
2. **Cautious**: These organizations take intelligent approach to response to environment. These are also known as adaptive organization and adapt themselves to changing environment quickly but takes a cautious approach before taking actions. (TATA)
3. **Dynamic**: These organization works aggressively and sometimes converts threats into opportunities. Known as Trend Setter or mover and shaker of market.

Chapter -1 at a Glance
Business Environment

This chapter contents can be divided into three key topics

Business Environment Concepts

Objectives of Business:
(1) Profitability (2) Growth (3) Stability
(4) Efficiency (5) Survival

Business Environment its Influences on Business
Surrounding of a business is known as business environment. it influences business due to
(a) Changes in supply/demand (b) Changes in technologies
(c) Changes in Govt. rules (d) Changes in competition

Framework to understand the environment influences includes the following steps:
(1) How complex or uncertain is the environment:
(2) Understand the key factors for demand and supply
(3) Understand the key attributes of competition

Why Environment Analysis is important?
Environment analysis helps in the following:
(1) Provide understanding of current and potential changes in the environment to deal with them
(2) Provide inputs/ideas for making a growth strategy
(b) Facilitate a competitive strategic thinking

Characteristics of Business Environment:
(1) Environment is complex (2) Environment is Dynamic
(3) Environment is multi-faceted (4) Environment may have far reaching impact on organization

Components of Business Environment:
(1) Micro Environment: it is a kind of internal environment or immediate surroundings of business with which business deals on a day-to-day basis.
(2) Macro Environment: It is a kind of external environment

Relationship between Organization and Environment:
(1) Exchange of information (2) Exchange of Resources
(3) Exchange of power and influences

Micro and Macro Environment

Micro Environment:
Immediate environment is known as micro environment:
This environment includes
(1) Customers (2) Suppliers (3) Competitors
(4) Organization i.e. employees, shareholders and board of directors
(5) Market: This provides cost structure, price sensitivity, distribution system, and technology structure and market stability
(6) Intermediaries: like distributors, dealers and retailers etc.

Why Do Companies Go Global: due to availability of faster communication, speedier transportation, domestic markets are no longer sufficient for growth, avail benefits of cheapest resources etc

PESTEL Analysis:
P-Political, E – Economic
S – Social, T – Technology
L – Legal, E - Environmental

Macro Environment:
This includes:

(1) Economic Environment:
This describes the economic situation in country or region where business operates in terms of: GDP size and growth, inflation and interest rates, tax rates, service / manufacturing economy, unemployment rates, stock market conditions and FOREX reserve etc

(2) Demographic Environment:
It primarily indicates: population size, income distribution, education level, and ethnic mix, urban and rural distribution of region.

(3) Global Environment: i.e. business organizations are allowed to compete globally.
Effects of Globalization: (1) Lower trade barriers (2) Interlinked and interdependent economies (3) Infrastructure development (4) privatization (5) Global location of operations (6) increased efficiency and quality

(4) Technology Environment: it includes: (1) impact of technology on business operations (2) Opportunities of technology innovations (3) Risk and uncertainties of technology changes (4) Role of R&D budget and govt. support to R&D

(5) Legal Political Environment: it includes: general state of political development, degree of politicization of businesses, political stability, economic policy of ruling party and opposition parties, Law and Order situation, Legal framework of country and effectiveness of implemented laws, govt. policies on labour law and industrial development

(6) Social – Cultural Environment: it includes social attitudes and cultural values of people and its impact on business. Organizations design their working as per this environment

Competition

Strategic Responses to Environment: it can be
(1) Conservative
(2) Cautious
(3) Dynamic or Aggressive

Competitive Environment:
This is the most important environment component and organization can deal with this by analyzing: who are competitors? What are their products and services? what are their market shares, what are their regions of dominance, what are their financial strengths, what advantages they have etc

Cooperation in Competition:
(1) Cartelization (2) Kieretsu (3) Internal Cooperation in family owned businesses

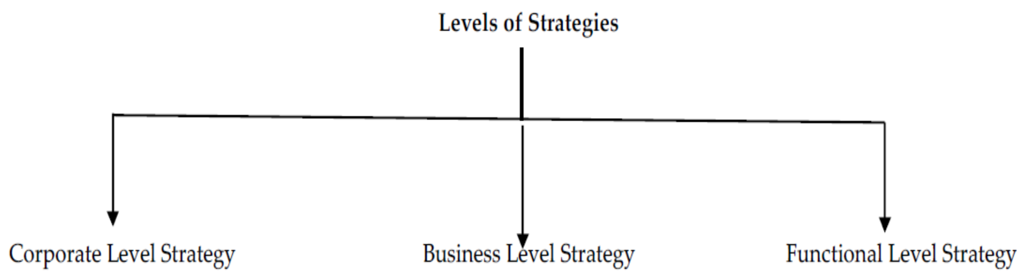
Portor's Five Forces Model of Competition analysis:
This includes analysis of the following five forces: (1) Threats of New Entrants (2) Bargaining Power of Buyers (3) Bargaining Power of Suppliers (4) Threats from Substitutes (5) Rivalry among Players
From above forces the most powerful forces which may affect organization's profit and growth are tackled first by organizations.

CHAPTER 2 Business Policy & Strategic Management

Business Policy: Business policy is set of rules for functions and the responsibility of management towards those functions. For example, management functions such as marketing, finance, HR, production always have some predefined Rules or guidelines and those rules are known as Business policy of that respective area.

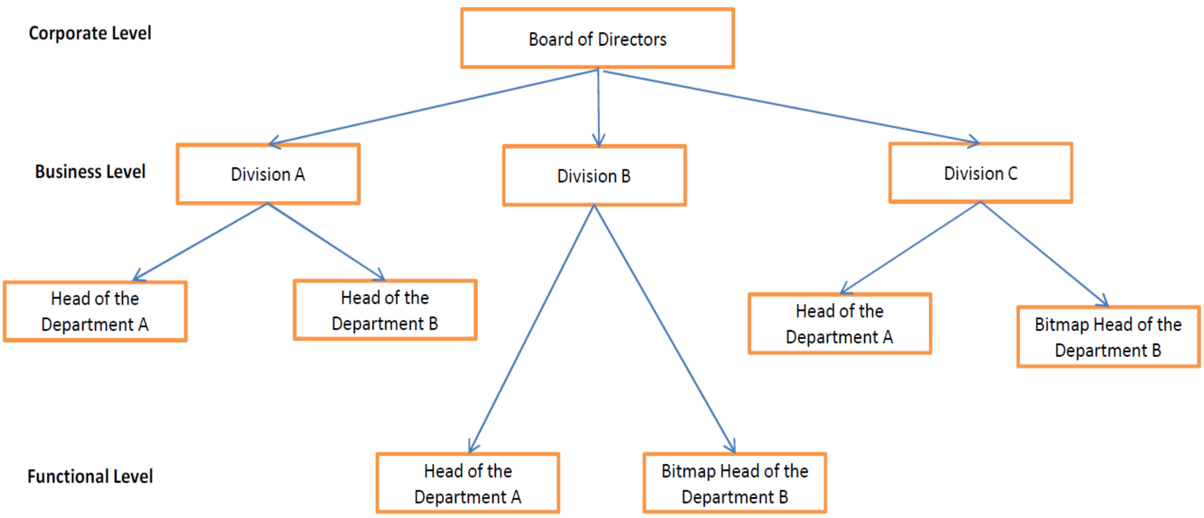
Strategy: Strategy is very popular word used in military related to war; it is defined as means or method to defy or defeat enemy. Strategy is now as popular word in business as in military, but in businesses, strategy related to methods or means adopted to achieve business's objective.

Strategic Management: The term SM refers to the process of forming a vision setting objective, building Strategy, implementing and executing the strategy; and then initiating whatever corrective adjustments required in the vision, objective and strategy, etc. to achieve the objectives



1. **Corporate:** This level of management consists of the CEO, other senior executives, the BOD, and corporate staffs. Their Role includes defining the mission and goals, formulating and implementing strategies
2. **Business:** A business unit is a self-contained division (with its own functions – for example, finance, purchasing, production, and marketing departments) that provides a product or service for a particular market. Their role is to translate the Statement given by the corporate level into concrete strategies for individual businesses.
3. **Functional:** They are responsible for the specific business functions or operations (human resources, purchasing, product development, customer services and so on) that constitute a company or one of its divisions. For example, strategies formed for employee retention by HR Manager at kwality Walls would be at functional level.

What are the strategic level and Who are persons at different levels of a Corporate



Characteristic of Corporate Strategy: (FLAGS)

I. Formulated by top management
II. Long term or Long Range: it is meant for long term future growth and profits
III. Action Oriented: It should not be planning only, it should be action oriented planning
IV. Goal Oriented: it is for achieving long term objective of growth, profitability, etc
V. Synchronized: all activities of strategy are well coordinated.

The Dynamics of Competitive Strategy:

a.	Strengths:	Employees skill, R&D and financial, etc
b.	Weaknesses:	Poor technology and Quality Excess, staff, etc
c.	Opportunities:	Economic and Technical etc
d.	Threats:	Competition, technology changes, etc

Strength capture--------- Opportunities
Strength reduces--------- Threat
Weakness reduces------- Opportunities
Weakness increases----- Threat

Strategic Management Framework

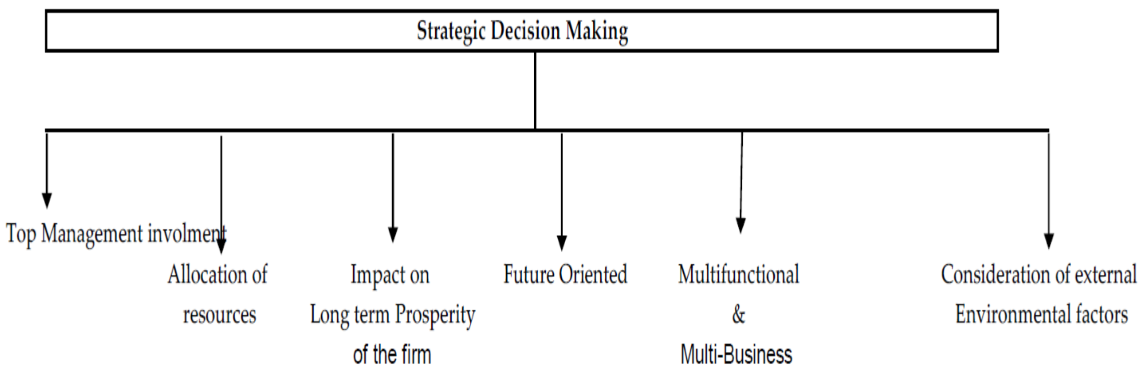
Stage 1:	Where are we now? Analysis of present situation
Stage 2:	Where we want to go? Setting goals and Objectives for future
Stage 3:	Analyses of various alternatives to achieve the goals and objectives
Stage 4:	Selecting best alternatives in line with strengths of organization
Stage 5:	Implementing and executing the selected alternatives and monitoring of the same overtimes

Importance of Strategic Management:

1. Discover organization strength and weaknesses
2. Identify the available opportunities and possible threats
3. Implement changes to overcome weaknesses and manage the threats.
4. Provide vision/mission or direction to future of organization
5. Build a dynamic and strong organization
6. Help to achieve growing and stable organization

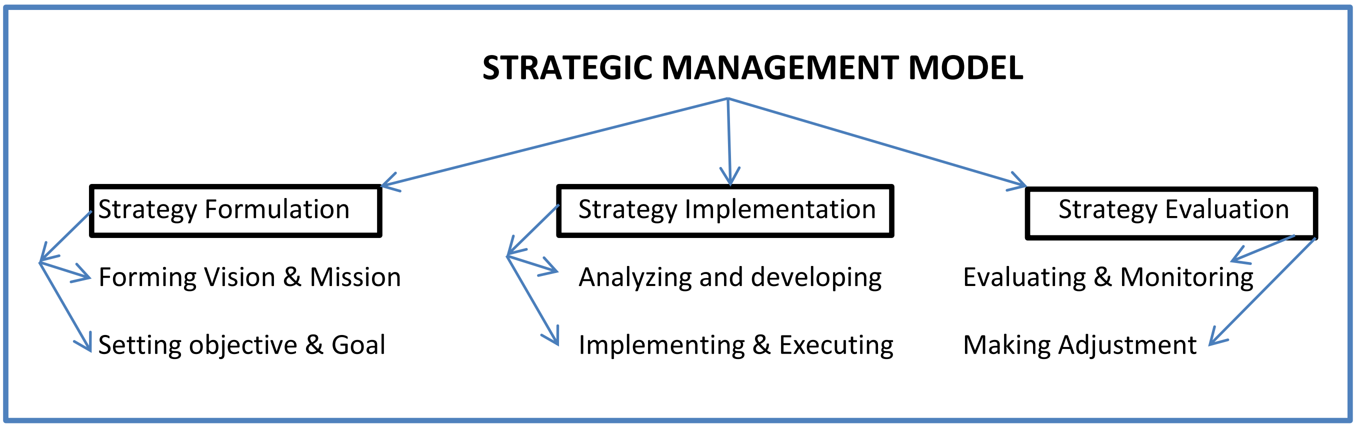
Strategic Decision Making (T-FLAME)

Decision making is a managerial process and it is a function of choosing a particular course of action out of several alternative courses for the purpose of achieving organization's objectives and goals.



The major dimensions of strategic decisions are:

1. Require **T**op-management involvement.
2. **F**uture oriented
3. Impact on the **L**ong term prosperity of the firms
4. Involve the **A**llocation of large amounts of company resources
5. **M**ultifunctional or Multi-business consequences
6. Necessitate consideration of factors in the firm's **E**xternal environment



VISION: Vision provide roadmap to Company's Future, indicates the kind of company management is trying to create for future, specifies about company intention and capability to adapt to new technologies.

MISSION: Mission is an element of company's vision. Company Mangement develops vision based on their capabilities, experience and changes management foresee in future. Based on this vision company formulate a mission statement which becomes the basis for future orientation or direction of company.

OBJECTIVES: & GOALS The term "objective and goals" set target of any particular aspect like profit and revenue growth, etc. Objectives are performance targets which organizations want as results or outcomes in the specified period.

Characteristic of Objectives:

- Facilitate to achieve mission and goals
- Set the basis for strategic decision making
- Clear the relationship of organization with environment
- Should be understandable by each member of organization
- Should be related to time frame.

Chapter -2 at a Glance
Business Policy and Strategic Management
This chapter contents can primarily be divided into two key categories

Strategic Levels in Organizations:
Corporate Level: CEO and other Sr. Executives
Business Level: Division head etc
Functional Level: Finance, Marketing Manager etc

General Strategic Management Concepts

What is Business Policy?
Business policy includes the guidelines developed by organization to govern its actions. It defines the rules for decisions making and it also deals with acquisition of resources with which organizational goals can be achieved.
What is Strategy? Primarily it includes planning such as
*It is a game plan by management compete successfully *it is an integrated plan to achieve the desired business goals and objectives;*it is a long-term plan to achieve desired direction and destination for organization;*It is a plan adopted for survival, stability and growth of business
Corporate Strategy: Corporate strategy is considered as growth plan for a company.
Characteristics of Corporate Strategy:
(1) Formulated by Top Management (2) Long-term or Long Range (3) Integrated (4) Flexible (5) Action Oriented (6) Goal Oriented (7) Purposeful (8) Efficient (9) Synchronized (10) Contingencies
Purpose/Scope of Corporate Strategy:
(1) Serves as a growth design (2) Ensures correct alignment of firm capabilities with environment (3) Helps to build competitive advantage (4) provides choice for products and markets organization should focus (5) describes the businesses in which company wants to play a dominant role (6) provides the well thought-out and organized responses to the business environment
Dynamics of Competitive Strategy: The competitive strategy can be formulated effectively by using Porter's five forces model, and by effectively looking at - strengths, weaknesses, threats and opportunities for the organization. Practically, it is an internal environment's strengths which respond to external environment's opportunities and to external environment's threats. The complexities and threats of external environment force organizations to remove internal weaknesses and shape the organization's competitive strategy.
Strategic Management: The term 'strategic management' is combination of strategy + management. This term refers to the forming a strategic vision and mission, setting objectives, developing a strategy, implementing and executing the strategy, and then overtimes initiating whatever adjustments are required and implementing these adjustments.
Strategic Management Framework: it includes five stages: (1) Where are we now (2) Where we want to go (3) Analysis of alternatives to achieve objectives (4) Selecting best alternative (5) Implementing selected alternative
Importance of Strategic Management: (1) Discover organization strengths and weaknesses (2) Identify the available opportunities and possible threats (3) Discover the objectives and goals in line with organizations strengths and available opportunities (4) Implement changes to overcome weaknesses and manage the threats (5) Provide vision/mission or direction to future of organizations (6) Build a dynamic and strong organization
Characteristics of Strategic Decision Making: (1) require top management involvement (2) involve allocation of large amount of resources (3) have significant impact on long-term profitability/growth of firm (4) decisions are future oriented (5) have major consequences on organization functioning (6) includes external environment analysis
Strategic Management Model: The model divides the strategic management into three categories:
(1) Strategy Formulation: it includes Forming Vision. Mission and Setting Objectives and Goals
(2) Strategy Implementation: This includes analyzing, developing and implementing strategies
(3)Strategic Evaluation: Includes evaluating and monitoring implemented strategies and making changes as per evaluation

Vision, Mission and Objectives

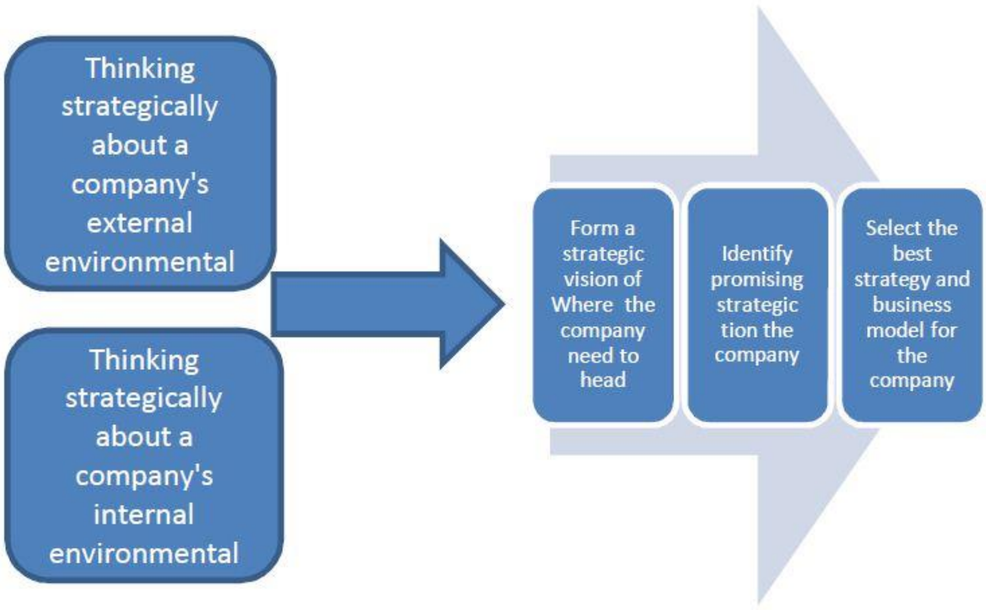
Developing vision, mission, objectives and goals are the most important steps of effective Strategic Management.
Vision: (1) Vision provides a road map to Company's future (2) Vision indicates the kind of company management is trying to create for future.(3) Vision specifies about company intention and capabilities to adapt to new technologies (4) Vision also specifies management policies towards customers and societies
Mission: Mission is an element of company's vision. Management develops a vision based on their capabilities, experience and changes they foresee in future. Based on this vision company formulates a mission statement which becomes the basis for future orientation or direction of company
(1) It is an expression of company's vision (2) it is an expression of company future position and growth ambitions (3) It tries to combine the expansion of existing business portfolio to the preferred future portfolio, where company wants to make its presence. (4) It provides the guiding principles and common purpose to each member of organization (5) It provides foundation to the future aim of organization
Objectives and Goals: (1) Objectives are performance targets which organizations want as a result or outcome in the specified period (2) Objectives are used as benchmark for organization's performance and success (3) Objectives are formed from visions and mission statement of organizations.
Objectives are interchangeably used with goals but goals are defined as more precise and specific with closed ended attribute (in precise quantity form) whereas objectives are open ended for future states or outcome not as precise as goals. Objectives are for long-term whereas goals are for short-term

CHAPTER 3 Strategic Analysis

Strategic Analysis: After formulating vision, mission and objectives of the organization, it is necessary to dissect the external & internal environment of organization to formulate a long term strategy to achieve these mission and objectives. Formulation and taking decision about which strategy to pursue is a follow up of solid analysis of organization's internal and external environment.

Strategic analysis involves detailed analysis of external as well as internal environment, and based upon organization's situation or position with respect to environment provideds the choices for stragegy formulation.

The Situational analysis shall be performed keeping following elements about company situation into consideration:-



SWOT ANALYSIS

The concept of SWOT Analysis is described in matrix form, S=Strengths, W=Weakness, O=Opportunities, and Threats

Potential Internal Strengths 1 Core Competencies in key areas 2 Adequate financial resources 3 Well thought of by buyers 4 An acknowledge market leader 5 Proprietary technology 6 Cost advantages 7 Product innovation skills 8 Better advertising campaigns 9 Better manufacturing capability 10 Others	**Potential Internal Weakness** 1 No clear strategic direction 2 Obsolete facilities 3 Lack of managerial depth and talent 4 Missing some key skills or competences 5 Poor track record in implementing strategy 6 Falling behind in R & D 7 Weak market image 8 Weak distribution network 9 Lack of financial resources 10 Others
Potential External Opportunities 1 Serve addition customer groups 2 Enter new markets or segments d 3 Expand product line to meet broader range of customer needs 4 Diversify into related products 5 Vertical integration forward or backward 6 Falling trade barriers in attractive foreign markets 7 Complacency among rival firms 8 Faster market growth 9 Others	**Potential External Threats** 1 Entry of lower-cost foreign competition 2 Rising sales of substitute products 3 Slower market growth 4 Adverse shifts in foreign exchange rate and trade policies of foreign governments 5 Vulnerability to recession and business cycle 6 Changing buyer needs and tastes 7 Adverse demographic changes 8 Others ORGANISATION ANALYSIS

SWOT analysis enables a firm in identification of various strategic alternatives, by analyzing its internal strength and weakness, by considering external opportunities and threats.

SWOT analysis help business manager to craft business model that help to gain a competitive advantage in its industry, which also helps to increase profitability and achieve growth in fast changing global business environment. It helps in forming

a. **Logical Framework :** For systematic and clear understanding of all the issues
b. **Comparative Analysis**: Provides information in a structured form about both internal and external environment, where one can compare opportunities & threats with strength and Weakness.
c. **Strategy Identification:** Further it provides a combination of patterns by matching opportunities & threats with strength and Weakness. Help finally to identify the suitable strategy for organization, as per the organization characteristics.

TOWS matrix is similar to SWOT analysis. This matrix is expansion of SWOT analysis. SWOT analysis, which was criticized that after conducting this, manager frequently fail to come up with appropriate strategic choice that overcomes treats and weakness.

Identifying Strategic Options

- Make the most of our strength?
- Get around our weakness:
- Capitalize on our opportunities? And
- Manage our threats?

ORGANISATION ANALYSIS

TOWS Matrix

Always leave Blank	Organizational Strengths 1 2 List strengths 3 4	Organizational Weakness 1 2 List Weakness 3 4
Environmental opportunities 1 2 List Opportunities 3 4	**SO Strategies** 1 Use the strengths to 2 take the advantage of 3 opportunities 4	**WO Strategies** 1 Over come the weakness by 2 taking the advantage of 3 opportunities 4
Environmental Threats 1 2 List Threats 3 4	**ST Strategies** 1 2 Use the strengths to 3 avoid threats 4	**WT Strategies** 1 Minimize the 2 Weaknesses and and 3 avoid threats 4

SO----- “maxi-maxi”
WO-----“mini-maxi”
ST-----“maxi-mini”
WT-----mini-mini”

Portfolio Analysis

The basic feature of any business is; to manage set of product, business units and Companies. This set of product, business units and Companies are known as portfolio.

Portfolio analysis helps organization to maintain only those products and business units which make the best fit to organization strengths and provide maximum returns to shareholder values.

Concept which helps to understand different models of portfolio analysis:-

Strategic Business Unit, Experience Curve & Product life Cycle.

Portfolio Analysis Model

BCG **Ansoff’s** **ADL** **GE/Mckinsey**

BCG Matrix

Relative Competition position (Market Share)

Business Growth Rate	High	Low
High	Stars	Questions Marks
Low	Cash Cows	Dogs

Resources are allocated to business units according to where they are situated on above grid.

1. Star: They are generating cash but require investment to maintain their lead.
2. Question Mark: Require resources to grow market share, but whether they will succeed and become star is unknown.
3. Cash Cow: Slow Growing industry, require little investment and generate cash that can be used to invest in, other business units.
4. Dog: may not require substantial cash, but it ties up capital that could better be deployed elsewhere.

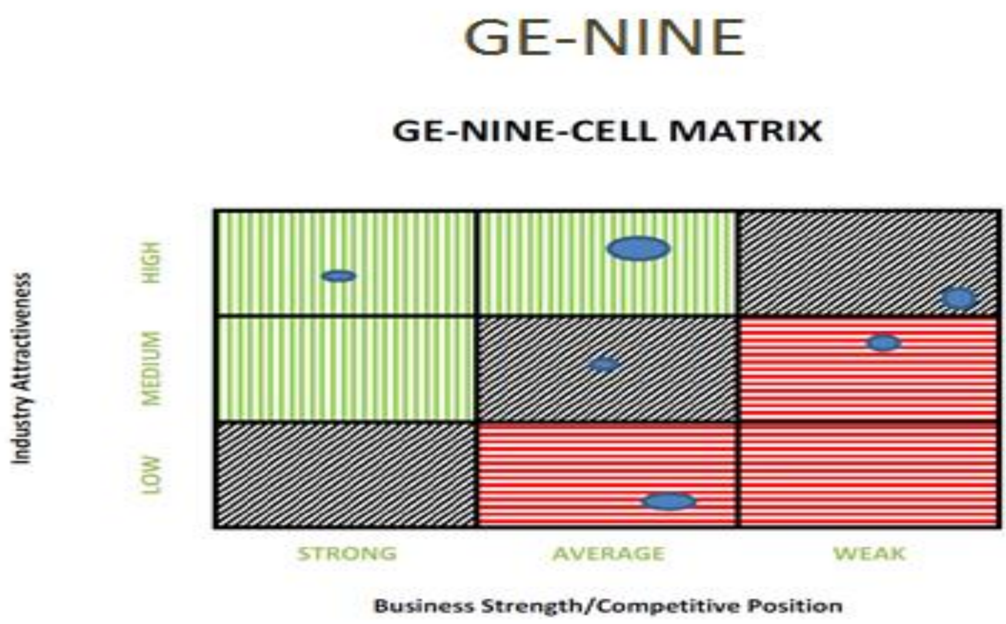
The Ansoff's Growth matrix is a tool that helps businesses to decide their product and market growth strategy.

Ansoffs Matrix

	Existing products	New Products
Existing Markets	Market Penetration	Product Development
New Markets	Market Development	Diversification

1. **Market Penetration:** focuses on selling existing products into existing markets
2. **Market Development:** seeks to sell its existing products into new markets.
3. **Product development:** introduce new products into existing market.
4. **Diversification:** more risky strategy because the business is moving into markets in which it has little or no experience.

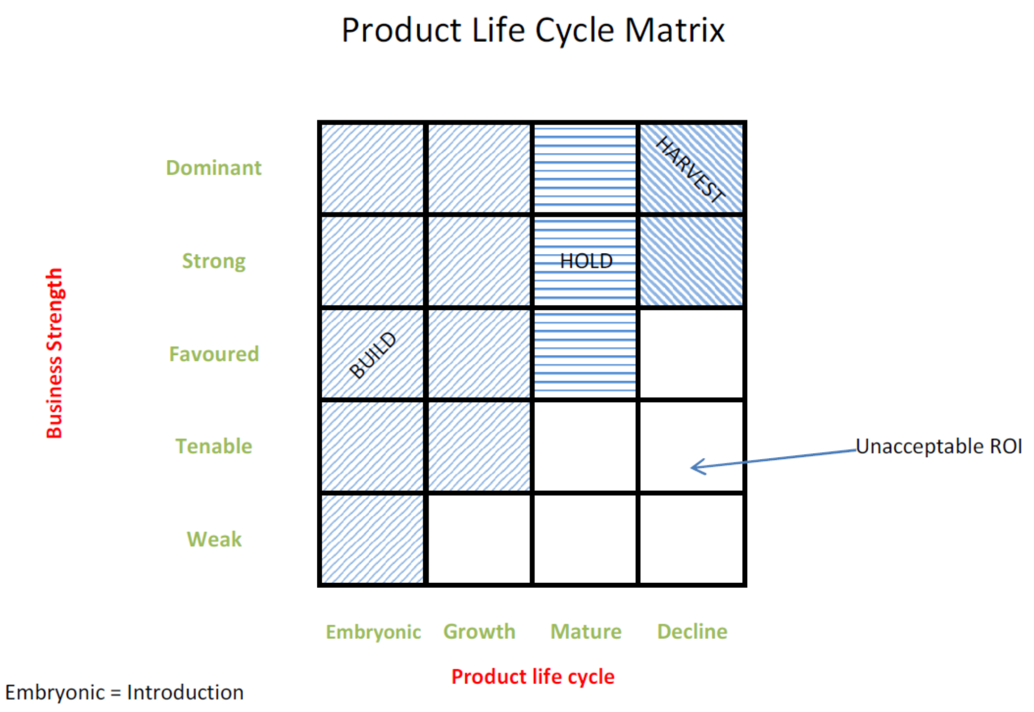
The General Electric / McKinsey Model



The General Electric (GE) McKinsey Matrix template is a nine-cell (3x3) matrix used to perform business portfolio analysis as one of the steps in the strategic planning process.

Unlike BCG Matrix template, it uses multiple factors to define Industry Attractiveness and Business Unit Strength and therefore overcomes one the main BCG matrix limitation.

ADL Matrix



ADL matrix analyze portfolio on two dimensions:-

1. On industry measurement
2. Business strength measurement

Tenable*- reasonable

Chapter -3 at a Glance
Strategic Analysis

This chapter contents can be divided into three key topics

Situational and Competitive Analysis

Strategic Analysis and Issues: Deciding on what strategy to follow involves sequence of analytical steps. It includes analysis of industry and competition, and SWOT analysis to develop a competitive strategy. The following issues should be considered in strategic analysis:
(1) Timeline: i.e. strategy evolves over time and it needs continuous analysis and refinement accordingly
(2) Balance: Analysis should provide a balance between organizations' strengths and external opportunities
(3) Risks: Strategy is for future and future involves risks and we should do analysis of possible risks and their possible consequences

Situation Analysis: it is an analysis of company's positions in terms of (1) Product Situation (2) Competition Situation (3) Distribution Situation (4) Environment Situation (5) Opportunities and Issues analysis:

Framework of Strategic Analysis:
It includes external and internal analysis and accordingly opportunities, threats and strengths and weaknesses are indentified. Finally, based on this analysis an appropriate strategy is selected and implemented.

Industry and Competitive Analysis: This is one of the most important types of analysis. The following factors are analyzed under this analysis: (1) Dominant economic features of industry (i.e. key industry traits) (2) Nature and strength of competition (i.e. intensity of competition) (3) Triggers of industry change (i.e. driving forces of change) (4) Identifying strongest and weakest positioned companies (i.e. market position of companies) (5) Likely strategic moves of rivals (i.e. competitive intelligence) (6) Key competitive success factors (7) Financial attractiveness of industry i.e. industry's profit outlook

SWOT Analysis and TOWS Matrix

SWOT Analysis: This is analysis of organizations' strengths and weaknesses, and opportunities and threats in the market:
Strength: It is an inherent capability which is used to gain strategic advantages over others. .
Weakness: It is an inherent limitation which provides strategic disadvantages.
Opportunity: is favorable situation which helps to strengthen position in market place.
Threat: is an unfavorable situation, which can provide risks/damage to organization's position.
Significance of SWOT Analysis: It provides following significance: (1) Provides a logical framework for analysis (2) Provides a comparative analysis (3) helps to indentify appropriate strategy.
TOWS Matrix: This is an extension of SWOT analysis. TOWS matrix reorganizes the similar inputs (i.e. Threats, Opportunities, Weaknesses and Strengths) and integrates them fully into strategic planning process: This helps us identify strategic alternatives that address the following questions: **(1) Strengths and Opportunities (SO)**: How can we use our strengths to take advantage of opportunities? **(2) Strengths and Threats (ST)**: How can we take advantage of our strengths to avoid real and potential threats? **(3) Weaknesses and Opportunities (WO):** How can we use opportunities to overcome the weaknesses we are experiencing? **(4) Weaknesses and Threats (WT)** - How can we minimize our weaknesses and avoid threats?

Portfolio Analysis

Portfolio Analysis: The set of products, business units and companies are known as portfolio. It helps to maintain products and business units that are best fit to organization's strengths. This analysis is based on three important concepts: (1) Strategic Business Unit SBU): it is a business unit with own mission and objectives
(2) Experience Curve: also known as learning curve is based on the facts that average cost per unit decreases as business accumulates experience in business activities.
(3) Product Life Cycle: Every product passes through a life cycle stages of (1) Introduction (2) Growth (3) Maturity and (4) Decline

Portfolio Analysis Models: (1) BCG Growth Share Matrix – This is a 2x2 matrix describing business units on a graph of the market growth rate vs. market share relative to competitors. It includes the four components for appropriate resource allocation to business units (1) Stars (2) Cows (3) Questions Mark (4) Dogs
(2) Ansoff's Matrix: This model helps business to decide their product and market growth strategy. it is 2x2 matrix of (1) Market Penetration (2) Product Development (3) Market Development(4) Diversification
(3) ADL (Arthur D. Little) Matrix: This is another popular portfolio analysis model. It is a 5x4 matrix and includes analysis based on Industry Life Cycle stages (Embryonic, Growth, Mature and Ageing) and Business Positions (Dominant, Strong, Favorable, Tenable and Weak)
(4) General Electric/Mckinsey: This is a 3x3 matrix of portfolio analysis for investment decisions. The decisions are based on Market Attractiveness (High, Medium and Low) and Business Position (High, Medium and Low) of Strategic Business Unit (SBU).

CHAPTER 4 Strategic Planning

Every corporate or company form a strategy known as corporate strategy. This strategy consists of competitive moves and approaches to achieve successful performance of company.

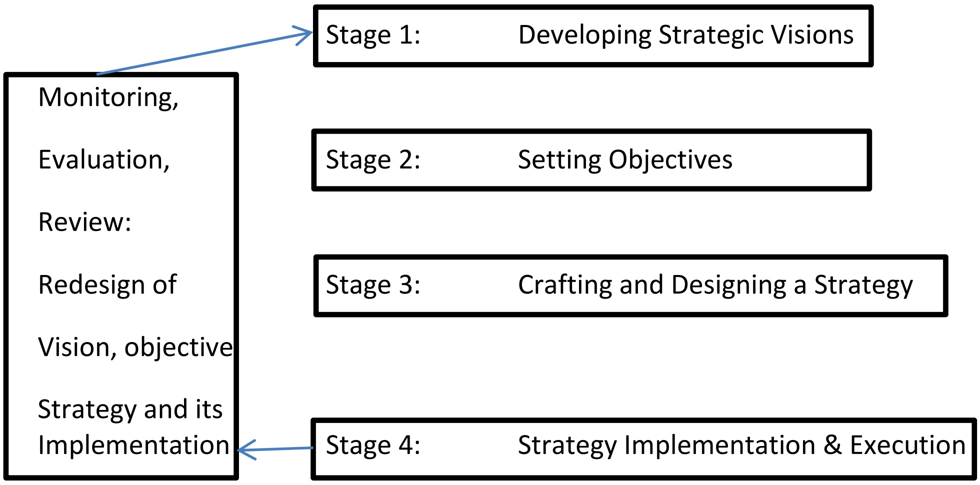
Key Features:

1. Growth Oriented: intended to facilitate the growth.
2. Futuristic: should focus to shape the future of company.
3. Competitive-Advantage: provide better competitive advantage to company.
4. Balance: between organization environment and objectives.
5. Decision-making: in the effective decision making at each critical stage.

In addition it should be a mix of Pro-active (i.e. taking first move) and re-active (i.e. reacting to competitors moves) Strategies.

It should be capable in dealing with uncertainty, analysis of which warns in advance to organizations about possible outcome of future under various conditions.

The Stages of Corporate Strategy Formulation--- Implementation Process:

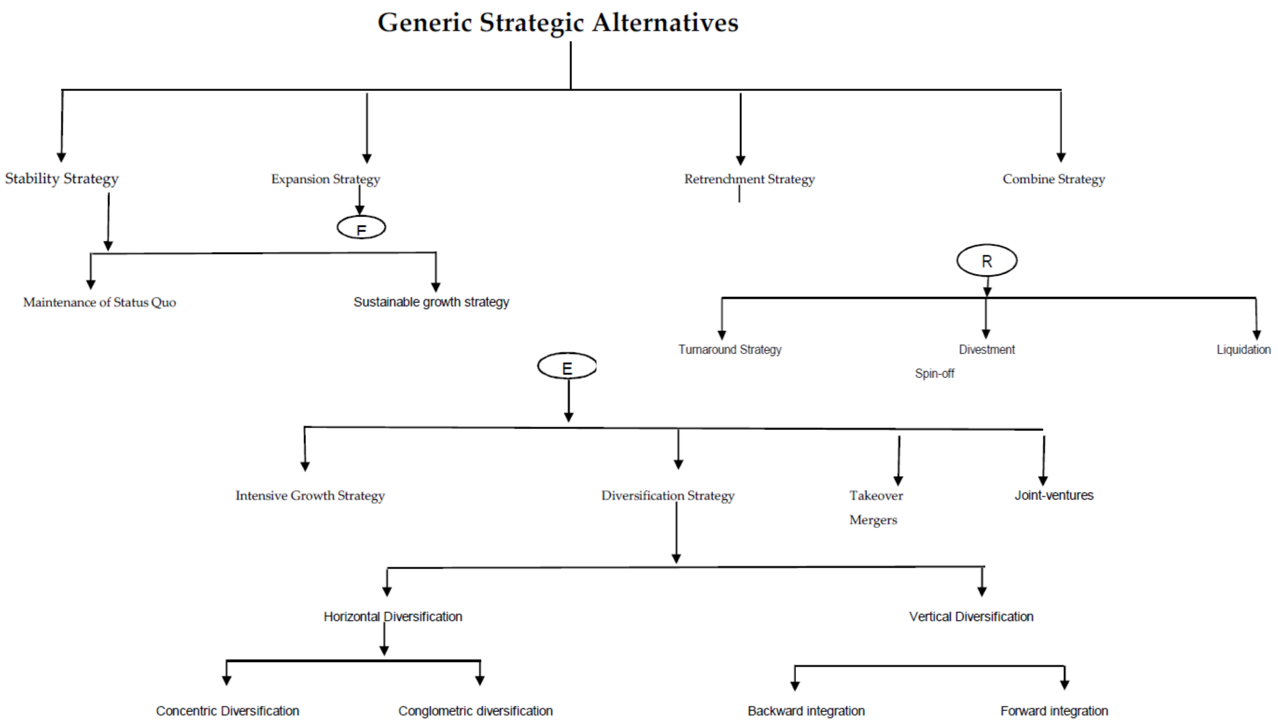


Balance Score Card Approach:

This approach states that "Organization should focus more on achieving strategic objective – like "performance", "customer satisfaction" – than financial objectives (i.e. profit and profit growth) only.

STRATEGIC ALTERNATIVES

Gluck and Jauch Generic Strategic Alternative



Michael Porter's Generic Strategies

1. **Cost leadership:** striving to be the low-cost producer.
2. **Differentiation:** Offering products with different features.
3. **Focus:** focus may concentrate on a particular group of customer, geographical market or on particular product-line segment in order to serve a well-defined but narrow market.

Best Cost Provider Strategy:

Porter's strategic alternatives can be divided for two categories of customers:

1. A broad section of customers
2. A narrow section of customers

The Product can be divided into two categories:

1. Lower Cost
2. Differentiation

This strategy includes the following features

- Thrusts on more value for money rather than purely cost and differentiation.
- Focuses on value conscious buyer not the price sensitive or insensitive buyers.
- Low cost with enhancing features and quality.
- Selling products of similar (or better) features and quality as rival products but at lower price.

Chapter -4 at a Glance
Strategic Planning
This chapter contents can primarily be divided into two key categories

Corporate Strategy

What is Corporate Strategy?
Strategy formed at top-level is known as corporate strategy. Key features of Corporate Strategy (1) should be Growth Oriented (2) should be Futuristic (3) provide Competitive Advantage (4) Provide balance between strengths and environment (5) helps in decision making

Proactive and Reactive Strategy:
Proactive Strategy: This includes first move from organization to take on external environment's opportunities. It helps to establish leadership position. It involves great risks and rewards.
Reactive Strategy: This includes taking cautious approach in reaction to competitors' moves to take on external environment's opportunities. It does not provide leadership position. It involves lesser risks and rewards

Dealing with Uncertainty: Uncertainty means unpredictability and this may impact outcome of organization strategic planning. Organizations should analyze unpredictability by considering various scenarios and getting ready for these.

The Stages of Corporate Strategy Formulation—Implementation Process: Stage1: Developing Strategic Vision **Stage-II-** Setting Objectives **Stage-III** Crafting a Strategy to achieve Vision and Objectives **Stage-IV:** Implementing and Executing a Strategy. **Stage V:** Monitoring Implemented Strategy and making corrective adjustments.

Balance Score Card Approach of Objectives setting: A company should set both strategic and financial objectives. Organizations can use Balance Score Card approach for setting objectives. This approach states that "Organization should focus more on achieving strategic objectives – like "performance", "customer satisfaction", "innovation" and "profitability" – than financial objectives (i.e. profit and profit growth) only.

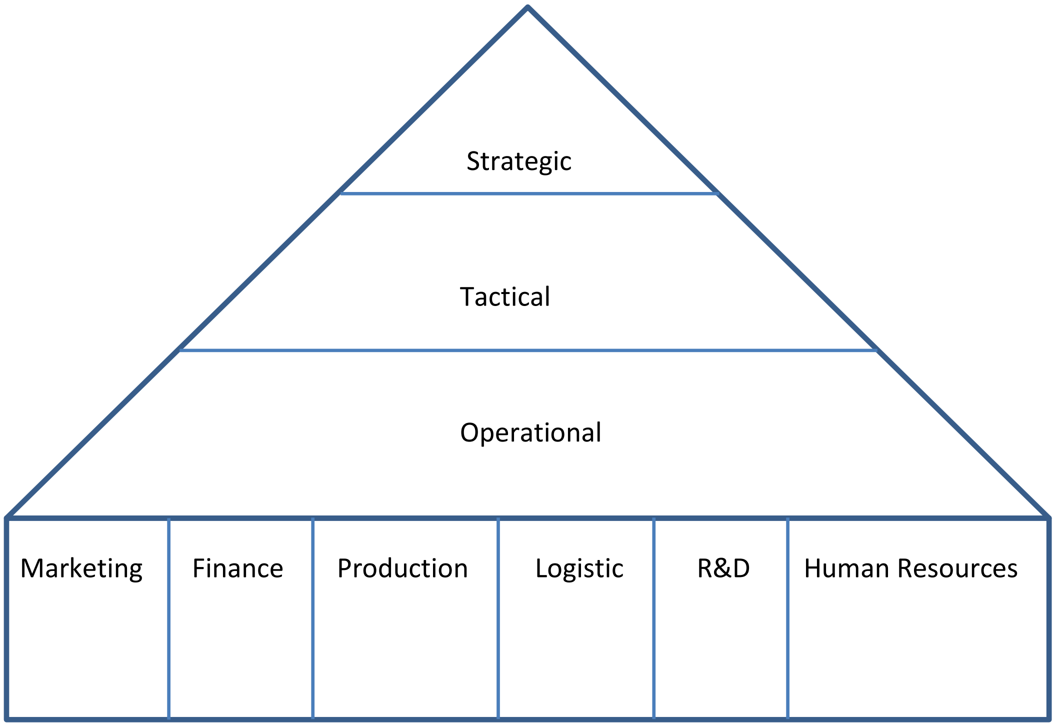
Good strategy execution involves creating strong "fits" betweens: (1) strategy and organizational capabilities. (2) strategy and the reward structure. (3) strategy and internal organization working system (4) Strategy and the organization's work climate and culture.

Strategic Alternatives

There are two popular strategic alternatives:
(a) Glueck and Jauch Generic Strategic Alternatives:
It includes (1) Stability Strategy (2) Expansion Strategy (3) Retrenchment Strategy and (4) Combination Strategy
(b) Michael Porter's Generic Strategies:
It Includes **(1) Cost Leadership Strategy:** Strategy to be the low-cost producer in an industry can be especially effective when the market is composed of many price-sensitive buyers
(2) Differentiation Strategy: Differentiation strategy include offering products with different features than competitors **(3) Focus Strategy:** An organization using a focus strategy may concentrate on a particular group of customers, geographic markets, or on particular product-line segments in order to serve a well-defined but narrow market better.
Best Cost Provider Strategy: Porter's strategic alternatives can be divided for two categories of customers: (1) A broad section of customers (2) A narrow section of customers. The products can be divided into two categories: (1) Lower Cost and (2) Differentiation products. This categorizations help to select the best cost provider strategy.
Grand Strategies/Directional Strategies: These are similar to the Glueck and Jauch strategic alternatives. It includes the following strategies:
(1) Stability Strategy: A firm opting for stability strategy stays with the same business, same product, market and functions
(2) Expansion Strategy: it is the most frequently employed and growth oriented strategy. It is again divided into two types of strategies **(a) Intensification:** This involves expansion into same business through Market Penetration, Market Development and Product Development **(b) Diversification:** involves expansion into new businesses through Vertically Integrated, Horizontally Integrated, Concentric and Conglomerate diversifications.
(3) Retrenchment/Divestment Strategy: Divestment strategy involves retrenchment of some of the activities in a given business of the firm or sell-out of some of the businesses. Retrenchment strategies can be achieved through Turnaround, Divestment and Liquidation.
(4) Combination Strategy: As its name suggests, it is a mix of different strategies which is adopted to develop the best possible portfolio of business. The organizations sometime may divest some business units but at same time use the cash generated through divested business to expand the remaining business through acquisitions and by entering into new markets.

CHAPTER 5 Formulation of Functional Strategy

There are three Level of Managements:



Actually, strategic decisions are implemented in parts at functional level. The development of functional strategies is aimed at making the strategies-formulated at the top management level-practically feasible at the functional level.

1. MARKETING STRATEGY FORMULATION

This function satisfies that need of organization for which organization is formed i.e. serving customers. Marketing always look for long term profit and growth rather immediate profit.

The marketing function maintains a strong relationship with other functions to achieve its objectives.

For Successful Implementation of strategy marketing need to take care of two elements:

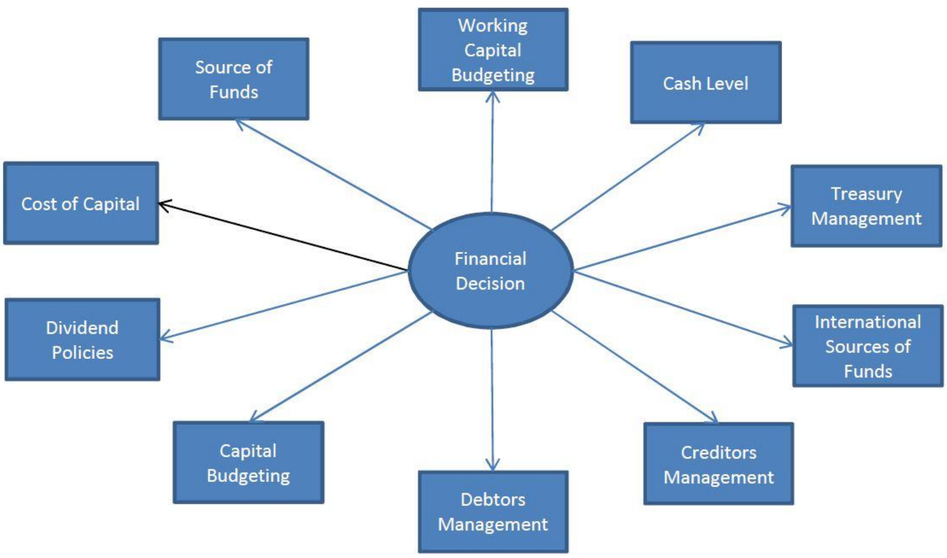
1. Marketing Issues and (to use TV, newspaper and online advertising or not, etc)
2. Marketing Process (Services to customers are the focus of the marketing process)
    a) Connecting to Customers
    b) Developing the marketing mix (Product, Price, Place, Promotion)

Some Other Keys Marketing Strategic Elements:

1. Expanded Marketing Mix (in addition to 4P's… people, Physical evidence, process)
2. Marketing Analysis (a complete analysis of the company's situation)
3. Marketing Planning (deciding on market strategies that will help the company)
4. Marketing Environment (analyze its environment in order to avoid the threats and take advantage of the opportunities)
5. Marketing Strategy Techniques (Social, Augmented, Direct, Relationship, Services, Person, Organization, Place, Differential, Synchro-Marketing, Concentrated , De-marketing)

2. Financial Strategy Formulation

FINANCIAL DECESIONS

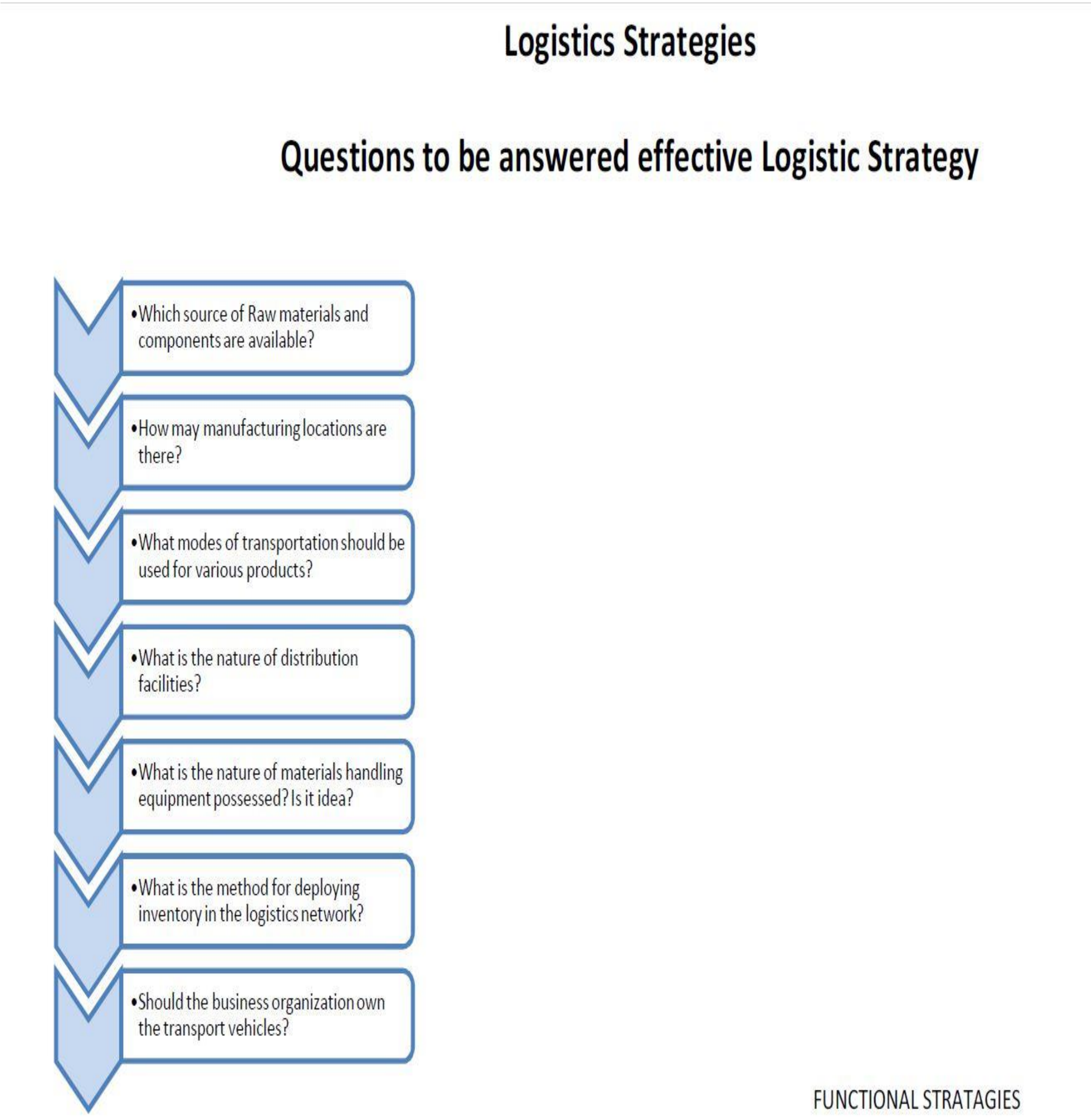


3. Production Strategy Formulation

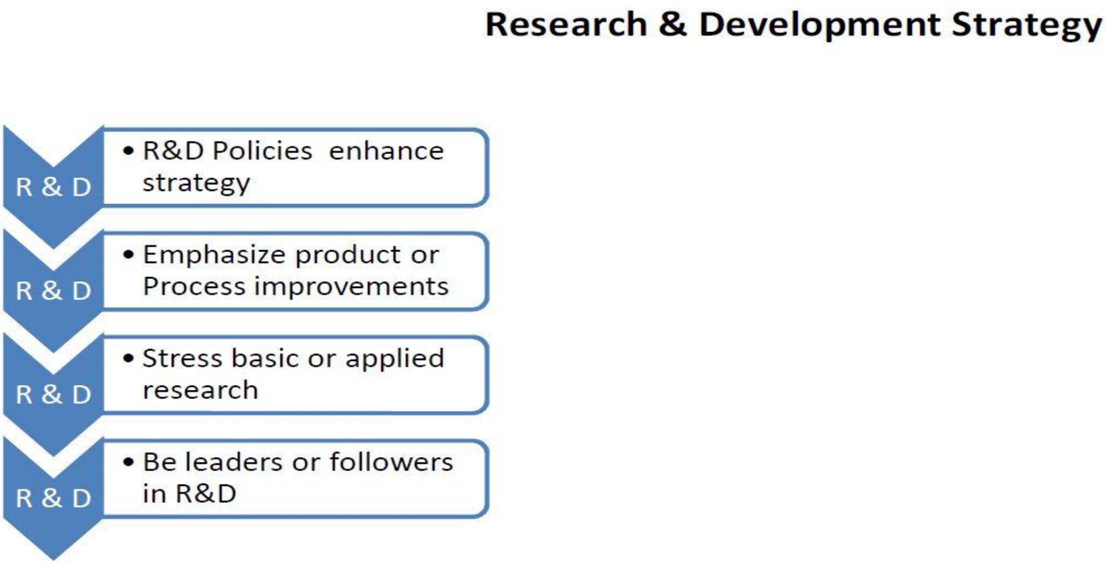
The operations system structure, which is concerned with the manufacturing/ service and supply/delivery system, and operations system objectives, which are related to customer service and resource utilization, both determine what operations, plans and policies are set.

a) **Production System** (concerned with the production capacity, location of manufacturing, degree of automation, product or service design
b) **Production Planning & control** (to see how efficiently resources are utilized and in what manner the day to day operations can be managed.

4. Logistics Strategy



5. **Research & Development Strategy**



6. **Human Resource Strategy Formulation**

Human resources are considered as biggest assets to any organization success.

The following point should be kept in mind;

a) **Recruitment and selection**
b) **Training**
c) **Appraisal of performance** (to identify any deficiencies experienced by employee due to lack of competence)
d) **Compensation** (pay more than competitor to attract workforce).

Strategic Role of Human Resource Management

Following are the prominent areas where human resource manager can play strategic role:

i. **Providing purposeful direction**
ii. **Creating competitive atmosphere**
iii. **Facilitation of Change**
iv. **Diversified workforce**
v. **Empowering human resources**
vi. **Building core competency**
vii. **Developing ethical work culture.**

Chapter -5 at a Glance

Formulation of Functional Strategies

This chapter contents can be divided into six types of functional Strategies

Marketing Strategy Formulation It is the most important function of organizations. It satisfies that need of organization for which organization is formed i.e. serving customers.

Marketing Process: It is a process to analyze market opportunities, select target markets, develop the marketing mix, etc

Marketing Mix: It consists of everything that the firm can do to influence the demand for its product. This includes the "four Ps. (1) Product (2) Price (3) Place (4) Promotion

Key Marketing Strategic Elements: This includes (1) Expanded Marketing Mix (2) Marketing Analysis (3) Marketing Planning (4) Dealing with Marketing Environment **(5) Marketing Strategic Technique**. This further includes (a) Social Marketing (b) Augmented Marketing (c) Direct Marketing (d) Relationship Marketing (e) Services Marketing (f) Person Marketing (g) Organization Marketing (h) Place Marketing (i) Differential Marketing (j) Synchro-Marketing

Financial Strategy Formulation: The financial strategy is another most important strategy with marketing. Finance is considered as blood to organizations' body.

Key Elements to Financial Strategy:

(1) Acquiring capital: This includes strategies for (a) Selecting right capital structure (b) procurement of capital and working capital borrowings **(c)** reserves and surplus as sources of funds (d) and relationship with lenders, banks and financial institutions

(2)Projected financial statements / budgets: Projected financial statement analysis is a key to implement financial strategy because it allows an organization to examine the expected results of various actions and approaches:

(3) Management / usage of funds: Plans and policies for the usage of funds deal with investment or asset-mix decisions i.e. which asset to purchase and which to dispose off

(4) Evaluating the worth of a business: It is also an important financial strategy implementation because company may acquire another firm under diversification,

Production Strategy Formulation: production strategies are related to the production system, production planning and control. **Production System** It is concerned with the production capacity, location of manufacturing, layout of shop-floor, product or service design, degree of automation and extent of vertical integration

Production / Operations Planning and Control Strategies related to these are concerned with aggregate production planning; materials supply; inventory, cost, and quality management; and maintenance of plant and equipment

R&D Strategies: R&D can play an integral part in overall company's strategy implementation. Well formulated R&D policies match market opportunities with internal capabilities There are at least three major R&D approaches: (1) Innovate the product and technology e.g. Apple (2) be an innovative imitator of successful products e.g. Samsung (3) be a low cost producer e.g. Chinese manufacturer

Logistics Strategy: Logistic means flow of material / goods from source to destination i.e. from supplier to customers. Effective logistics strategy can help a business in (1) Cost savings (2) Reduced inventory (3) Improved delivery time (4) Customer satisfaction (5) Competitive advantage.

Supply Chain Management: Supply chain represents a link of entities involved for the movement and management of materials/goods. Managing supply chain is a very important aspect for organization to satisfy their customers' needs efficiently. Implementing Supply Chain Management Includes:

(1) Product Development
(2) Procurement
(3) Manufacturing
(4) Physical distribution
(5) Outsourcing
(6) Customer Services
(7) Performance Measurements

Human Resource Strategy Formulation: Human resources are considered as biggest assets to any organization's success. This includes assessing the staffing need and developing a staffing plan for effectively implementing the other formulated strategies. **Strategy and Human Resource Management** The effective HR strategy of business supports the overall corporate strategy. An effective HR strategy includes the way in which the organization plans to develop its employees and provide them suitable opportunities and better working conditions so that their optional contribution is ensured.

Strategic Role of Human Resource Management: (1) Providing Purposeful Direction (2) Creating Competitive Atmosphere (3) Facilitate change (4) Diversified workforce (5) Empowering human resources (6) Building Core Competency (7) Developing ethical work culture

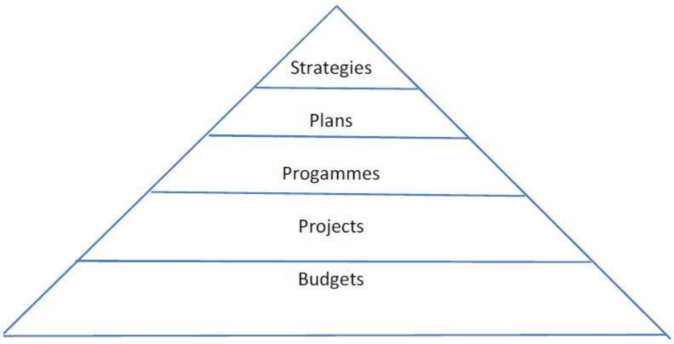
CHAPTER 6 **Strategy Implementation and Control**

STRATEGIC IMPLEMENTATION

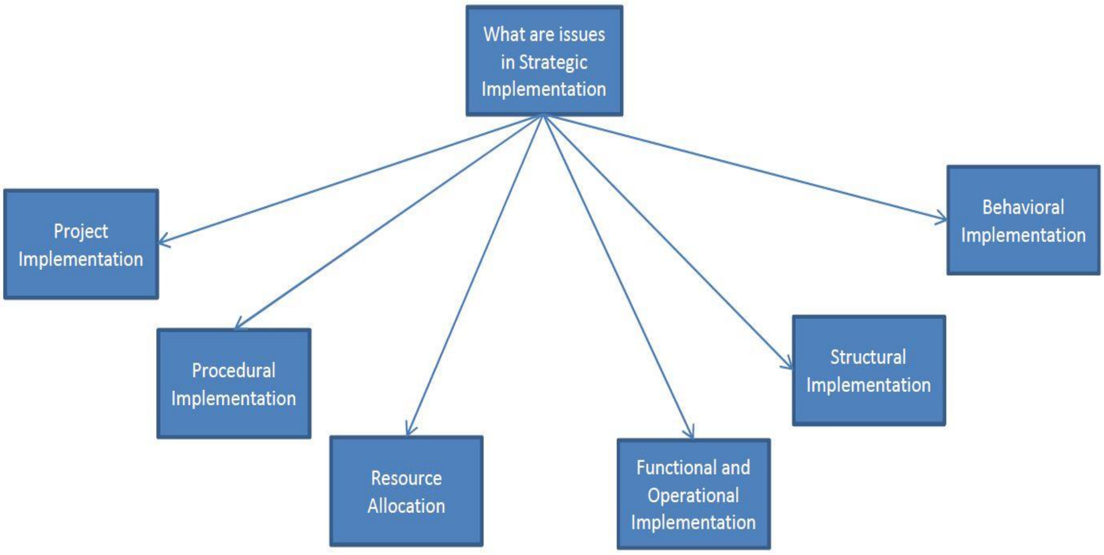
Some of the important statement for this captor are as follows

Implementation means "TRANSLATING DECESION INTO ACTION"
CHANGE WILL COME FROM IMPLEMENTATION BUT NOT BY PALN

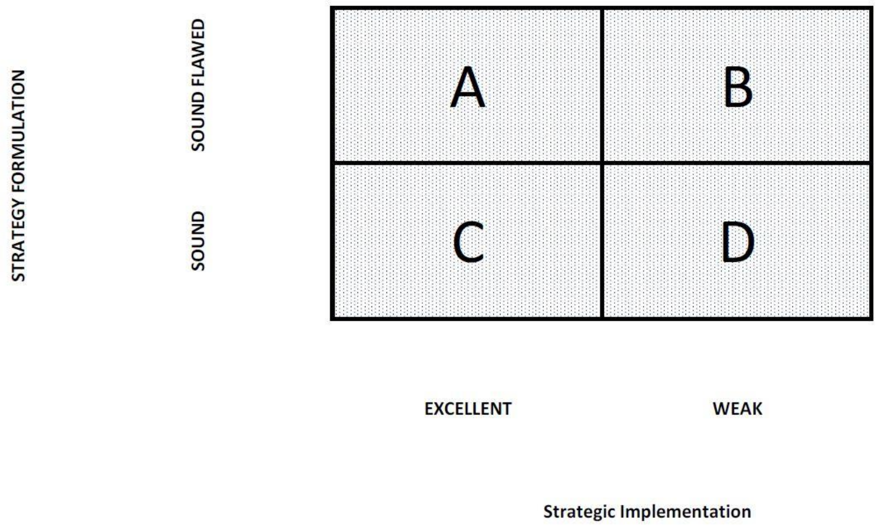
The Pyramid of Strategy Implementation



What are issues in Strategic Implementation



What is the inter-relationship between strategy formulation and implementation

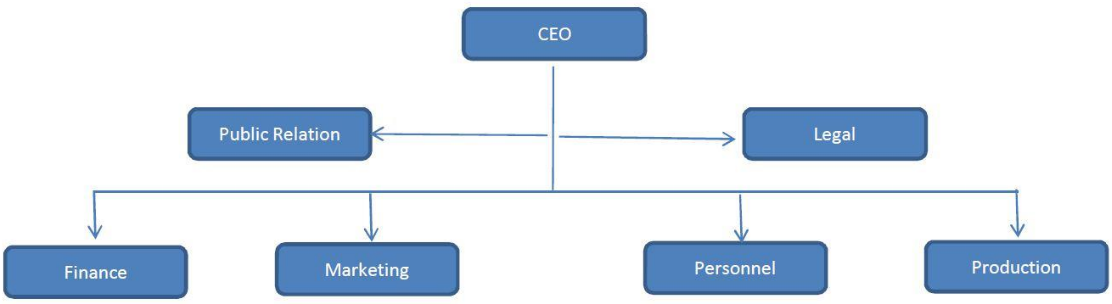


B------Success

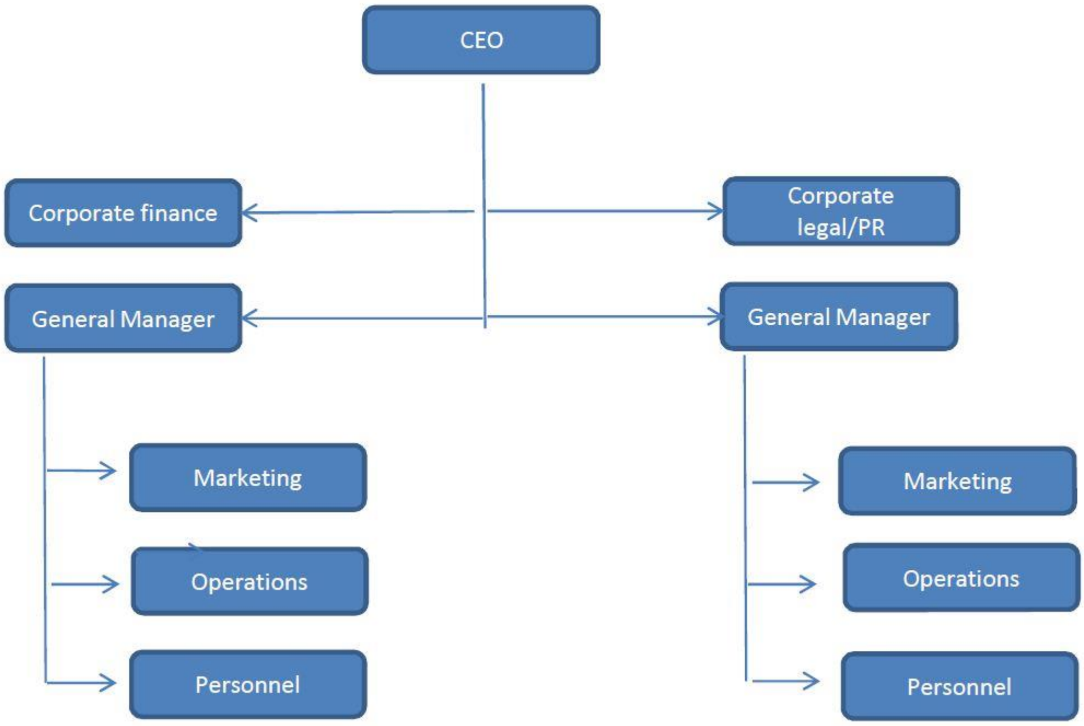
STRATEGIC IMPLEMENTATION

ORGANIZATIONAL STRUCTURE

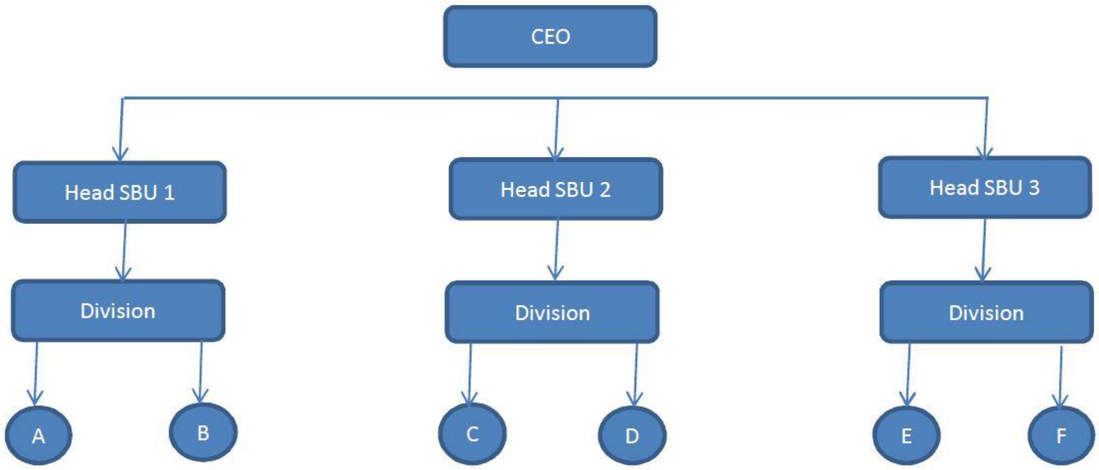
Functional Structure



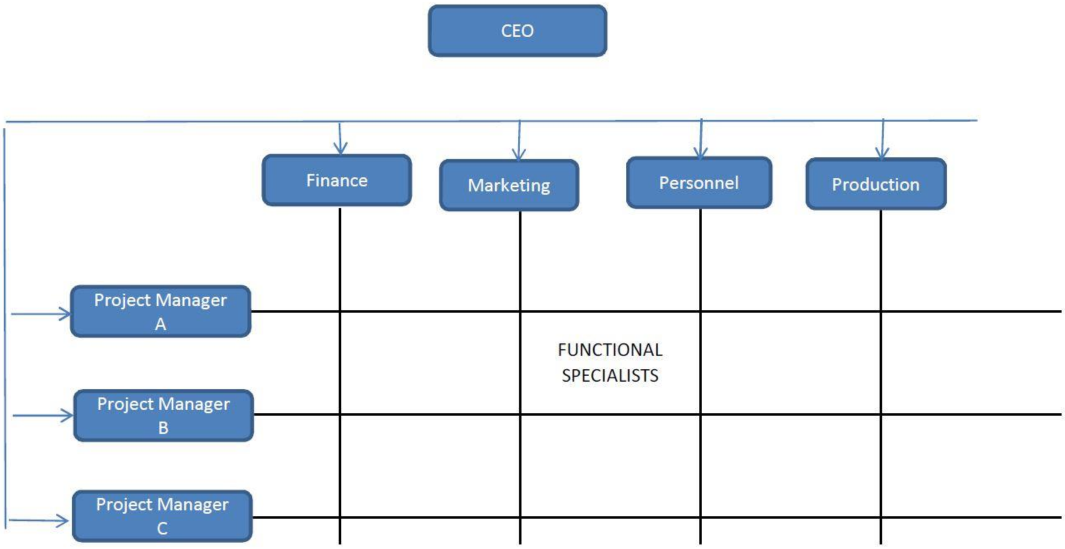
Divisional Structure



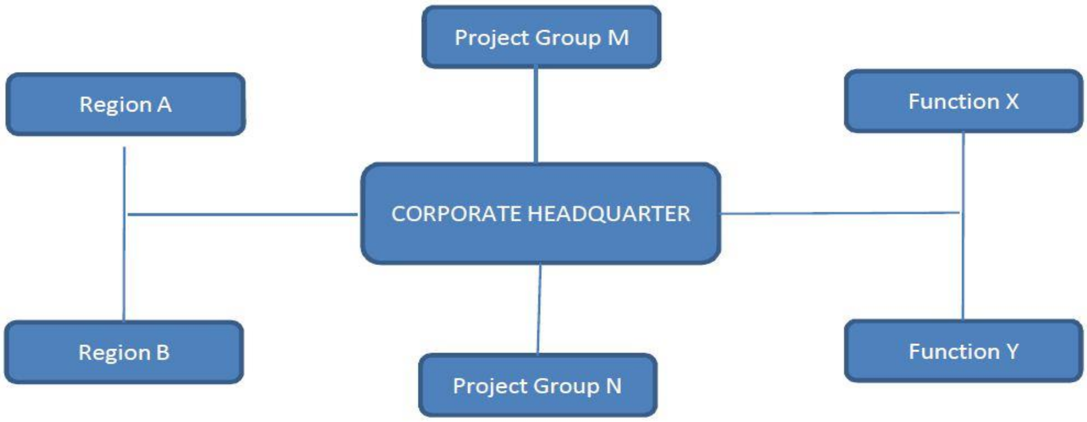
Strategic Business Unit

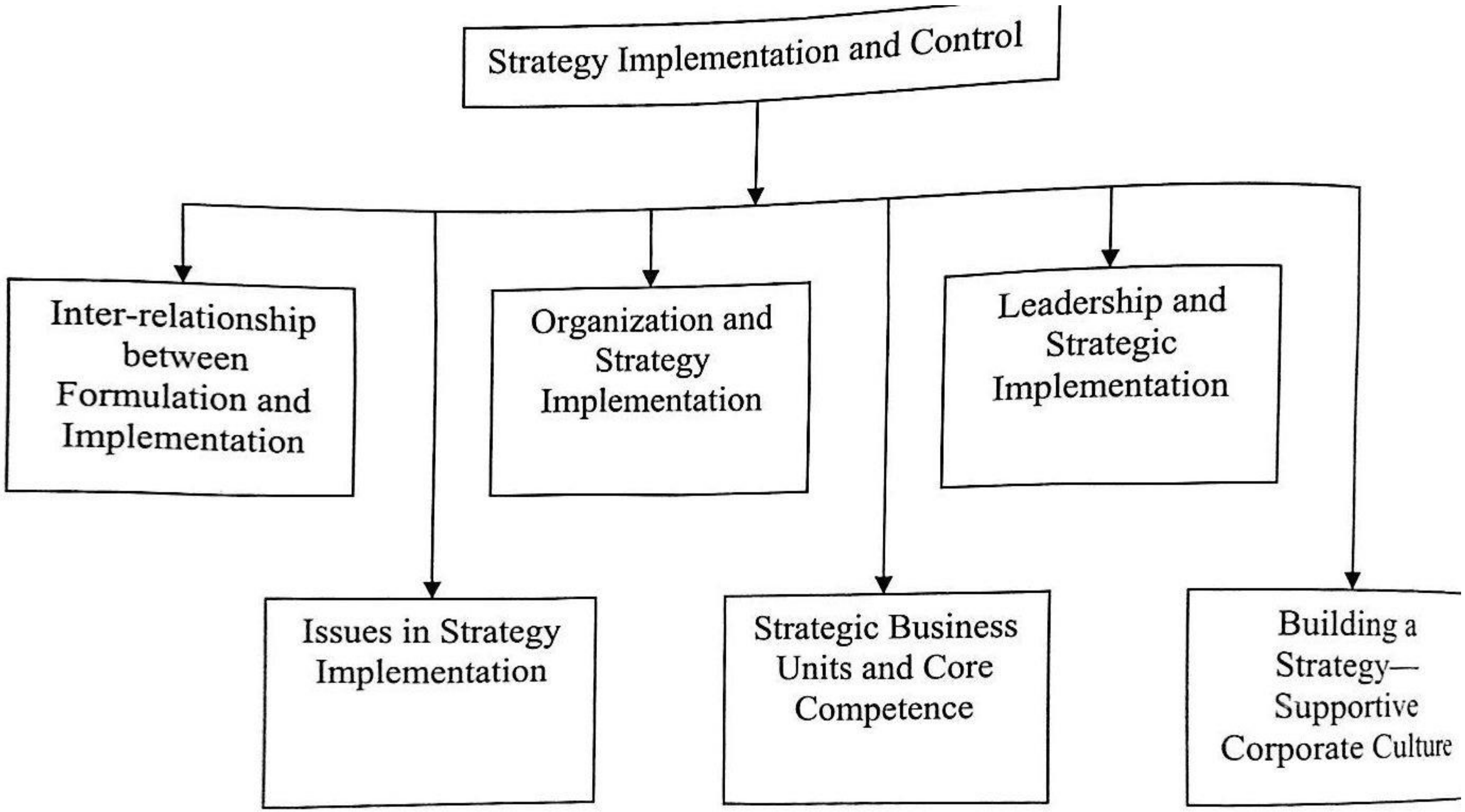


Matrix Structure



Network Structure





(1) Strategy Formulation and Implementation
(2) Issues in Strategy Implementation
(3) Organization and Strategy Implementation
(4) Strategic Business Units and Core Competence
(5) Leadership and Strategic Implementation
(6) Building a Strategy – Supportive Corporate Culture

Business Process Re-Engineering:

BPR is fundamental rethinking and radical redesign (reinventing) of business process to achieve dramatic improvement in business process in term of cost, quality, service and speed.

Principles of BPR

a) BPR first principle says that there should be single point responsibilty for any business process.
b) BPR second principle says if work is to be performed in parallel then there should be perfect co-ordinations among persons/ resources performing work in parallel.
c) BPR third principle says that there should be a common database thorugh which every one can share the common data to avoid duplicity.

Role of Information Technology in BPR:

The main thrust of using information technology in BPR lie in far-reaching (best procedure based) processes oriented solution. BPR is more or less unimaginable without the use of information technology tools.

BPR + Information Technology Tools = Businesss Engineering

How BPR is Implemented? (*CEO Formulate & Implement)

1. Determine the objective
2. Identify the customer needs
3. Study the existing Process
4. Formulated a redesign of process
5. Implement the redesigned process

Benchmarking

Benchmarking is an approach of setting goals and measuring productivity based on best industry practices. Benchmarking provides standards against which performances can be measured. Benchmarking is a process of continuous improvement in search for competitive advantage.

Benchmarking Process or Steps

1. Identifying the needs
2. Clearly understanding existing business processes
3. Identify best processes.
4. Compare own processes and performance withthat of others: and identify the gaps
5. Prepare a report and Impement the steps necessary to close the performance gaps
6. Evaluate the results of benchmarking process in term of improvements

TQM: Total Quality Mangement:

Total:	Involving the entire orgnaization , supply chain, and/or product life cycle
Quality:	providing output as per specifications or without fault.
Management:	process including steps like planning, organizing, staffing, directing,etc

TQM is a management concept or philosophy to encourage each and every participant to realize the importance of quality. To extend it further, it is a concept which state that adopt quality in every step of your work and process.

Principles of TQM

1. Management commitment to quality.
2. Preventing rather than detecting defects.
3. Focus on Customer.
4. Universal quality responsibility.
5. Continuous improvement and learning.
6. The synergy of teams
7. Employee involvement and empowerment
8. Root cause of corrective action.

SIX SIGMA (Developed by motorola in 1986)

Six Sigma provides the highest standards for quality controls of products and processes. Six Sigma is a thorough and disciplined methodology that uses data and statistical anlysis to measure and improve a company's products quality by identifying and eliminating "defects" in manufacturing and service-related processes. Commonly defined Six Sigma standard is 3.4 defects per million parts or 99.99966% of products manufactured are defect free.

Six Sigma efforts target three main areas:

1. Improving customer Satisfaction
2. Reducing process cycle tyme
3. Reducing defects

6 theme of six Sigma :-

1. Genuine focus on customer
2. Data and fact-driven management
3. Process focus, management and improvement
4. Proactive management
5. Boundary less collaboration
6. Drive for perfection and the tolerance for failure

Strategic Management in Non-Profit Organisation like:-

1. Medical Organisation: to provide affordable medical service to masses and to provide their services reach to every corner of the city and country.
2. Educational Institutions: low cost and high quality education and also provide them a better edge over private institutes.
3. Govt. Agencies/ Dept. : to use taxpayer's money in the most cost-effective way to provide their services and programs to masses at affordable cost. Strategic decisions for betterment of services and society.

Strategies for Internet Economy:

Following features of internet and e-commerce are reasons behind their importance in the strategic planning:

1. Internet is a global network and that makes feasible for companies to makes services reach globally and compete in the global market.
2. Entry barriers into the e-commerce world are relatively low.
3. Online buyer are gaining much better bargaining power due to fewer obstacles to compare products and prices fo competing vendor.
4. Internet results in much faster distribution of new technologies and new ideas across the world
5. Internet helps to deliver low cost services to customers.

Finally, this chapter presents importance of strategic management under Contemporary Strategic Issues like Strategies in:

- Internet Economy;
- Non- Profit and Government Organization;
- Educational Institutes, and;
- Medical Organization;