

PAPER – 6B : STRATEGIC MANAGEMENT

QUESTIONS

1. State with reasons which of the following statements are correct/incorrect:
 - (a) The benefit of competition are also enjoyed by the customers.
 - (b) Strategies provide an integral framework for management to negotiate its way through a complex and turbulent external environment. .
 - (c) Market penetration ignores competition.
 - (d) Diversification only involves entering in new businesses that are related to the existing business of an organisation
 - (e) Changes in strategy may lead to changes in organizational structure.
 - (f) Culture promote better strategy execution
 - (g) Reengineering mean partial modification or marginal improvement in the existing work processes.
2. Briefly answer the following questions .
 - (a) What is an opportunity?
 - (b) Explain the concept of retrenchment strategy.
 - (c) What is strategic vision?
 - (d) Explain the term marketing.
 - (e) Describe tows matrix for strategic analyses.
 - (f) What is business process reengineering?
3. Explain how technological factors present an opportunity as well as threat to a particular business organization.
4. Do you think that competition is always bad for organisations? Explain Porter's five forces model as to how businesses can deal with the competition.
5. Briefly describe the generic strategic alternatives given by Glueck and Jauch.
6. What do you understand by strategic management? Discuss its framework.
7. Discuss General Electric model of analyzing business portfolio
8. What is a Corporate Strategy? How organisations can deal with strategic uncertainty?
9. What is the purpose of SWOT analysis? Why is it necessary to do a SWOT analysis before selecting a particular strategy for a business organization?
10. What do you understand by the term marketing mix? Discuss its various constituents.
11. What is supply chain management? Is it same as logistics management? Discuss
12. Discuss major steps in implementing supply chain management systems in an business organization.
13. What are functional strategies? Why are they needed?
14. An important part of strategic management process is implementation of strategy. Discuss the relationship of soundness of strategy with the quality of implementation.
15. Soft Breads Ltd, a bread manufacturer from south, entered into the business of bread manufacturing in the northern India in the year 1995 by acquiring brand name 'Delicious' from a local baker 'Kuldeep Sodhi' in Chandigarh known for his quality breads. The baker kept on preparing and selling breads, however, now with a different name – 'healthy' in changed package.

Soft Breads Ltd invested heavily in the machinery and equipment. In fact, it invested a sum of rupees thirty-five crores over a period of five years. It got immediate acceptance from the market as Delicious, a household name, was well known for its quality. Gradually, it captured major markets in adjoining cities of Haryana and Punjab. In the year 2005 its total turnover was 10 crores per annum with 50% market share in Chandigarh.

Meantime, 'Healthy' also got some recognition and was able to grow. Some of his loyal customers also shifted back to him realising that the baker has changed the name of the product. Its market share, in 2005 stood at 15% in Chandigarh city. Inspired by the success of 'Delicious' the baker joined with his two rich friends to form a partnership by the name of 'Healthy Foods' in the year 2006. They acquired an automatic modern plant to manufacture breads. The plant was better than that of Soft Breads Ltd. They were able to reduce their costs and started selling breads at one rupee cheaper than the competitors. They also introduced new products such as whole wheat bread, breads enriched with vitamins, bread for kids in chocolate flavour. Within one year their market share grew to 35% in Chandigarh. In the year 2007 their turnover was 12 crores against 20 crores of Soft Breads Ltd. Now they plan to enter into business of cakes and biscuits on a large scale.

Read the above case and answer the following questions:

- (a) Discuss the strategy of Soft Breads Ltd.
- (a) Discuss the strategy of Healthy Foods.
- (b) Perform a SWOT analysis for Soft Breads Ltd.
- (c) Do you think that Soft Breads Ltd has missed something while acquiring the brand name?
- (d) What are the alternatives before the Soft Breads Ltd?

SUGGESTED ANSWERS/HINTS

1. (a) Correct: The benefit of competition are enjoyed by the society and the markets in which organisations operate. The customers are able to get products at lower costs and of better quality. They are able to get better value of their money because of competition.
- (b) Correct: Strategies are meant to fill in the need of enterprises for a sense of direction, focus and coherent functioning. They provide a systematic basis for the enterprise to stand its ground in the face of challenge and change as also quickly adjust to them. They obviate the occasions for impulsive and crisis decisions, false starts, misdirected moves, wasted resource uses and the like.
- (c) Incorrect: Market penetration refers to a growth strategy where the business focuses on selling existing products into existing markets. Penetration might require greater spending on advertising or personal selling. Overcoming competition in a mature market requires an aggressive promotional campaign, supported by a pricing strategy designed to make the market unattractive for competitors.
- (d) Incorrect: Although, organisations can diversify into businesses that are vertically or horizontally related to the existing businesses, the diversification is not limited to the related businesses. In conglomerate diversification; the new businesses/products are disjointed from the existing businesses/products in every way. There is no connection between the new products and the existing ones in process, technology or function.
- (e) Correct: Changes in strategy may require changes in structure as the structure dictates how resources will be allocated. Structure should be designed to facilitate the strategic pursuit of a firm and, therefore, should follow strategy. Without a strategy or reasons for being, companies find it difficult to design an effective structure.
- (f) Correct: Strong cultures in an organisation promote good strategy execution when there's fit and hurt execution when there's negligible fit. A culture grounded in values, practices, and behavioural norms that match what is needed for good strategy execution helps energize

people throughout the company to do their jobs in a strategy-supportive manner, adding significantly to the power and effectiveness of strategy execution.

- (g) Incorrect: Reengineering does not mean any partial modification or marginal improvement in the existing work processes. Reengineering is a revolutionary approach towards radical and total redesigning of the business processes.
- 2.
- (a) An opportunity is a favourable condition in the organization's environment which enables it to consolidate and strengthen its position. An example of an opportunity is growing demand for the products or services that a company provides. Refer to Chapter 1.
 - (b) A business organization can redefine its business by divesting a major product line or market. Retrenchment or retreat becomes necessary or expedient for coping with particularly hostile and adverse situations in the environment and when any other strategy is likely to be suicidal. Retreat is not always a bad proposition to save the enterprise's vital interests, to minimise the adverse effects of competition, or even to regroup and recoup the resources before a fresh assault and ascent on the growth ladder is launched.
 - (c). A strategic vision delineates organisation's aspirations for the business, providing a panoramic view of the position where the organisation is going. A strategic vision points an organization in a particular direction, charts a strategic path for it to follow in preparing for the future, and moulds organizational identity. A Strategic vision is a road map of a company's future – providing specifics about technology and customer focus, the geographic and product markets to be pursued, the capabilities it plans to develop, and the kind of company that management is trying to create.
 - (d) In general, marketing is an activity performed by business organizations. In the present day for business, it is considered to be the activities related to identifying the needs of customers and taking such actions to satisfy them in return of some consideration. The term marketing constitutes different processes, functions, exchanges and activities that create perceived value by satisfying needs of individuals.
 - (e) Refer to chapter 3. Heinz Weihrich has developed a matrix called TOWS matrix by comparing strengths and weaknesses of organization with that of market opportunities and threats. It has been criticized that after conducting the SWOT Analysis managers frequently fail to come to terms with the strategic choices that the outcomes demand. In order to overcome this, the TOWS Matrix, while using the same inputs (Threats, Opportunities, Weakness and Strengths) reorganizes them and integrates them more fully into the strategic planning process.
 - (f) Business process reengineering (BPR) refers to the analysis and redesign of workflows and processes both within and between the organizations. The orientation of the redesign effort is radical, i.e., it is a total deconstruction and rethinking of a business process in its entirety, unconstrained by its existing structure and pattern. Its objective is to obtain quantum gains in the performance of the process in terms of time, cost, output, quality, and responsiveness to customers.
3. Refer to chapter 1. Technology is the most dynamic of all the environmental factors. An individual enterprise is concerned with the dynamics of its product and process technology, research and development activities in the industry and elsewhere, innovations in products and processes, technological obsolescence and so on. Changes in technology vitally affect the enterprise's costs, profitability, plant location decisions, product lines, growth and development.

The technology and business are highly interrelated and interdependent also. Technology is patronized by business. Technology also drives business and makes a total change on how it is carried out.

Technology can act as both opportunity and threat to a business. It can act as opportunity as business can take advantage of adopting technological innovations to their strategic advantage. However, at the same time technology can act as threat if organisations are not able to adopt it to their advantage. For example, an innovative and modern production system can act as weakness

if the business is not able to change their production system. New entrants or existing competitors can always use availability of technological improvements in products or production methods that can be a threat to a business.

Technological opportunities and threats are not limited to the product or production. Technology permeates whole gambit of business. It can transform how a business acts and functions.

4. Refer to chapter 1. Although competition makes organizations work harder, intense competition is neither a coincidence nor bad luck. All organizations have competition. The benefit of competition are also enjoyed by the markets in which organisations operate. The customers are able to get products at lower costs and better quality. They get better value of their money because of competition.

To gain a deep understanding of a company's industry and competitive environment, managers do not need to gather all the information they can find and waste a lot of time digesting it. Rather, the task is much more focused. A powerful and widely used tool for systematically diagnosing the significant competitive pressures in a market and assessing the strength and importance of each is the Porter's five-forces model of competition. This model holds that the state of competition in an industry is a composite of competitive pressures operating in five areas of the overall market:

- ◆ Competitive pressures associated with the market manoeuvring and jockeying for buyer patronage that goes on among rival sellers in the industry.
 - ◆ Competitive pressures associated with the threat of new entrants into the market.
 - ◆ Competitive pressures coming from the attempts of companies in other industries to win buyers over to their own substitute products.
 - ◆ Competitive pressures stemming from supplier bargaining power and supplier-seller collaboration.
 - ◆ Competitive pressures stemming from buyer bargaining power and seller-buyer Collaboration.
5. According to William F Glueck and Lawrence R Jauch there are four generic ways in which strategic alternatives can be considered. These are stability, expansion, retrenchment and combination strategies.

Stability strategies: One of the important goals of a business enterprise is stability to safeguard its existing interests and strengths, to pursue well established and tested objectives, to continue in the chosen business path, to maintain operational efficiency on a sustained basis, to consolidate the commanding position already reached, and to optimise returns on the resources committed in the business.

Expansion Strategy: Expansion strategy is implemented by redefining the business by adding the scope of business substantially increasing the efforts of the current business. Expansion is a promising and popular strategy that tends to be equated with dynamism, vigour, promise and success. Organisations can diversify, acquire and merge to expand.

Retrenchment Strategy: A business organization can redefine its business by divesting a major product line or market. The nature, extent and timing of retrenchment are matters to be carefully decided by management, depending upon each contingency. The enterprise has several options open to it in designing and acting upon its strategy.

Combination Strategies: The above strategies are not mutually exclusive. It is possible to adopt a mix of the above to suit particular situations. An enterprise may seek stability in some areas of activity, expansion in some and retrenchment in the others.

6. Refer to chapter 2. The term strategic management refers to the managerial process of forming a strategic vision, setting objectives, crafting a strategy, implementing and executing the strategy,

and then initiating whatever corrective adjustments in the vision, objectives, strategy, and execution are deemed appropriate.

The basic framework of strategic process can be described in a sequence of five stages as follows:

- ◆ Stage one - Where are we now? (Beginning)
- ◆ Stage two: - Where are we want to be? (Ends)
- ◆ Stage three - How might we get there? (Means)
- ◆ Stage four - Which way is best? (Evaluation)
- ◆ Stage five - How can we ensure arrival? (Control)

7. In order to analyse the current business portfolio, the company must conduct portfolio analysis (a tool by which management identifies and evaluates the various businesses that make up the company). In portfolio analyses top management views its product lines and business units as a series of investments from which it expects returns. The General Electric Model uses two factors in a matrix / grid situation as shown below:

		Business Position		
		High	Medium	Low
Attractiveness	High	Invest	Invest	Protect
	Medium	Invest	Protect	Harvest
	Low	Protect	Harvest	Divest

8. Refer to chapter 4. Corporate strategy is basically the growth design of the firm. It spells out the growth objective of the firm - the direction, extent, pace and timing of the firm's growth. It also spells out the strategy for achieving the growth. Thus, we can also describe corporate strategy as the objective-strategy design of the firm. And, to arrive at such an objective-strategy design is the basic burden of corporate strategy formulation. Strategic uncertainty, uncertainty that has strategic implications, is a key construct in strategy formulation. A typical external analysis will emerge with dozens of strategic uncertainties. To be manageable, they need to be grouped into logical clusters or themes. It is then useful to assess the importance of each cluster in order to set priorities with respect to Information gathering and analysis.

9. An important component of strategic thinking requires the generation of a series of strategic alternatives, or choices of future strategies to pursue, given the company's internal strengths and weaknesses and its external opportunities and threats. The comparison of strengths, weaknesses, opportunities, and threats is normally referred to as SWOT analysis.

- ◆ Strength: Strength is an inherent capability of the organization which it can use to gain strategic advantage over its competitors.
- ◆ Weakness: A weakness is an inherent limitation or constraint of the organization which creates strategic disadvantage to it.
- ◆ Opportunity: An opportunity is a favourable condition in the organisation's environment which enables it to strengthen its position.
- ◆ Threat: A threat is an unfavourable condition in the organisation's environment which causes a risk for, or damage to, the organisation's position.

SWOT analysis helps managers to craft a business model (or models) that will allow a company to gain a competitive advantage in its industry (or industries). Competitive advantage leads to increased profitability, and this maximizes a company's chances of surviving in the fast-changing, competitive environment. Key reasons for SWOT analyses are:

- ◆ It provides a logical framework.
- ◆ It presents a comparative account.
- ◆ It guides the strategist in strategy identification.

10. Marketing mix forms an important part of overall competitive marketing strategy. The marketing mix is the set of controllable marketing variables that the firm blends to produce the response it wants in the target market. The marketing mix consists of everything that the firm can do to influence the demand for its product. These variables are often referred to as the “4 Ps.” The 4 Ps stand for product, price, place and promotion. An effective marketing program blends all of the marketing mix elements into a coordinated program designed to achieve the company’s marketing objectives by delivering value to consumers. The 4 Ps are from a marketer’s angle. When translated to buyers angle they may be termed as 4 Cs. Product may be referred as customer solution, price as customer cost, place as convenience and promotion as communication.

- ◆ Product stands for the “goods-and-service” combination the company offers to the target market. Strategies are needed for managing existing product over time adding new ones and dropping failed products. Strategic decisions must also be made regarding branding, packaging and other product features such as warranties.

Products and markets are infinitely dynamic. An organization has to capture such dynamics through a set of policies and strategies. Some products have consistent customer demand over long period of time while others have short and fleeting life spans. There are products that have wide range of quality and workmanship and these also change over time. There are industrial or consumer products, essentials or luxury products, durables or perishables.

Products can be differentiated on the basis of size, shape, colour, packaging, brand names, after-sales service and so on. Organizations seek to hammer into customers’ minds that their products are different from others. It does not matter whether the differentiation is real or imaginary. Quite often the differentiation is psychological rather than physical. It is enough if customers are persuaded to believe that the marketer’s product is different from others.

Organizations formalize product differentiation through christening ‘brand names’ to their respective products. These are generally reinforced with legal sanction and protection. Brands enable customers to identify the product and the organization behind it. The products’ and even firms’ image is built around brand through advertising and other promotional strategies. Customers tend to develop strong brand loyalty for a particular product over a period of time.

- ◆ Price stands for the amount of money customers have to pay to obtain the product. Necessary strategies pertain to the location of the customers, price flexibility, related items within a product line and terms of sale. The price of a product is its composite expression of its value and utility to the customer, its demand, quality, reliability, safety, the competition it faces, the desired profit and so on.

In an industry there would be organizations with low cost products and other organizations with high costs. The low cost organizations may adopt aggressive pricing strategy as they enjoy more freedom of action in respect of their prices. They may also afford selective increase in costs to push their sales.

Theoretically, organizations may also adopt cost plus pricing wherein a margin is added to the cost of the product to determine its price. However, in the competitive environment such an approach may not be feasible. More and more companies of today have to accept the market price with minor deviations and work towards their costs. They reduce their costs in order to maintain their profitability.

For a new product pricing strategies for entering a market needs to be designed. In pricing a really new product at least three objectives must be kept in mind.

- (a) Making the product acceptable to the customers.

- (b) Producing a reasonable margin over cost.
- (c) Achieving a market that helps in developing market share.

For a new product an organization may either choose to skim or penetrate the market. In skimming prices are set at a very high level. The product is directed to those buyers who are relatively price insensitive but sensitive to the novelty of the new product. For example call rates of mobile telephony were set very high initially. Even the incoming calls were charged. Since the initial offtake of the product is low, high price, in a way, helps in rationing of supply in favour of those who can afford it. In penetration firm keeps a temptingly low price for a new product which itself is selling point. A very large number of the potential consumer may be able to afford and willing to try the product.

- ◆ Place stands for company activities that make the product available to target consumers. One of the most basic marketing decision is choosing the most appropriate marketing channel. Strategies should be taken for the management of channel(s) by which ownership of product is transferred from producers to customers and in many cases, the system(s) by which goods are moved from where they are produced from they are purchases by the final customers. Strategies applicable to the middleman such as wholesalers and retails must be designed.

The distribution policies of a company are important determinants of the functions of marketing. The decision to utilize a particular marketing channel or channels sets the pattern of operations of sales force. We will learn more about place when we study logistics later in this chapter.

- ◆ Promotion stands for activities that communicate the merits of the product and persuade target consumers to buy it. Strategies are needed to combine individual methods such as advertising, personal selling, and sales promotion into a coordinated campaign. In addition promotional strategies must be adjusted as a product move from an earlier stages from a later stage of its life.

Modern marketing is highly promotional oriented. Organizations strive to push their sales and market standing on a sustained basis and in a profitable manner under conditions of complex direct and indirect competitive situations. Promotion also acts as an impetus to marketing. It is simultaneously a communication, persuasion and conditioning process. There are at least four major direct promotional methods or tools – personal selling, advertising, publicity and sales promotion. They are briefly explained as follows:

- (i) **Personal Selling:** Personal selling is one of the oldest forms of promotion. It involves face-to-face interaction of sales force with the prospective customers and provides a high degree of personal attention to them. In personal selling, oral communication is made with potential buyers of a product with the intention of making a sale. It may initially focus on developing a relationship with the potential buyer, but end up with efforts for making a sale. Personal selling suffers from a very high costs as sales personnel are expensive. They can physically attend only one customer at a time. Thus it is not a cost-effective way of reaching a large number of people.
- (ii) **Advertising:** Advertising is a non-personal, highly flexible and dynamic promotional method. The media for advertisings are several such as pamphlets, brochures, newspapers, magazines, hoardings, display boards, radio, television and internet. Choice of appropriate media is important for effectiveness of the message. The media may be local, regional, or national. The type of the message, copy, illustration are a matter of choice and creativity. Advertising may be directed towards consumers, middlemen or opinion leaders. Advertising is likely to succeed in promoting the sales of an organization but its effectiveness in respect to the expenditure can not be directly measured. Sales is a function of several variables out of which advertising is only one.
- (iii) **Publicity:** Publicity is also a non-personal form of promotion similar to advertising. However, no payments are made to the media as in case of advertising. Organizations

skillfully seek to promote themselves and their product without payment. Publicity is communication of a product, brand or business by placing information about it in the media without paying for the time or media space directly. Thus it is way of reaching customers with negligible cost. Basic tools for publicity are press releases, press conferences, reports, stories, and internet releases. These releases must be of interest to the public.

- (iv) Sales promotion: Sales promotion is an omnibus term that includes all activities that are undertaken to promote the business but are not specifically included under personal selling, advertising or publicity. Activities like discounts, contests, money refunds, installments, kiosks, exhibitions and fairs constitute sales promotion. All these are meant to give a boost to the sales. Sales promotion done periodically may help in getting a larger market share to an organization.

Expanded Marketing Mix: Typically, all organizations use a combination of 4 Ps in some form or the other. However, the above elements of marketing mix are not exhaustive. It is pertinent to discuss a few more elements that may form part of an organizational marketing mix strategy. They have got more currency in recent years. Growth of services has its own share for the inclusion of newer elements in marketing. A few new Ps are as follows:

- ◆ People: all human actors who play a part in delivery of the market offering and thus influence the buyer's perception, namely the firm's personnel and the customer.
- ◆ Physical evidence: the environment in which the market offering is delivered and where the firm and customer interact.
- ◆ Process: the actual procedures, mechanisms and flow of activities by which the product / service is delivered.

11. The way businesses were conducted in the yesteryears is entirely different as they are conducted now. Today, organisations work in highly turbulent environment. There are several changes in business environment that have contributed to the development of supply chain networks. The technology has made impact on all spheres of business activities. Organisational systems have improved. Even the available infrastructure is improving. Technological changes and reduction in information communication costs with increase in its speed has led to changes in coordination among the members of the supply chain network. Availability of newer technologies have resulted in creation of innovative products with shorter product life cycles.

Traditionally companies have been managing themselves by taking orders, buying supplies, manufacturing products and shipping them from their warehouses. Such organisations may lose out the businesses that strongly lay their focus on key areas of marketing, branding and delivering value to the customer and outsourcing the rest. Today organisations and individual customers have become more demanding. They desire customised products that are made according to their needs. They also aspire that these should be available at lower costs.

The term supply chain refers to the linkages between suppliers, manufacturers and customers. Supply chains involve all activities like sourcing and procurement of material, conversion, and logistics. Planning and control of supply chains are important components of its management. Naturally, management of supply chains include closely working with channel partners – suppliers, intermediaries, other service providers and customers.

Supply chain management is defined as the process of planning, implementing, and controlling the supply chain operations. It is a cross-functional approach to managing the movement of raw materials into an organization and the movement of finished goods out of the organization toward the end-consumer who are to be satisfied as efficiently as possible. It encompasses all movement and storage of raw materials, work-in-process inventory, and finished goods from point-of-origin to point-of-consumption. Organizations are finding that they must rely on the chain to successfully compete in the global market.

Modern organizations are striving to focus on core competencies and reduce their ownership of sources of raw materials and distribution channels. These functions can be outsourced to other

business organizations that specialize in those activities and can perform in better and cost effective manner. In a way organizations in the supply chain do tasks according to their core-competencies. Working in the supply chain improve trust and collaboration amongst partners and thus improve flow and management of inventory.

Is logistic management same as supply chain management?

Supply chain management is an extension of logistic management. However, there is difference between the two. Logistical activities typically include management of inbound and outbound goods, transportation, warehousing, handling of material, fulfilment of orders, inventory management, supply/demand planning. Although these activities also form part of Supply chain management, the latter has different components. Logistic management can be termed as one of its part that is related to planning, implementing, and controlling the movement and storage of goods, services and related information between the point of origin and the point of consumption.

Supply chain management includes more aspects apart from the logistics function. It is a tool of business transformation and involves delivering the right product at the right time to the right place and at the right price. It reduces costs of organizations and enhances customer service.

12. Successful implementing supply management systems requires a change from managing individual functions to integrating activities into key supply chain processes. It involves collaborative work between buyers and suppliers, joint product development, common systems and shared information. A key requirement for successfully implementing supply chain will be network of information sharing and management. The partners need to link together to share information through electronic data interchange and take decisions in timely manner.

Implementing and successfully running supply chain management system will involve:

1. **Product development:** Customers and suppliers must work together in the product development process. Right from the start the partners will have knowledge of all. Involving all partners will help in shortening the life cycles. Products are developed and launched in shorter time and help organizations to remain competitive.
2. **Procurement:** Procurement requires careful resource planning, quality issues, identifying sources, negotiation, order placement, inbound transportation and storage. Organizations have to coordinate with suppliers in scheduling without interruptions. Suppliers are involved in planning the manufacturing process.
3. **Manufacturing:** Flexible manufacturing processes must be in place to respond to market changes. They should be adaptive to accommodate customization and changes in the taste and preferences. Manufacturing should be done on the basis of just-in-time (JIT) and minimum lot sizes. Changes in the manufacturing process be made to reduce manufacturing cycle.
4. **Physical distribution:** Delivery of final products to customers is the last position in a marketing channel. Availability of the products at the right place at right time is important for each channel participant. Through physical distribution processes serving the customer become an integral part of marketing. Thus supply chain management links a marketing channel with customers.
5. **Outsourcing:** Outsourcing is not limited to the procurement of materials and components, but also include outsourcing of services that traditionally have been provided within an organization. The company will be able to focus on those activities where it has competency and everything else will be outsourced.
6. **Customer services:** Organizations through interfaces with the company's production and distribution operations develop customer relationships so as to satisfy them. They work with

customer to determine mutually satisfying goals, establish and maintain relationships. This in turn help in producing positive feelings in the organization and the customers.

7. Performance measurement: There is a strong relationship between the supplier, customer and organisation. Supplier capabilities and customer relationships can be correlated with a firm performance. Performance is measured in different parameters such as costs, customer service, productivity and quality.
13. For effective implementation, strategists have to provide direction to functional managers regarding the plans and policies to be adopted. In fact, the effectiveness of strategic management depends critically on the manner in which strategies are implemented. Functional area strategy such as marketing, financial, production and human resource are based on the functional capabilities of an organisation. For each functional area, first the major sub areas are identified and then follows a discussion of each of these sub functional areas regarding the content of functional strategies, important factors, and their importance in the process of strategy implementation.

In terms of the levels of strategy formulation, functional strategies operate below the SBU or business-level strategies. Within functional strategies there might be several sub-functional areas. Functional strategies, are made within the higher level strategies and guidelines therein that are set at higher levels of an organization. Functional managers need guidance from the business strategy in order to make decisions. Operational plans tell the functional managers what has to be done while policies state how the plans are to be implemented.

Major strategies need to be translated to lower levels to give holistic strategic direction to an organization. The reasons why functional strategies are needed can be enumerated as follows:

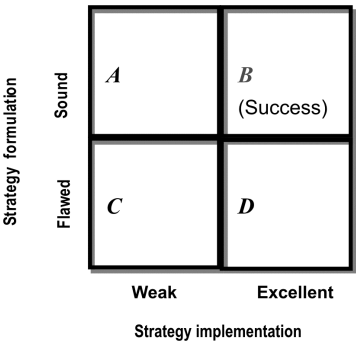
- ◆ The development of functional strategies is aimed at making the strategies-formulated at the top management level-practically feasible at the functional level.
- ◆ Functional strategies assist in flow of strategic decisions to the different parts of an organization.
- ◆ They act as basis for controlling activities in the different functional areas of business.
- ◆ The time spent by functional managers in decision-making is reduced as plans lay down clearly what is to be done and policies provide the discretionary framework within which decisions need to be taken.
- ◆ Functional strategies help in bringing harmony and coordination as they remain part of major strategies.
- ◆ Similar situations occurring in different functional areas are handled in a consistent manner by the functional managers.

Thus, strategies need to be segregated into viable functional plans and policies that are compatible with each other. In this way, strategies can be implemented by the functional managers. Environmental factors relevant to each functional area have an impact on the choice of functional strategies. Organizational strategies affect the choice of functional strategies. However, the actual process of choice is influenced by objective as well as subjective factors. Functional strategies affect, and are affected by, the resource allocation decisions.

14. Refer to chapter 6. Strategy implementation concerns the managerial exercise of putting a freshly chosen strategy into place. Strategy execution deals with the managerial exercise of supervising the ongoing pursuit of strategy, making it work, improving the competence with which it is executed and showing measurable progress in achieving the targeted results. Strategic implementation is concerned with translating a decision into action, with presupposes that the decision itself was made with some thought being given to feasibility and acceptability.

It is crucial to realize the difference between strategy formulation and strategy implementation because they both require very different skills. Also, a company will be successful only when the strategy formulation is sound and implementation is excellent. There is no such thing as

successful strategic design. This sounds obvious, but in practice the distinction is not always made. The matrix in the figure below represent various combination of strategy formulation and implementation:



15. This case is for your practise. Remember, there is no rigid solution to a case problem. You can arrive at your own solutions. The opinions differ and your approach will also be different. However, you must offer supporting evidence for your views and judgements.

In part (a) you may indicate the expansion and growth strategy of the company. On the other hand you should also highlight element of related diversification for Healthy foods in part (b). You should also give your own opinion as why such strategies are adopted. The facts given in the case may be categorised in the lines of strength weaknesses, opportunities and threats in part (c). In part (d) you need to think and write ways in which competition from the baker could have been avoided. For example, acquiring complete business and inclusion of non-compete clause could have ensured exclusion of competition at least from Kuldeep Sodhi. In part (e), use your imagination to suggest alternatives for Soft Breads Ltd.

For answering the questions, you should draw inferences from theoretical concepts of strategic management and integrate them. You should not rely upon unsupported opinions and over generalisations and clearly demonstrate that your interpretations are reasonable, logical and objective.