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Chapter - 2

Business Policy and strategic Mngt

Business Policy :- It is set of Rules to conduct Business for growth and profitability.

Strategy :-
- It is a plan adopted to win in competition and/OR achieve objective
- Analysis of strength & weakness
- A long term plan
- All strategy emerge (निकलना) from corporate vision

Note: Strategy is not a substitute for sound, alert and responsible mngt and it can never be perfect, flawless and optimal organisational plans.

- Strategy is partly proactive and partly reactive. In proactive strategy, orgⁿ will analyze possible environment situation and create strategic frame work like smart phone development by Apple. Provide leadership position.
  In reactive strategies orgⁿ react to their competitor action like Samsung/Nokia's smart phones development in reaction to apple's iphone. Reactive strategy is triggered by the changes in the environment. Does not provide leadership position.
  (Proactive = Planned i.e first move
  Reactive = in reaction of something)

Corporate strategy :- DPT

It define as growth design for a co. It describe direction, pace and timing of co's growth

Characteristics of corporate strategy :- FLAPE cover है क्या

- Formulated by Top mngt.
- Long term
- Action oriented (i.e not only planning)
- Purpose full (take orgⁿ in a direction)
- Efficient (utilize the resourses in the Highest Productive combination. It is a economic version of technical Productivity)

Nature scope & purpose of corporate strategy :-

Next page

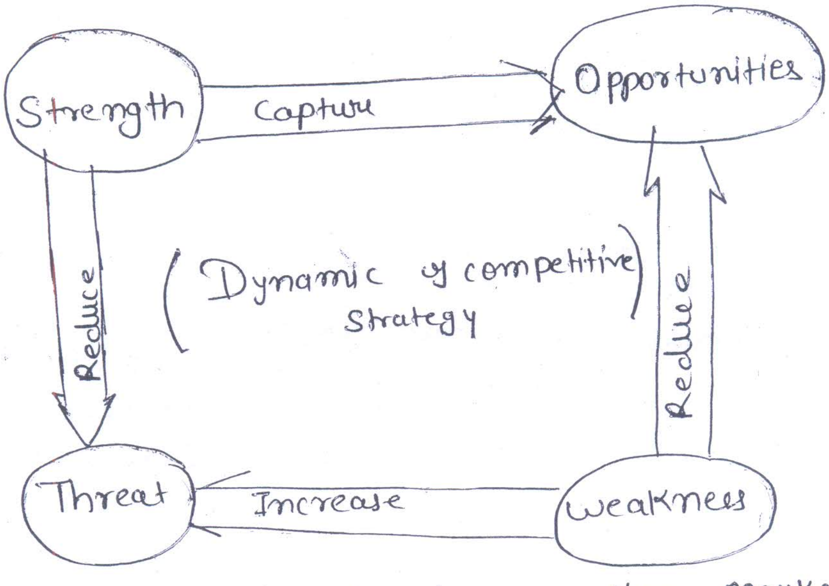
- Serve as growth design for orgⁿ
- filling the firm's strategic Planning Gap.
- It concerned with the choice of the firm's product and market

* Nature, scope and purpose of corporate strategy:

G F को Market मे घुमाओ (G F C C)

- Serve as growth design of org^n
- It is a design for filling the org^n strategic planning gap
- It concerned with the choice of the firm's product and market
- It helps to build the relevant competitive advantages

* Dynamic of competitive strategy:-



The organisation can survive by competing market only when they formulate and implement an effective and competitive strategy. The competitive strategy can be formulated effectively by using Porter's five forces model. Competitive strategy depends on strength and weakness, opportunities and threats.

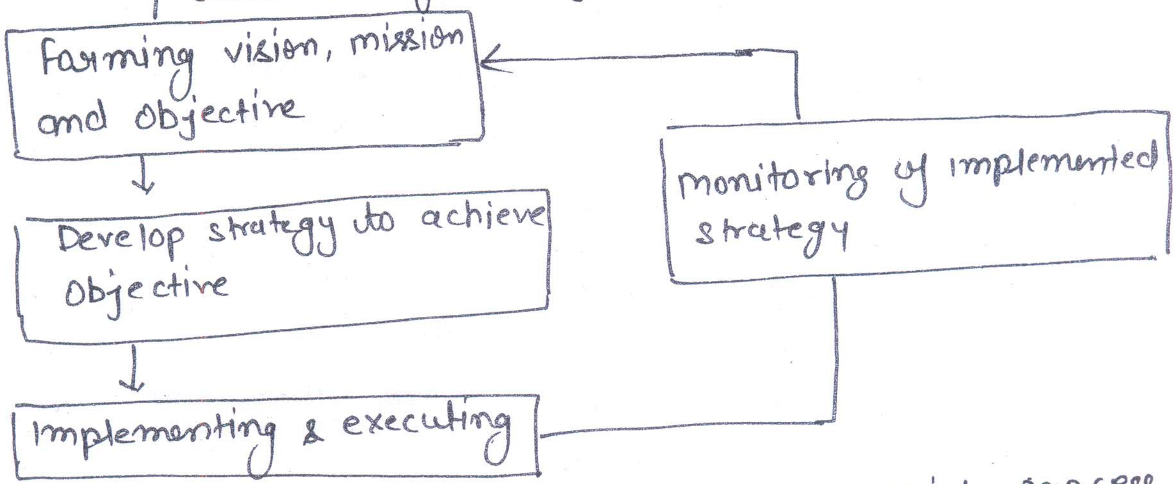
"In dynamic competitive strategy Strength capture opportunities and reduce threats but weakness reduce opportunities and increase threats.

Q- What does corporate Strategy ensure?

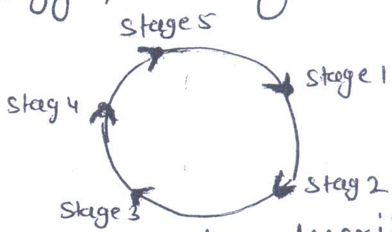
Ans- Corporate strategy in first place ensures the growth of the firm and ensure the correct alignment of the firm with its environment. Now write (4) Points of nature, scope and purpose of corporate strategy.

* Strategic management

- It is a framework / structure
- to plan, formulate and implement a good strategy
- combination of strategy + management



" Strategic management refer to a managerial process of farming vision, mission and setting up an objectives, implementing and executing the strategy, makeing adjustment as per requirement."



* Strategic management Framework

The basic framework of strategic process can be describe in sequence of five stages. These five stages are as follows:

Stage 1 :- where are we now?
- It involves analyze of existing situation i.e strength and weakness

Stage 2 :- where are we want to be?
- It involves analysis of desired situation i.e goal & objective

Stage 3 :- How can we get there?
- It involves analysis of various alternative to achieve its goal and objective

Stage 4 :- which way is the best?
- It ~~m~~ select the best alternative from various alternative

Stage 5 :- How can we ensure control?
- Implement and monitor the selected alternatives

Note: Strategic management is not a bundle of tricks and magic

More proactive then reactive

environment

* Importance of strategic Management — P F E

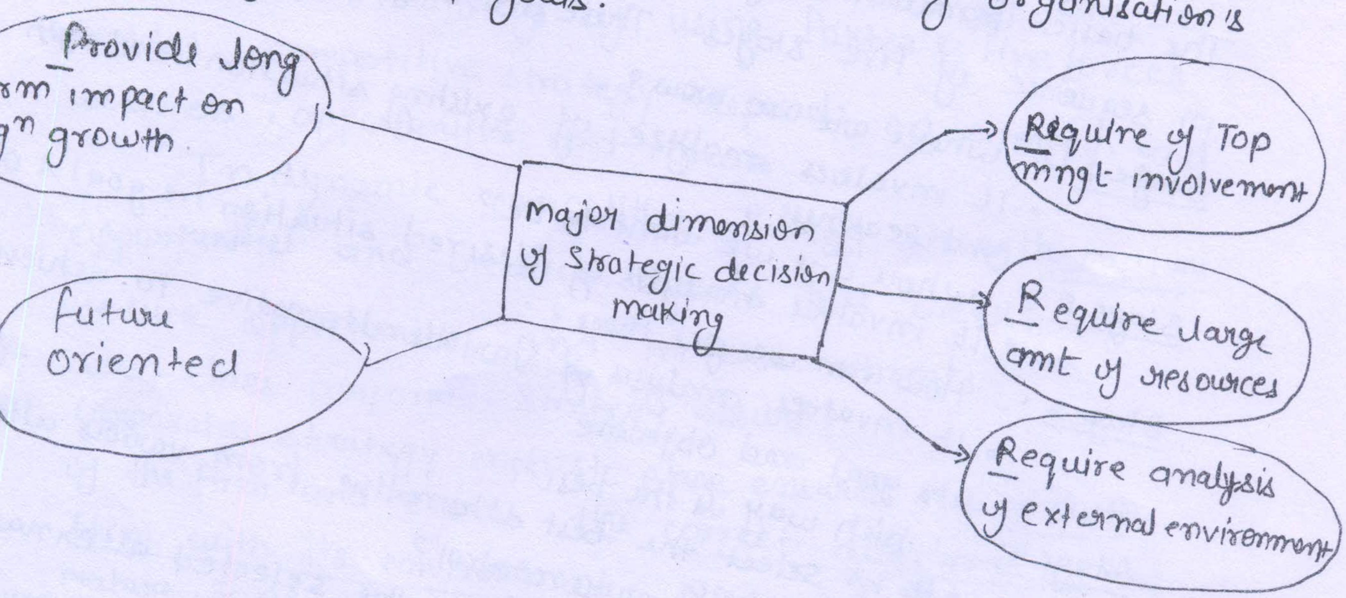
Provide framework for all major decision

Strategic planning and implementation have become important for all organisation for their survival and growth. Also business follows the war principle of 'WIN or lose' and not necessary WIN-WIN situation arises in business world. This can be done only by following process of strategic management. The major benifit of strategic management are as follows :-

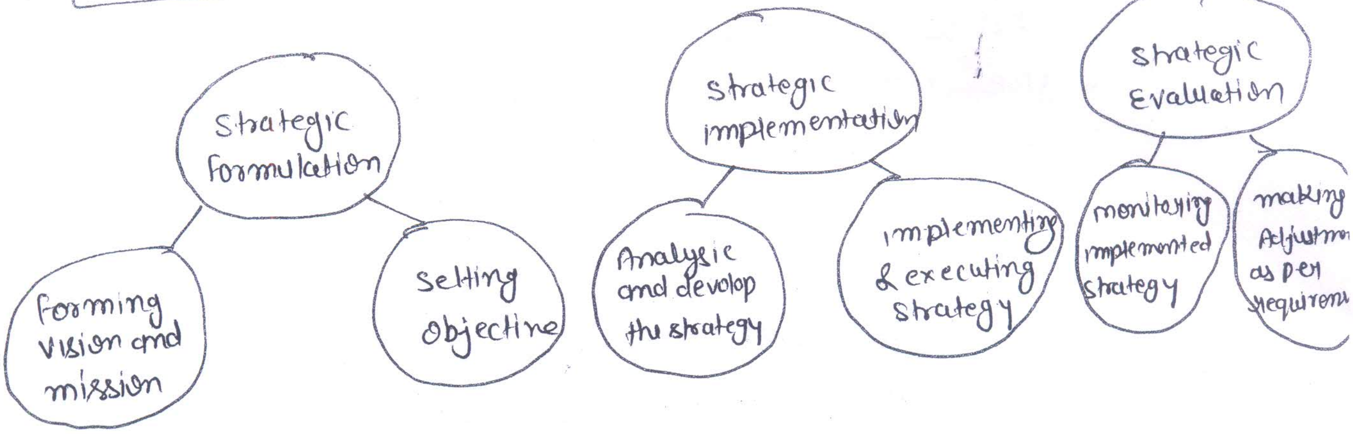
- Strategic management helps organisation to be more proactive instead of reactive in its futuru
- Strategic management provides framework for all major business decision.
- Discover organisation strength and weakness
- Identify the available opportunities and possible threats.

* Strategic Decision making — 3 R P F

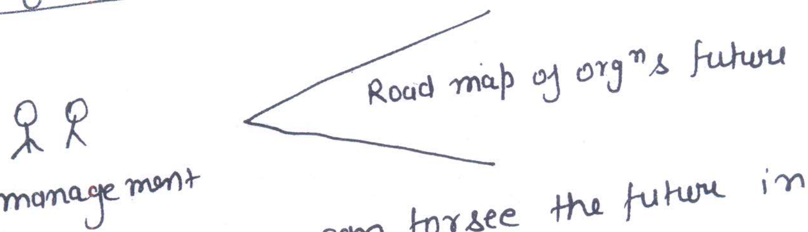
- Strategic Decision is a managerial process.
- It is a function of selecting a particular course of action out of several alternative for achieving organisation's objectives and goals.



* Strategic Management model (ये भी strategic mngt. ही है)



* Strategic Vision



- " A great visionary can forsee the future in advance"
- Vision is a roadmap of company's future
- It is future direction for organisation
- It defines what organisation ~~who~~ wants to do in future
- It also specifies management policy towards customer and societies

Example of vision:
Vision of TATA MOTERS " To be a world class corporate constantly furthering the interest of all its stake holder."

* Element of Strategic Vision

- farming a vision statement it defines what the company presently in and communicate the essence of " who we are and where we are now?
- Using this mission statement it define long term path by indicating "where we are going"?
- finally, it communicates strategic vision in clear and commited term.

* How to develop a strategic vision — T U C विजन बनाओ
दुरुस्त

- Think creatively
- Use intelligent entrepreneurship
- Clear direction of vision

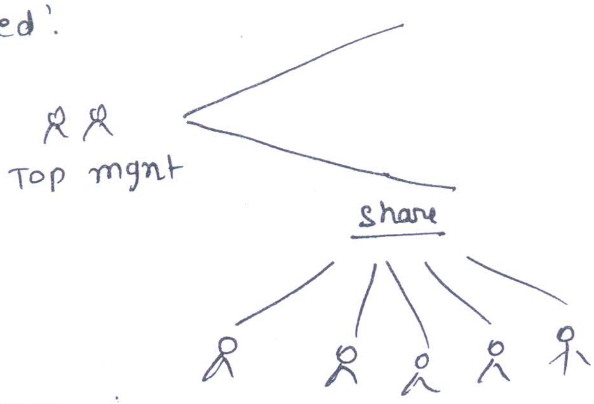
* shared vision and vision shared

- where an individual are able to bring orgnisation vision close to their hearts and mind they have "shared vision". In other words where employee as well as mngt togather form a vision.

shared vision eg Govt org

Large No of participents involved in creating vision

- where a vision is formulated only Top management then share it to lower management, is called 'vision shared'.



* Mission

- Accordingly to 'Glueck & Jauch' "mission is answer to the question " what business are we in"
- Mission is a foundation of orgn
- It is outcome of Vision
- So ' mission primarily reflect what business we are in and what we do? A mission broadly describe orgnisation < P C B
  - Present capability
  - customer focus
  - Business activities.

Eg:- Mission of ~~cabu~~ cadbury " To attain leadership position in confectionary market and achieve a strong presence in food and drinks sector "

* Guidlines for forming of mission statement

- U – unique
- P – Profit making Not
- A – Achievable
- C – customer & society interest.

- It should be unique to the orgn
- Profit making should not be the only mission.
- It should be achievable.
- It should include the interest of customer and society

* Objectives

- Objectives are performance target which organisation want as result or outcome in the specific periods.
- objectives are formed from vision and mission statement of orgn.

* characteristics of objectives

- facilitate to achieve mission and goal.
- should be understandable.
- should be measurable.
- should be challenging.

* Level in Organisation

- corporate leve (Head office) consist of Top mngt
  - Business level (Business unit 1)
    - functional level (marketing/ Finance manager)
  - Business level Business unit 2 — consist of Business level manager
    - functional level (marketing / Finance manager)

Difference

	corporate level	Business level	functional level
① Risk	High	Medium	Low
② Cost	High	Medium	low
③ Profit	High	Medium	low
④ Task	Planning	Planning + operational	operational

Que - You are appointed as a strategic manager by xyz co. Being a strategic manger what should be your task to perform?

Ans The primary task of the strategic manager is understanding, designing and executing company strategies.

for this purpose, his task will be

- Defining the mission and goal of the organisation
- Determining what business it should be in.
- Allocate resources among the different business.
- Formulating and implementing strategies
- Providing leadership for the organisation.

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Strategic Analysis

* Strategic Analysis :-

It refer to a process of developing through analysis of Business and its Environment both internal and external environment.

It includes

(i) Industry and competitive analysis

(ii) Analysis of org^n strength, weakness and market position.

* Issue to consider Strategic analysis

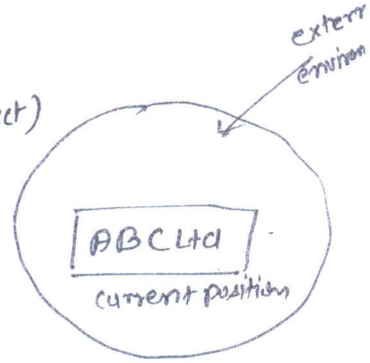
- **Time Line** → Strategic analysic is a long term aspect
- **Balance** → Strategy should be Balanced B/w strength and opportunities
- **Risk** → Strategy is for future. further is with uncertainity and all uncertain elements should be consider

* Situation Analysis — PCODE

when a industry is analyse its current position and external environment. It is called situation analysis

It has following factor :-

* Product situation (i.e detail about current product)
* Competition situation (i.e weak & ur aggressive)
* Opportunities & issue analysis
* Environment situation
* Distribution situation (i.e Position of co.'s distribution channel)



* **Industry**

- Industry is consortium (संघ) of firms whose product or services have homogenous (सजातीय) attributes.
- for example All paper manufacturers ~~consiti~~ constitute the paper industry
- So Industry is not a grouping of <u>dissimilar firms</u>

* **Factor of competitive and industry analysis**

↳ DNT LIKE-F

Key factor of competitive and industry analysis are as follow:

- <u>D</u>ominant (प्रभावशाली / प्रबल) economic feature of industry
- <u>N</u>ature and strength of competitor
- <u>T</u>igger of change
- <u>L</u>ikely ~~moves~~ strategic moves of rival (ie हमें अपने competitor की हर move मालूम होनी चाहिए जैसे वे अगर price कम करते हैं तो इसके लिए हम तैयार रहें पहले से)
- <u>I</u>dentifying strongest and weakest position in market
- <u>K</u>ey competitive success factor (KSF)
- <u>F</u>inancial attractiveness (ie return of investment कितना है।)

* **Trigger of changes**

- Industry is composed of several factor which are <u>changing continuosly</u>. These factor forces industry and org^n to change accordingly.
- An Industry/org^n need to understand the root cause of tigger and also the position of trigger

<u>concept of driving force</u> : The most dominant forces are called driving force because they have biggest influence on the industry structure and competitive environment.

Driving forces are analyzed in two steps :-

1. Indentifiying the most common driving force
2. Analyze their individual contribution to competition

Eg -
- Internet, e-commerce
- Technology
- Globalization

* Identifying strongest and weakest Position

- It is not easy to analyze the competitive position of rival
- One technique which can be used to analyze the competitive position of rival is "Strategic group mapping".
- "Strategic group mapping" is a technique which is used to analyze the competitive position of rival.

In this technique, the company having similar competitive approaches and position in the market are placed into a group which is known as strategic group and this technique is known as strategic group mapping.

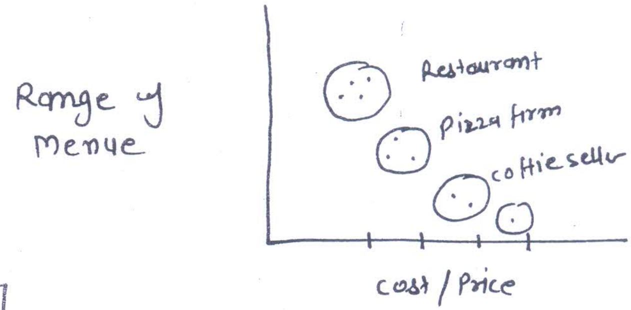
- Process of strategic group mapping: IPAD

Step1:- Identfying variable like Quality, Price, Range of menu.

Step2:- Plot firm on multi-variable map.
साथ रेखा बनाना

Step3:- Assign firm having same strategy to same group
निर्धारित करना

Step4 Draw a circle around each group



* Key Success factor (KSF)

- These are the factor which affect the ability of firm.
- These factor are based on which customer select one product over other Product.
- KSF varies from Industry to Industry.
- To provide KSF, a firm will have to find answer of following 3 Ques.

(1) ~~wht~~ what are different factor (KSF) based on which customer takes decision?

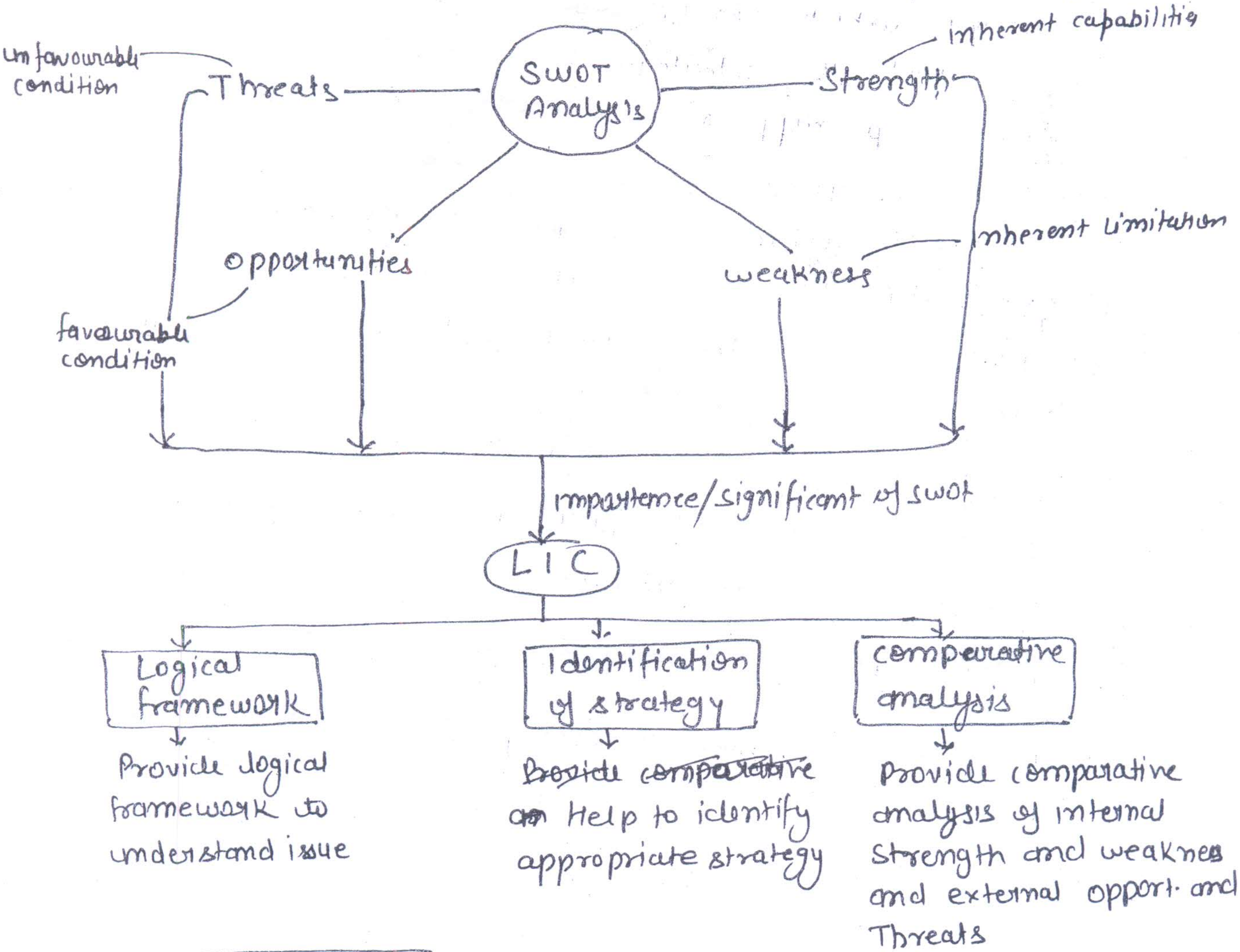
(2) what a seller needs to provide these KSF?

(3) whether a firm will be abled to create sustainable competitive advantages?

sustainable → कायम रहने वाला

SWOT Analysis

- Analysis of S, W, O and T are known as swot analysis.



TWOS MATRIX

- It is same as SWOT But it helps to identify those opportunities which can be utilized by using strength of organisation to a maximum level

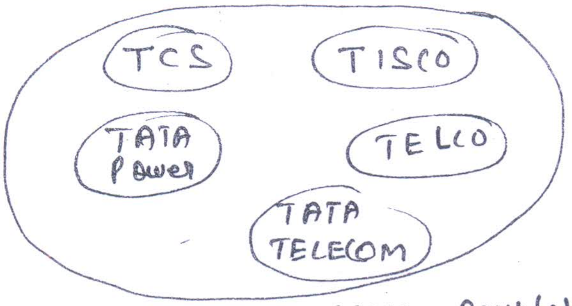
1. SO: How can we use our strength and opportunities.
2. ST: How can we maximize strength and minimize threats
3. WO: How can we minimize weakness and maximize opportunities
4. WT: How can we minimize our weakness and threats

	opportunities (O)	Threats (T)
Strength (S)	Maxi - Maxi strategy (SO)	maxi - mini stetagy (ST)
weakness (W)	mini - maxi strategy (WO)	mini - mini strategy (WT)

* Portfolio analysis

- Portfolio analysis is a analysis of set of Product or Business unit
- Portfolio analysis is applied to decide which of the product or business unit should be continued and which should be divest.

Eg-



TATA SONS Portfolio analysis

* Three concept of Portfolio Analysis

Strategic Business unit (SBU)

- SBU is a unit of a co. that has seperate mission and objective which can be Planned independently from other co.'s Business
- SBU can be a product Line or Business unit

*** characteristics of SBU**

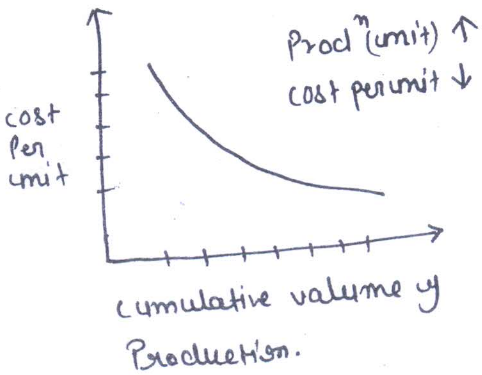
- Every SBU has their own mission & objective
- Every SBU has their own set of customer
- Every SBU has their own set of competitor
- Every SBU has their own manager

Eg. Hindustan unilever

- Soap and detergent
- cosmetics (Ponds)

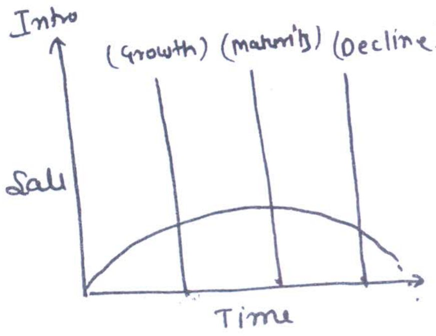
Experience curve

- Known as learning curve
- It is based on common understanding that avg cost per unit decrease because business accumulates experience in terms of cumulative valume of production.
- Experience curve leads to economies of scale.



Product Life cycle

- It is a "S" shaped curve
- It is a map of sale over time
- It has four stages
  - Introduction
  - Growth
  - Maturity
  - Decline
- It can be analyzed considering –
  - Sale
  - Profit
  - Investment



* Portfolio Analysis Models

- **BCG** → 2 x 2 matrix for Business unit Port folio analysis
- **Ansoff matrix** → 2 x 2 matrix of Product and market Port folio analysis
- **ADL Matrix** → 5 x 4 matrix of Industry life cycle and Business Position Port folio analysis
- **GE/McKinsey Model** → 3 x 3 Matrix of Business strength and market attractiveness

(i) BCG Model (Growth share Matrix)

- Known as Boston consulting Group model of Business unit Portfolio analysis.
- Divide all Business units in four categories for strategic planning
- BCG growth share matrix is based on two dimension " Relative market share" and "Business growth rate".
- BCG model/ Growth share matrix is also know for its cows Dog.
- BCG Model/ Growth share matrix is popularly used for resources allocation metophors

Relative market share

Business Growth Rate		High	Low
	High	STAR * (Growing Business)	Question mark ? uncertain Business
	Low	CASH COW (stable Business)	Dog (Declining Business) → out

- Strategies applied on BCG
- Build - object to increase market share.
- Hold - object to preserve market share.
- Harvest - To increase short term cash flow.
- Divest - Object to sell business

* Ansoff Matrix

- Ansoff matrix is 2×2 Matrix
- It is based on two ~~dimension~~ dimension "Product" and "market".
- It has four categories
  - Market Penetration
  - Market Development
  - Product Development
  - Diversification (Reducing non-Systematic Risk by investing in variety of asset)

	Existing Product	New Product
Existing Market	Market Penetration પ્રવેશ	Product Development
New Market	Market Development	Diversification

Diversification
- related Diversification → conglomarate → where New Product is not linked with old product
- unrelated Diversification → concentric → where new product is linked with old product

- Market Penetration refer to a growth strategy where business focuses on selling existing product into existing market.
- market Development refer to a growth strategy where business seeks to sell its existing product into new markets.
- Product Development refer to a growth strategy where business aims to introduce new product into existing market
- Diversification refer to a growth strategy where business markets new product in new markets.

* GE/McKiney Matrix

Business strength

Market attractiveness	High	medium	Law
High	Grow	Grow	Hold
medium	Grow	Hold	Harvest
Law	Hold	Harvest	Harvest

- It is based on two dimension i.e Business strength and market attractiveness.
- McKinsey is inspired from "Traffic control Light"

Green : Grow
Yellow : Hold
Red : Divest / Harvest

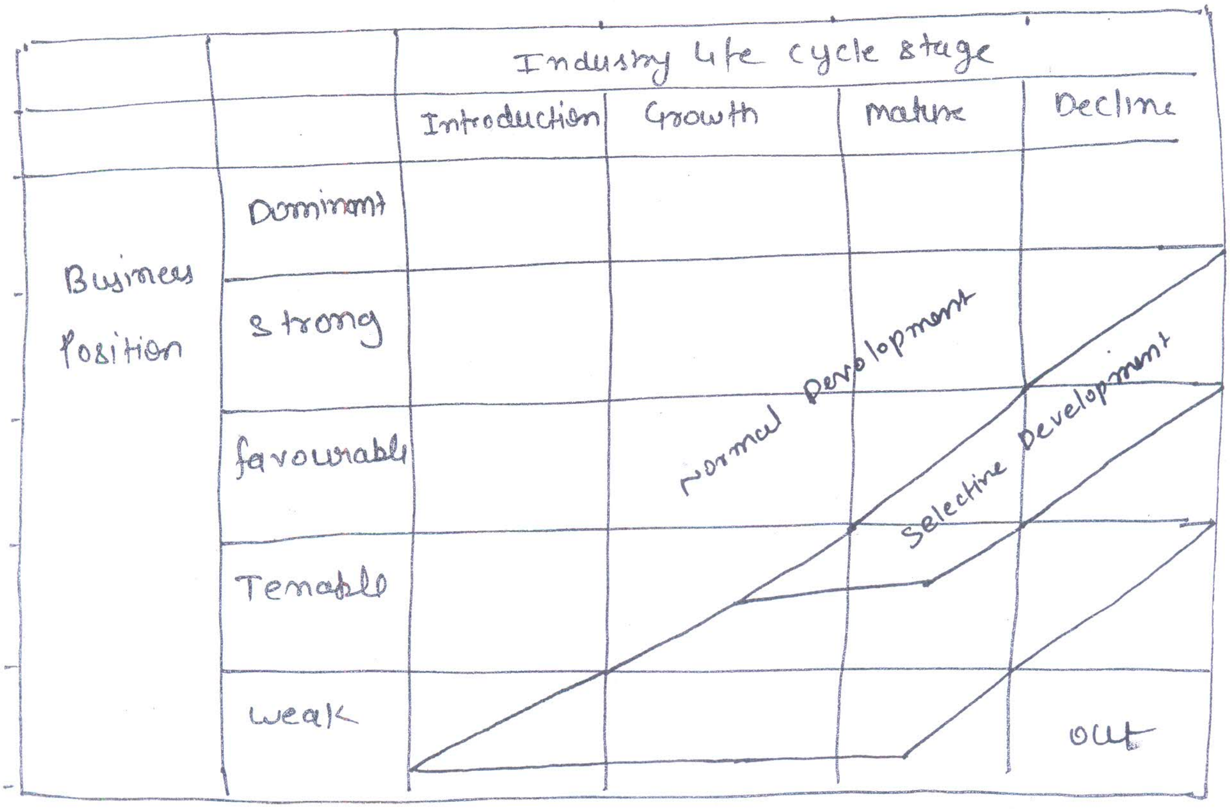
- Mc Kinsey matrix is advance from BCG Because
  - BCG is based on two dimension i.e "Business growth rate" and "Relative market share" but McKiney consider several factor to determine market attractiveness and Business strength.
  - In BCG there are two level i.e High & Low but in McKinsey has three level, High, medium, and Low.

- Determine market attractiveness
  - Growth size
  - market size
  - Profit cebility
  - Margin

Determine Business strength
- Growth Rate
- Market share
- financial condition
- Technology

* ADL Matrix

- It is based on two dimension "Industry life cycle stage and Business position
- It is know as Arthur D Little matrix
- It is 5×4 matrix
- It include 4 Industry life cycle stage
  1. Introduction 2. Growth 3. Mature 4. Decline
- It include 5 Business position
  1. Dominant 2. Strong 3. favourable 4. Tenable 5. weak



Chapter - 7

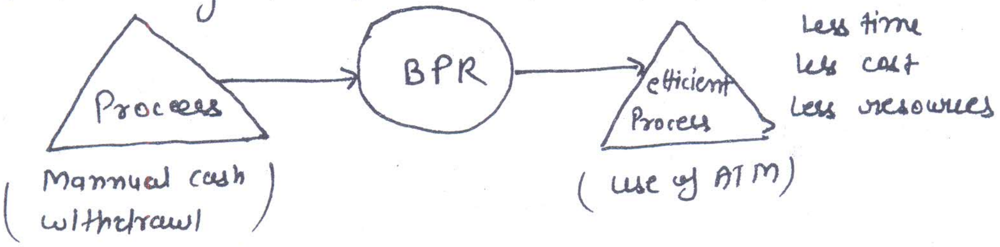
Reaching strategic Edge

* BPR (Business Process Re-engineering)

Process :- From a business perspective, a Process is a coordinated and standardized flow of activities performed by people or machine

Re-Engineering :- Re-design of any activity.

BPR :- BPR is fundamental rethinking and radical redesign of Business process to achieve dramatic improvement in business process in terms of time, cost and resources



मूल आधार / कारण विवेक

Rationale of BPR :-

- Due to mounting pressure from competitor and fast changing environment of Business, it is critical for any orgⁿ to improve their Business process on continuous basis to stay in competition.
- The rate of technological change is increasing new concepts and innovation are introduced world wide frequently and to maintain the pace we had to change oursalves with same speed
- Increased Globalization is also putting pressure on orgⁿ to Produce high quality product in less time which require BPR
- Cusomers are more demanding now a days. They don't show patience and they demand high quality product in much less time as compared to earlier days, which forces orgⁿ to re engineering their process to ensure consistant delivery & high value product to customer

* **Steps in BPR**

Step1 Determine the objectives

Step2 Identified the customer needs

Step3 Study the existing process

Step 4 formulate a redesign process

Step5 Implement redesign process

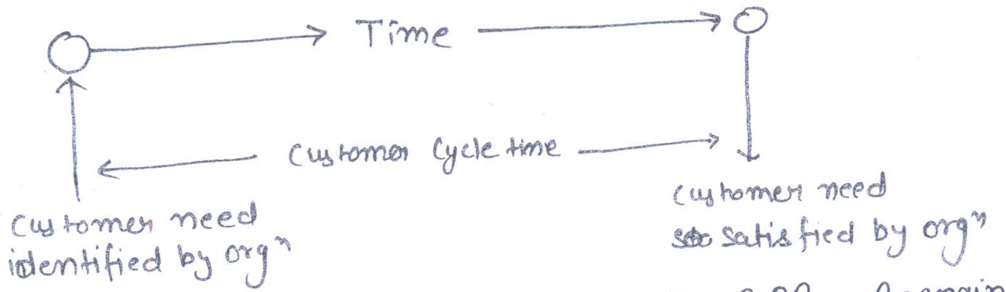
* **The Role of IT in BPR**

- IT play a very important role in BPR. The merger of two concept (IT+ BPR) has resulted in a new technology term know as Business engineering. So,

$$\boxed{\text{BPR}} + \boxed{\text{Inf}^n \text{ Technology}} = \boxed{\text{Business Engineering}}$$

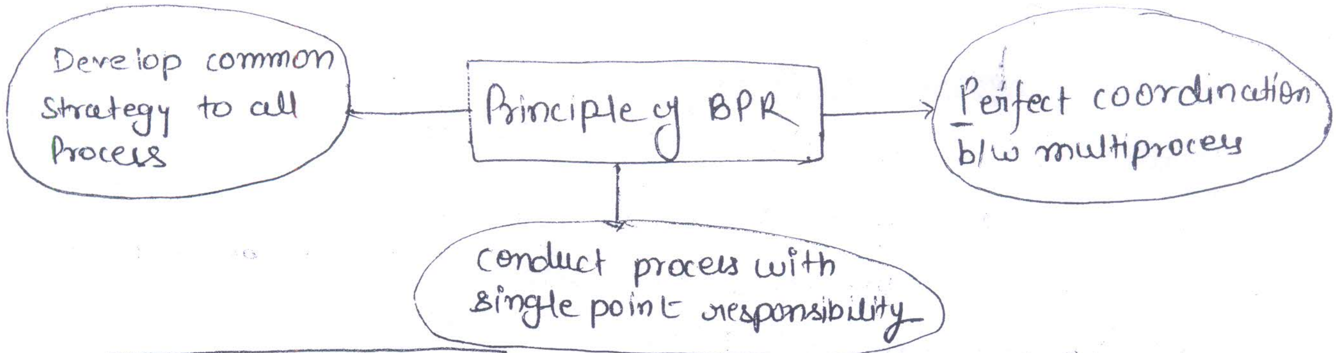
- Impact of IT systems are identified as
  - compression of time.
  - Over comming restriction of geography.
  - Restructuring of relationship
- IT provide value in three areas.
  - Efficiency
  - Effectiveness
  - Innovation

* **Central trust of BPR / Principle of BPR**



BPR is continuous improvement process. In BPR, Reengineering does not mean any partial modification or marginal improvement in existing work process. It mean radical and total redesigning of the business process.

The basic principle of BPR are as follows:- (PCD) 2



* Problems in BPR

- It involves high cost & time consuming.
- It impact the hirarchi of org?
- Object setting is tricky & difficult.

* Bench marking

* It is an approach of setting and evaluating process objectives against industry best practice.
* Benchmarking helps in continuous improvement to gain competitive advantage.
* Benchmarking not a panacea (remedy) for all problem.

Eg:- If a industry provide customer support service within twenty four hours then twenty four hours can be bench mark

* firm can use benchmarking process to achieve improvement in diverse range of mngt function like:-
  - maintenance operation
  - Product development
  - Product distribution
  - customer service
  - Human resource management.

* Benchmarking Process - IUICPE

- Identify need for Benchmarking.
- Understand existing business process.
- Identify Best process
- compare existing process with best proess and understand gaps.
- Plan to improve the process or remove the gaps.
- Evaluation.

* TQM (Total Quality management)

Total - Involvement of everyone

Quality - Producing output without defects

management - Process of conducting various function.

so. It is a mngt process which advocate that everyone should be involved in quality management.

" It is a organisational wide effort to install and make permanent a climate, in which it continuously improve its ability to deliver high quality product & services to customer.

TQM Principle
- Prevention rather than detection
- customer focus
- continuous improvement.
- mngt commitment to quality
- Quality mngt
- Training

* Traditional mngt practice V/s TQM

Traditional mngt Practice	TQM
① In this strategic planning & Quality planning are seperate.	① In this strategic Planning & Quality Planning Both are indistinguish Stable
② In this orgn is consider as a set of function	② In this orgn is consider as a System of interlinked process.
③ customer, dealer, supplier etc. were placed outside the orgn	③ customer, dealer, supplier etc were placed inside the orgn
④ Jobs are designed based on individual	④ Jobs are designed based on team.
⑤ It is outcome-oriented	⑤ It is process-oriented
⑥ It is treated as problem Solver	⑥ It is treated as facilitator

* Six Sigma

* "It is set of strategies, technique and tools for process improvement. It seeks to improve the quality of process output by identifying and removing the causes of defect and minimizing variability in manufacturing And business process."
* It is highest standard of quality (99.99966% product manufactured are defect free)
* It is an extension of TQM
* It is called six sigma because it has six themes
* Six sigma efforts target three main areas:- IRR
  - Improving customer satisfaction.
  - Reducing process time.
  - Reducing ~~deel~~ defect.
* GE's key concept of Six Sigma C D P V S D (E)
  - Critical to Quality i.e Attributes most important to the customer
  - Defect i.e failing to deliver what the customer wants
  - Process capability i.e what your process can deliver
  - Variation i.e what the customer sees and feels
  - Stable operation i.e Ensuring consistency
  - Design for six sigma i.e Designing to meet customer needs.

* Six sigma methodology

DMAIC	DMADV
Apply for existing product or process	Apply for New product or process
① Define: Define objective Define process	① Define:- Define objective
② Measure:- measure existing process	② Measure:- measure & Identify CTQ (Critical to quality)
③ Analyze:- Analyze & identify where things are going wrong	③ Analyze:- Develop alternative design, analyze then and select best design
④ Improve:- On the basis of analysis expert make a detailed plan to improve	④ Design:- Develop details of best design and optimize it.
⑤ Control:- Test run or Pilot run is done.	⑤ Verify:- Test Run & process is handed over to process owner.

* Three characteristics which seperate Six Sigma from Other

- Six Sigma is customer focused
- High ROI (Return on investment)
- Six Sigma changes How management operates

* Six Sigma Six themes

F → (1) Focus on customer; (2) fact and data driven

P → (3) Process focus; (4) Proactive mngt

B → (5) Boundry less collaboration

D → (6) Drive for perfaction

* Characteristics of E-commerce / Impact of the internet on business

* Internet can be defined as a very large network of networks
* It is a globol computer network which provide a new direction to Business.
* Internet provides many application to the orgn. these application known as e-commerce application.
* characteristics of E-commerce are as follows
  - Internet is a globle network and that makes feasible for companies
  - Entry barriers into the e-commerce world are relatively low
  - Online buyer are gaining much better bargaining power
  - Internet and PC technologies are advancing repidly, such changes are bringing new opportunities and challenges
  - mk E-commerce technologies open up a host of opportunities, to reconfigure service provided to customer.
  - Internet helps to deliver low cost services to customers.

Strategic mngt in NPO / Government orgn through book + 10 years