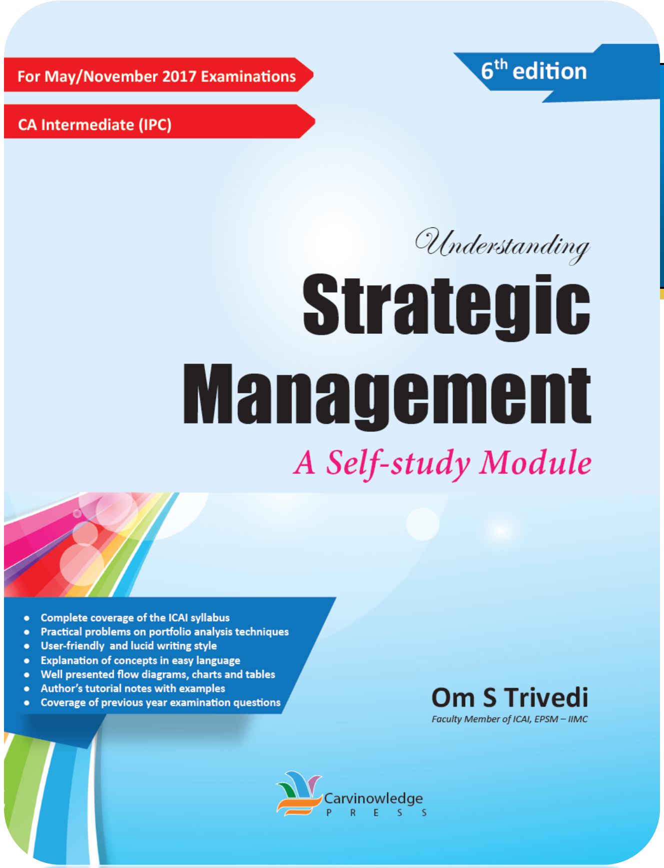


SM

STRATEGIC MANAGEMENT

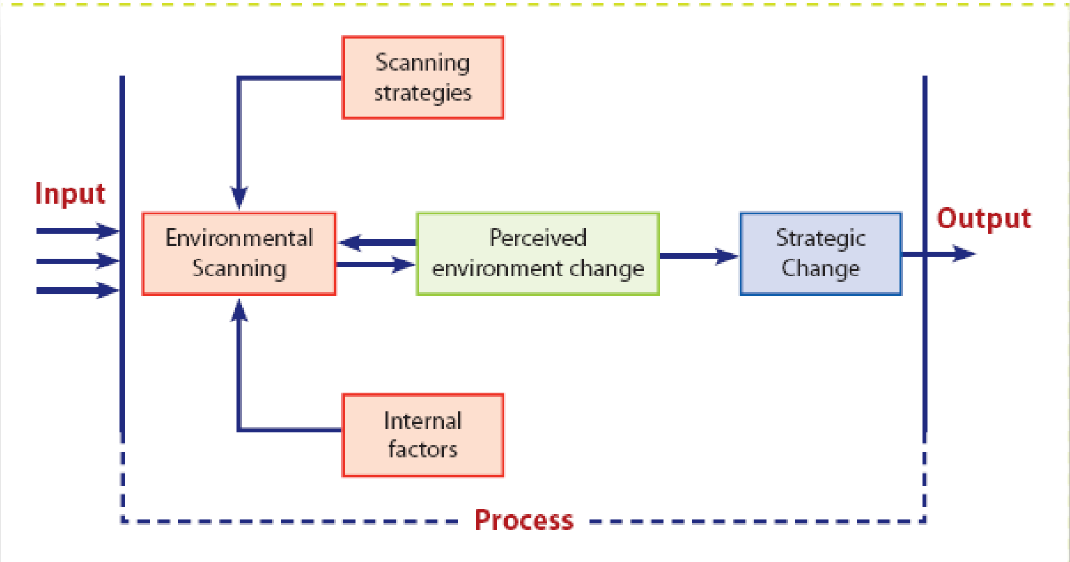
By:

Om Trivedi

Environmental Scanning

- Careful monitoring of an organization's internal and external environments
- for detecting early signs of opportunities and threats
- that may influence its current and future plans.

- Events
- Trends
- Issues
- Expectations



Elements of a strategic vision

- Who we are and Where we are now?
- Where we are going?
- Clear communication of vision in the organization.

Turnaround , Divestment and Liquidation Strategy

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Reason for Using Divestment Strategy

Divestment Strategy

Divestment Strategy

Divestment Strategy involves the sale or liquidation of a portion of business, or a major division, profit centre or SBU.

Divestment Strategy involves the sale or liquidation of a portion of business, or a major division, profit centre or SBU. Divestment is a part of rehabilitation or restructuring plan, and is adopted when a turnaround has been attempted but has proved to be unsuccessful.

Divestment Strategy may be adopted due the following reasons:

a. Acquired business proves to be a mismatch and cannot be integrated within the Company.

b. Negative cash flows from a particular business create financial problems for the whole Company.

c. Inability to cope with the prevailing severe/ intense competition.

d. Inability to invest in the technological upgradation required to survive in business.

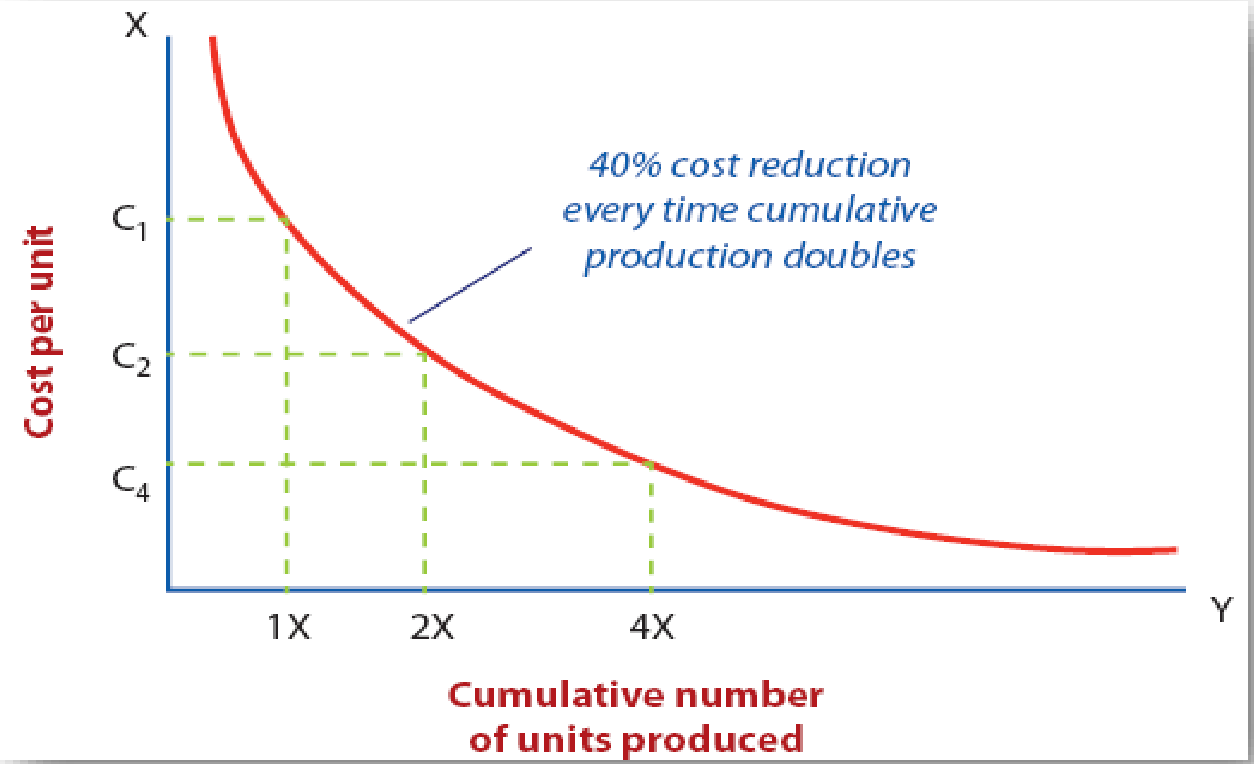
e. Availability of a better alternative for investment.

Evaluating the Worth of a Business

- Net Worth Method
- Capitalisation of Earnings
- Market Price Method

Experience Curve

- **Experience curve shows the relationship between production cost and cumulative production quantity.**



Expansion Strategy is a highly Versatile Strategy.

Correct

Expansion Strategy

Intensification Strategy
Pursuing growth by working in the current lines of business

a. Market Penetration Strategy
b. Market Development Strategy
c. Product Development Strategy

Diversification Strategy
Expansion into new businesses that are outside the current businesses and markets

a. Vertically Integrated Diversification
   (i) Forward Integration
   (ii) Backward Integration
b. Horizontally Integrated Diversification
c. Concentric Diversification
d. Conglomerate Diversification

Expansion Strategy is a highly Versatile Strategy.

Incorrect

Horizontal Integration Diversification

Horizontal Integration Diversification

This involves addition or acquisition of one or more similar businesses at the same stage of the production marketing chain.

This involves addition or acquisition of one or more similar businesses at the same stage of the production marketing chain. This can be achieved by:

a. Taking over competitors' products,

b. Production of Complementary products,

c. Sale of by-products,

d. Entering into repairs and servicing of products.

FIGURE 4.8

Horizontal Integration Diversification

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Political-Legal Environment

Total Quality Management (TQM)

- TQM requires that
  - the company should maintain the quality standard in all aspects of its business.
  - things are done right at the first time and that defects and waste are eliminated from operations."

Principles Guiding TQM

- Commitment
- Culture
- Continuous Improvement
- Co-operation
  - Employee Involvement
  - Employee Empowerment

- Customer focus
- Control
- Cross-functional
- Cause Analysis
- Change
- Concept of Teams

Operational Principles of TQM

- Universal Quality Responsibility
- Quality Measurement
- Inventory Reduction
- Value Improvement
- Supplier Teaming
- Training

Components of a Business Plan

- Executive Summary and Table of Contents
- Mission Statement
- Summary of Performance till Date
- Summary of Financial Projections till Date
- Market Overview
- SWOT Analysis
- Portfolio Summary
- Market Assumptions
- Marketing Objectives and Goals
- Financial Projections for at least Three Years
- Marketing Strategy
- Marketing Action Plans

Mission

- **A company's Mission statement is typically focused on its present business scope – "who we are and what we do"**
- **Mission statements broadly describe an organizations present capabilities, customer focus, activities, and business makeup.**

Drucker (1995)

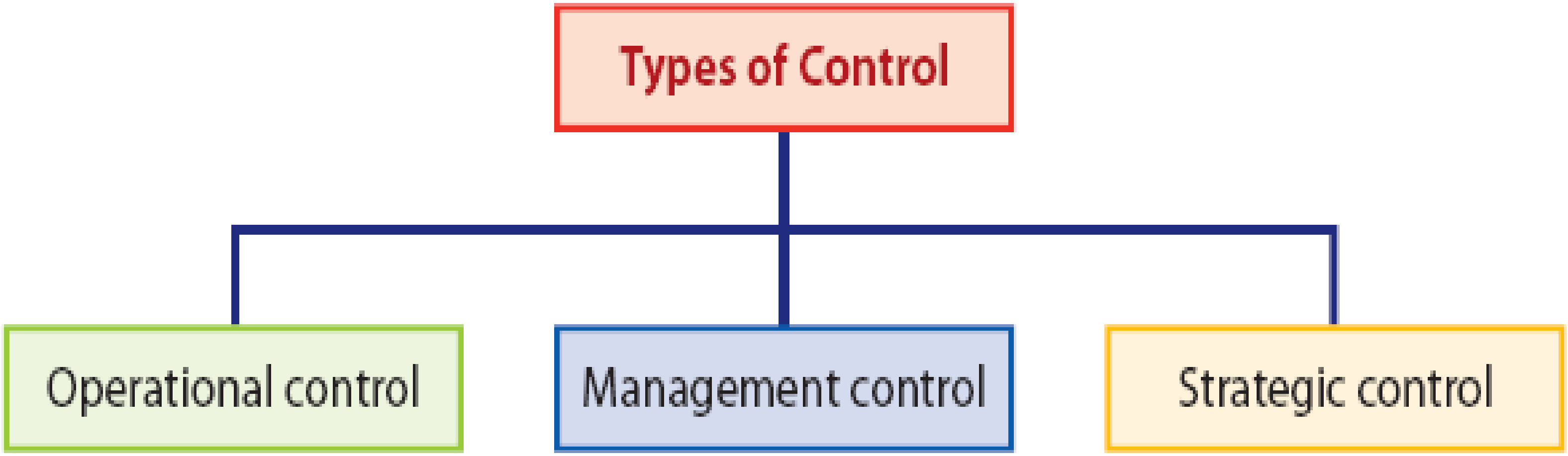
A mission statement is the same as asking the question: What business are we in?

CPT then SM in IPCC

Components of a Mission Statement

- Customers
- Products or Services
- Technology
- Self-concept
- Markets
- Image of Firm
- Philosophy
- Concern for employees
- Concern for survival, growth and profitability

Types of Control



Value Chain Framework of Porter (1990)

Support Activities

Administrative	Accounting, Financial management, Legal
Human Resource Management	Personnel, Recruitment, Training, Staff planning, HSE (health, safety and environment)
Product & Technology Development	Product and process design, Production engineering, Market testing, R&D
Procurement	Supplier management, Funding, Sub-contracting, Specification

Primary Activities

Inbound logistics	Operation	Outbound Logistics	Sales & Marketing	Servicing
Receiving and warehousing materials, Inventory control, Transportation, Scheduling to manufacture, Quality control	Manufacturing, Packaging, Production control, Quality control, Maintenance	Finishing goods, Order handling, Dispatch, Delivery, Invoicing	Customer management, Order taking, Promotion, Sales analysis, Market research	Warranty, Maintenance, Education and training, Upgrades

Profit margin = Value added less (–) Cost

The Value Chain Analysis (Important Concepts)

- ## Value Added

  Creation of a competitive advantage by bundling, combining, or packaging features and benefits that result in greater customer acceptance.

- ## Value Analysis

  It is an accounting analysis to understand the 'value added' of separate activities in a complex manufacturing process, in order to determine where cost improvement could be made and/or value creation improved.

CA Intermediate (New Course)

EIS-SM

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