SUMMARISED CHARTS OF

STRATEGIC MANAGEMENT

CHARTS OF CHAPTER 1

INTRODUCTION TO STRATEGIC MANAGEMENT

CHAPTER 1 INTRODUCTION TO STRATEGIC MANAGEMENT

STRATEGY

Strategy is between What we are & What we want to be

It is framed to achieve goals

It seeks to relate goals of organization to means to achieve them

It is Long Range Blue Print of the organization

Corporate Strategies are formulated by Top Level

Strategy is partly Pro-Active & partly Reactive

Strategy is no substitute for sound , alert & responsible management

It can never be perfect , flawless & optimal

So always allowances are made for possible miscalculations & unanticipated events

Importance of Strategic Management

Proactive LCD

It helps us in being Pro-active instead of being reactive

It helps to enhance longevity of Business by analysing environment

It serves as Corporate Defence Mechanism against mistakes

It helps to develop Core Competencies & Competitive Advantage

It gives framework for all major decision of organization

It gives Direction to the Company to move ahead

Limitations of Strategic Management (4C'S)

Environment is Highly Complex , it is difficult to understand the whole environment & then make strategy

SM is time-consuming process , because it takes lot of time to prepare strategy

It is Costly Process , since it involves Top Level in making decisions

In Competitive Scenario , it is difficult to estimate Competitive responses to our

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OBJECTIVES	GOALS
Objectives are precise & expressed in specific terms They are framed to achieve Goals They are organization's performance targets They help in allocation of resources They serve as Benchmark for Organisational activity **CHARACTERISTICS OF OBJECTIVES (SMART-DP)** • They are Concrete & **Specific** • They should be **Measurable** & Controllable • They should be within **constrains of Organisation resources & External Environment** • They should relate to **time frame** • They should be **Challenging** • hey provide **basis for Strategic decision making** • They should provide **standards for Performance appraisal** • They should help in achievement of **mission & purpose**	Purpose to which our efforts are directed They are Generic They are long term **To achieve Long Term Prosperity we establish Long Term Objectives in 7 Areas :** **CEPT** Competitive Position Employee Development Employee Relations Profitability Productivity Public Responsibility Technological Leadership

STRATEGIC LEVELS IN ORGANISATION &LINKAGES BETWEEN THEM

3 LEVELS IN ORGANISATION

Corporate Level – It includes CEO , BOD , Other Senior Executives & Corporate Staff

- They make strategies define mission & goals , which Business we should start & allocate resources in which area

Business Level – It includes Divisional Level Managers & Staff

- They make strategies of their Business Units , these are Business Level Heads who make strategies specific to their particular Business
- They should listen to ideas of Functional Level managers

Funtional Level – It includes Functional Managers

- They are responsible for specific Business Functions or operations
- They make Functional Strategies which will help to achieve Strategic objectives set by Business & Corporate Level general managers
- They are closer to Customer

3 RELATIONSHIPS BETWEEN LEVELS OF MANAGEMENT

- **Functional & Divisional Relationship** – Each Functional or divisional head runs functions or division independently and reports directly to Business head , which is Corporate Level . Functions can be Production , Finance & Divisions can be kids toys , Teenager toys etc
- **Horizontal Relationship** – In these everyone from Top Level to Staff level employees are considered at same level , more suitable for start-ups , leads to openness & transparency in work culture & focused more on idea sharing & innovation
- **Matrix Relationship** – In these we make teams of people from various departments for temporary task based projects . Eg – Movie Mission Mangal . It helps conglomerates to manage work , where it is impossible to track each functional level team . More than one Business level managers , for each functional level teams . Useful for Large organisations

CHARTS OF CHAPTER 2

STRATEGIC ANALYSIS - EXTERNAL ENVIRONMENT

BUSINESS ENVIRONMENT

Components of External Environment

MICRO

- They can be controlled by organization
- They have direct impact on organization
- Narrow in scope

MACRO

- They cannot be controlled by organization
- They have indirect impact on organization
- Broad in scope

ELEMENTS OF MACRO ENVIRONMENT

Deepika Padukone Aur Sachin Tendulkar Global Celebrity hai

Demographic
Economic Environment
Political - Legal
Socio-cultural
Technological
Global

Assessment of International Environment is done at 3 Stages (CRM) –

- **Country Environmental Analysis** – Study of **economic , legal , political & cultural dimensions is required to be successful .**
- **Regional Environment Analysis** – In-depth evaluation of critical factors in a **specific Geographical area**
- **Multinational Environment Analysis** – Involves **identifying , anticipating & monitoring significant components of global environment** on large scale

Importance of Business Environment

- **Determining opportunities & threats** – Environment helps us to **bring out opportunities and threats to business.**
- **Giving direction for growth** – Enables us to **find areas of growth & expansion**. E.g. - Instagram
- **Continuous Learning** – Managers are motivated to learn, so they can **meet changes as per environment**. E.g. – CA Practice
- **Image Building** – It helps **organization to improve their image by showing concern towards sensitive issues.** E.g. – Akshay Kumar
- **Meeting Competition** – It helps firms **make competitive strategies**. E.g. - Jio Cinema

CHARACTERITICS OF PRODUCT / SERVICE

- *Product could be Tangible / Intangible*
- *Product has a Price*
- *Product has features which deliver Satisfaction*
- *Product is Pivotal for Business*
- *A Product has Useful Life*

COMPONENTS OF MACRO ENVIROMENT

Demographic Environment

It includes **characteristics of population like general age profile, sex ratio , education , growth rate , degree of education** which will affect the business

1. **Population Size** / E.g. – Ahmedabad v/s Mumbai
2. **Ethnic Mix** . Eg – Caste, colour , creed , culture , Male v/s female
3. **Geographical Distribution** . Eg – Hotel in Manali v/s Nagpur
4. **Income Distribution**

SOCIO CULTURAL ENVIRONMENT

- It includes **social traditions, values & beliefs, level and standards of literacy & education, ethical standards, state of society , extent of social stratification , conflict & cohesiveness** and so forth . E.g. – McDonalds, South culture
- **Core beliefs of society tends to be persistent,** it is **difficult to change these core values,** business has to adjust to social norms & beliefs

Economic Environment

- It refers to **over-all economic situation** of the country.
- The purchasing power depends on **income, prices, savings, circulation of money, debt & credit availability.**
- These include **GDP, Per capita income, markets for goods & services, availability of capital, interest rates, disposable income, unemployment , inflation etc**

Political Legal Environment

- It is similar to all enterprises. It includes general state of policy development , **degree of politicization , economic issues , level of political morality , law and order , political ideology**
- **Business is guided by government policies**
- Business **prefer to operate in a country where there is sound legal system**

TECHNOLOGICAL ENVIRONMENT

- Technology **has changed the way people communicate with advent of internet and telecommunication**
- It has **changed way business operates**
- It can become both **threat & opportunity** .If business can take **advantage of technology , it can bring strategic advantage**
- **Technology & Business are interrelated & interdependent**

PESTLE ANALYSIS (Macro Factors)

It is **brief description of Macro Factors** to be kept in mind , while doing Business . Earlier it was **PEST Analysis .**
It is **simple to understand & quick to implement**.
It encourages **management into proactive & structured thinking in its decision making**

1. Political
2. Economic
3. Social-cultural
4. Technological
5. Legal
6. Environmental

KEY SUCCESS FACTORS & CUSTOMER BEHAVIOUR

KEY SUCCESS FACTORS

- A Industry's Key Success Factors are those thing which affect the Industry members ability to prosper in market place
- 3 Things that help to identify industry's key success factors are :

1. **On What basis do customers choose between competing** brands of seller ?
2. **What resources and capabilities seller should have** to compete successfully?
3. **What does it take for sellers to achieve a sustainable competitive advantage ?**

- In an industry there are **only 3 to 4 KSF , and we should try to achieve them** , so we can get competitive edge & try to avoid other things

CUSTOMER BEHAVIOUR

- Consumer Behavior is influenced by number of factors . These **are categorized into 3 conceptual domains –**

External Influences – It includes **Advertisement , peer recommendations or social norms which has a direct impact on consumer decisions** . These aspects are divided into 2 groups – company's marketing efforts & numerous environmental effects

Internal Influences – These are **factors internal to customer** & affects its decision making

Decision Making – It has 4 Steps –

1. Problem recognition
2. Search for alternatives & list them
3. Seeking information on best alternative & weighing their pros & cons
4. Make a final choice

GLOBALISATION

Characteristics of Global Company (CCC)

- It is **conglomerate of multiple units but linked by common ownership**
- They have **common pool of resources** such as money, credit, information, atents, trade names & control systems
- They have **some common strategy**. Besides its managers and shareholders are also in different nation

PRODUCT LIFE CYCLE

1. **Introduction** – In **this competition is negligible, prices are high**, markets are limited. Growth in sales is at lower rate because of lack of customer knowledge
2. **Growth** – In this stage **demand expands rapidly, prices fall, competition increases and market expands.** Customer has knowledge of product and shows interest in purchasing.
3. **Maturity – Competition gets tough and markets are stabilised.** Profit comes down because of stiff competition, organisation works for maintaining stability
4. **Decline – Sales & Profit falls down sharply as new product replaces old**, so either we can do diversification or retrenchment

- For products that are in **decline stage** we can use strategies like **selective harvesting, retrenchment etc**
- **Expansion is good for Introduction & Growth stages**
- **Mature Business may be used as source of cash for investment in other business** which need resources

WHY COMPANIES GO GLOBAL ?

- **Need to Grow** in other parts of the globe
- **Rapid shrinkage of time and distance** due to faster communication, transportation etc
- **Domestic markets are no longer adequate and rich**
- **Reliable or cheaper source of raw material, cheap labour etc**
- **Set up overseas plants** to reduce high transportation cost
- **Overseas manufacturing plants** and sales **branches** to generate **higher sales**
- To **form strategic alliances & leverage competitive advantages**
- **Trade Tariffs & Custom barriers are getting lowered**

STEPS IN INTERNATIONAL STRATEGIC PLANNING ARE -

1. **Evaluate Global Opportunities & Threats** & rate them with **Internal capabilities**
2. Describe the **Scope of Firm's Global Operation**
3. Create the **firm's global business objectives**
4. Develop **distinct corporate strategies for global business & whole organization**

EXPERIENCE CURVE

It is used for applying portfolio approach

It is similar **to learning curve which explain efficiency gained by workers through repetitive productive work**

It is based on concept that **cost will decline as we increase volume of production due to experience**

It is due to various reasons like **economies of scale, product redesign & technological improvements in production**

VALUE CHAIN ANALYSIS

Use of Value Chain Analysis for Identifying Core Competences

- **Although all activities in value chain are important, but we should identify those activities which will bring competitive advantage and they will become CORE competency**
- **It gives basis based on which we can get new opportunities**
- **Core Competence if in separate activities may be copied by someone**
- **But if they relate to management of linkages within organisation value chain and linkage into supply and distribution chains, then it is difficult to copy**
- **There may be linkages among Primary activities or Support Activities or both**

STEPS TO UNDERSTAND COMPETITIVE LANDSCAPE / INTELLIGENCE

- Identify the Competitor
- Understand the Competitor
- Determine the Strengths of Competitor
- Determine the Weakness of Competitor
- Put all the Information together

VALUE CREATION

- Value creation is **activity or performance by firm to create value that increase worth of goods , services , business processes or** even whole **business system**
- Value is measured by **product's features, quality, availability , durability , performance and by its services for which customers are willing to pay**
- We should **create value for customers as well as stakeholders**
- Ultimately this **concept gives business a competitive advantage in industry and helps them to earn above average profit/ returns**

How Profitable Company Becomes Depends on 3 Factors:

1. **Costs of creating those products**
2. **Price company charges for it's products**
3. **Value Customers place on company's products**

According to porter company can generate competitive advantage in 2 ways – Cost Advantage or Differentiation

PORTER'S 5 FORCES MODEL COMPETITIVE ANALYSIS

THREAT OF NEW ENTRANTS

A Firm Profits are higher than other firm when other firms are blocked from entering Industry

New entrants can reduce profit because they can sell at lower process

Common Barriers to Entry in New Entrants Are:

Capital Requirements - When a large amount of capital is required to enter an industry, firms lacking funds are effectively barred from the industry

Economies of Scale - Large firm that enjoys economies of scale can produce high volumes of goods at successively lower costs. This tends to discourage new entrants

Product Differentiation - Differentiation works to reinforce entry barriers because the cost of creating genuine product differences may be too high for the new entrants

Switching Costs - Buyers often incur substantial financial (and psychological) costs in switching between firms. When such switching costs are high, buyers are often reluctant to change

Brand Identity - Brand identity is particularly important for infrequently purchased products that carry a high unit cost to the buyer

Access to Distribution Channels - Often, existing firms have significant influence over the distribution channels and can retard or impede their use by new firms

POSSIBILITY OF AGGRESSIVE RETALIATION BY EXISTING PLAYERS - Sometimes the mere threat of aggressive retaliation by incumbents can deter entry by other firms into an existing industry

BARGAINING POWER OF BUYER

Buyers can sometimes exert lot of pressure on existing firms to lower prices, this happens when:

1. Buyers have full knowledge of products & their substitutes
2. They are big buyers
3. Product is not critical to buyers and it is available elsewhere and there are substitutes available also

BARGAINING POWER OF SUPPLIERS

Suppliers can Influence Profit in number of ways:

1. Their products are crucial and substitutes are not available
2. They can erect high switching costs
3. They are more concentrated than their Buyers

Nature of Rivalry in the Industry

Rivalry is more and Industry Profits are low when:

Industry has no Leader - A strong industry leader can discourage price wars by disciplining initiators of such activity.

Huge Competitors in Industry - Leader's ability to exert pricing discipline diminishes with the increased number of rivals in the industry

Competitors operate with Fixed Cost - When rivals operate with high fixed costs, they feel strong motivation to utilize their capacity and therefore are inclined to cut prices when they have excess capacity

They face High Exit Barriers - Rivalry among competitors declines if some competitors leave an industry. Profitability therefore tends to be higher in industries with few exit barriers

Little opportunity to differentiate their Offerings - Firms can sometimes insulate themselves from price wars by differentiating their products

Industry faces slow or diminished growth - Industries whose growth is slowing down tend to face more intense rivalry

THREAT OF SUBSTITUTES

Substitutes are those which perform the same function or nearly the same as that of existing Products

Threat of Substitutes is high in high tech industries

More Substitutes of the Product available , less Attractive & Profits Industry will earn

CHARTS OF CHAPTER 3

STRATEGIC ANALYSIS - INTERNAL ENVIRONMENT

INTERNAL ENVIRONMENT

Internal refers to **sum total of people – individuals & groups , stakeholders , processes – input –throughput – output , physical , infrastructure –space , equipment & physical conditions of work , lines of authority , responsibility , accountability & organizational culture** – intangible aspects of working – relationships , philosophy , values , ethics that shape an organization's identity

Internal is **specific to each organization** . It is based on its **structure & business model & includes all stakeholders like top management , investors , employees , board of directors etc**

Mendelow's Matrix / Stakeholders Analysis Matrix /Power Interest Matrix

It is **matrix to manage stakeholders**

In a Big Project , it is most important to **manage stakeholder , because all have different interests & power**

In this matrix we can **classify Stakeholders based on Power** (ability to influence organization strategy) & **Interest** (how interested are they in success of organization)

Mendelow's Classification of Stakeholders

- **Keep Satisfied Stakeholders – High Power , Less Interested People** – We should **provide all information on regular basis to keep them satisfied** . Eg – Banks , Government , Customers
- **Key Players Stakeholders – High Power , Highly Interested People** – Fully **Engage with this Stakeholders , make efforts to keep them satisfied , take their advice , build actions & keep them informed** with all information on regular basis . Eg – Shareholders , CEO , BOD
- **Low Priority Stakeholders – Low Power , Less Interested People – Minimal efforts** should be spent on these kind of people , **but keep on reviewing them whether their levels of interest or power change** . Eg – Media houses , business magazines
- **Keep Informed Stakeholders – Low Power , Highly Interested People – Inform & communication with them that no issued exist** . Take **realtime feedback & areas of improvement for an organization** . Eg – employees , vendors , suppliers

STRATEGIC DRIVERS

Strategic Drivers

The key aspect in **Internal Analysis is assessing current performance of the organization** & in **assessing current performance , strategic drivers consider what differentiates an organization from its competitors**

In General **Key Strategic Drivers of an Organisation** include –

1. Industry & Markets
2. Customers
3. Products / Services
4. Channels

INDUSTRY & MARKETS

- Industry grouping is **based on primary products that company makes or sells** .
- A market is **sum total of all Buyers & Sellers in the area** or region under consideration
- Market may be **physical entity or may be e-commerce websites & applications**
- It can be **local or global**
- Tool used of analysis Industry & Markets if **Strategic Group Mapping**
- **It is grouping those rival firms that have similar approaches & positions in market** . Eg – same product / price quality . distribution channels .

Customers

- First step is Understand the different types of customers . Eg – HUL
- From **pricing perspective Customer is of more importance** , but **value creation , design / usability , consumer needs** to be kept at the **center of decision making**

Products / Services

- Products stand for **combination of goods & services that are offered to market**
  Strategies are made for **adding new product & dropping failed ones**
- Decisions are made for **branding, rebranding**
- Products can be **distinguished based on consumer , luxury , durables or perishables**
- **For Pricing New Product 3 things need to be kept in Mind** –

1. Have a **Customer Centric Approach**
2. Produce sufficient Returns by charging **Reasonable Margin over cost**
3. **Increasing Market Share**

MARKETING STRATEGIES

1. Social Marketing
2. Augmented Marketing
3. Direct Marketing
4. Relationship Marketing
5. Services Marketing
6. Person Marketing
7. Organization Marketing
8. Place Marketing
9. Enlightened Marketing – Use 5 Principles VICS – Value , Innovation , Customer Oriented , Social , Sense of mission Marketing
10. Differential Marketing
11. Synchro Marketing
12. Concentrated Marketing
13. Demarketing

Channels

There are typically 3 channels –

1. **Sales Channel** – It means there are **intermediaries involved in selling product through each channel & ultimately to end user**
2. **Service Channel** – It refers to **entities that provide necessary service to support the product, as it moves through sales channel & after purchase by end user.** It is very important for those products which are complex in terms of installation & requires after sales service
3. **Product Channel** – Refers **to series of Intermediaries who physically handle the product on its path from producer to end user.** Eg – E-commerce

COMPETITIVE ADVANTAGE

- If a **company's strategies result in superior performance, it is said to have** competitive advantage
- It is set of **unique features of a company and it's products that are perceived as significant by target market** and superior to competitors
- Competitive advantage is achieved when **firm profitability is greater than average profitability of firm in its industry**
- We should **use the resources and capabilities** that can result in **competitive advantage**
- Competitive advantage will have **limited life because it can be copied . Eg –** Indigo , Maruti , Jio , Dominos , Samsung

CORE COMPETENCE

Core Competency is combination of skills and techniques rather than individual skill or technique that serve as competitive advantage It is sum of 5-15 areas of developed expertise and it cannot be single skill or technique CORE Competency can be identified in 3 Areas :

1. **Competitor Differentiation** It should be **unique and difficult for competitors to imitate.** It allows **company to provide better products and services**
2. **Customer Value - It has to deliver value to customer. If a customer has chosen company without this impact , it is not** core competence
3. **Application of Competence** - It must be **applicable to whole organisation and not one particular skill or area of expertise.** If it is not from whole organisation point of

CHARACTERISTICS IN RESOURCES / CAPABILITIES TO BECOME COMPETITIVE ADVANTAGE??

1. **Appropriability** - It refers to **ability of firm's owners to get appropriate returns on its resources,** if we don't receive return, it won't be called competitive advantage (Sundar For Google)
2. **Imitability – If resources and capabilities cannot be purchased by would be imitator** , then it would remain competitive advantage (Alert Slider in Oneplus)
3. **Durability** – The period over which competitive advantage can be sustained depends in the part **on the rate at which firm's resources and capabilities deteriorate** (Indigo for Years Flights should go on time)
4. **Transferability** – **The easier it is to transfer resources and capabilities between companies, less sustainable will be competitive advantage based on them** (Dr in Hospital)

4 Criteria to Determine those Capabilities that are Core Competencies (N-CRV)

Non-Substitutable – Capabilities that **do not have strategic equivalents are non-substitutable.** Strategic value of capabilities will increase as they become more difficult to substitute

Costly to Imitate – Means competing firms are unable to develop such capabilities easily

Rare – **Core Competencies are very rare and very few posses this.** Firm should exploit these capabilities

Valuable – Valuable are those which **allow firm to create value for customers by effectively using these capabilities to exploit opportunities**

MICHEAL PORTER'S GENERIC STRATEGIES

3 GENERIC STRATEGIES

- **COST LEADERSHIP**
- **DIFFERENTIATION**
- **FOCUS**

COST LEADERSHIP

- It is low-cost **competitive strategy that aims at broad mass market**
- It requires **huge cost reduction in procurement, production , distribution of production or service and also economies in overhead cost**
- Because of lower cost , they can **charge lower price and still make profits**
- It should be used with **Differentiation**
- It is to be done **when market is price-sensitive & there are only few ways to achieve differentiation**
- It is **achieved by economies of scale , experience curve , best utilisation of resources & linkages with suppliers & distributors**
- It is done to **reduce competition and gain market share & throw other competitors out of the market**

ACHIEVING COST LEADERSHIP - FOR IAS

- ***Forecast Demand*** *of product / service*
- ***Optimum utilisation*** *of the resources*
- ***Resistance to Differentiation,*** *till it becomes essential*
- *Invest in* ***cost saving technologies***
- *Achieving* ***economies of scale***
- ***Standardisation of products*** *for* ***mass production*** *so* ***costs are lower***

DIFFERENTIATION

- It is aimed at **mass market & creation of product / service that is perceived by customer as UNIQUE**
- Unique can be in terms of **Brand image , feature , technology , distribution network or customer service**
- Because of these **we can charge premium price**
- Risk is it can be **copied by competitors**
- We should find **those things which can't be copied**
- Differentiation can be **greater product , lower costs , improved service , more features , lesser maintenance etc**
- Useful **when market is not price-sensitive**

BASIS OF DIFFERENTIATION

1. **PRODUCT**- Innovative **products that meet customer needs can be area. It can be costly because of R & D Cost, production, marketing** (Tesla , OnePlus)
2. **PRICING** - it can either by **charging lower prices** (Jio) or can **attempt to establish superiority through higher prices** (Starbucks)
3. **ORGANISATION** - It can be using **Brand name or specific advantage organisation posses in terms of location, name, customer loyalty** etc. Eg – Tata, Apple

Achieving Differentiation by –

- **Offer utility for customer** which **match their taste/ preferences**
- **Elevate performance of product**
- Offer promise of **high quality product / services**
- **Rapid Product Innovation**
- Taking steps to **enhance brand image and value**
- **Fixing product price** based on **features of product** & buying capacity of customer

FOCUS STRATEGY

- These are effective **when consumers have different requirements & when rival firms are not attempting to specialise in** same market
- In this we focus on **Particular group / market / product line** segments that serve smaller market better than competitor who serve broader market
- **Together with cost or differentiation we can follow FOCUS Strategy**
-

FOCUSED COST LEADERSHIP – In this firms **compete based on price in a narrow market. In this we charge lower price as compared to other firms.**

FOCUSED DIFFERENTIATION – In this **we offer unique features that fulfil demands of narrow market.** They compete **based on uniqueness and target a narrow market**

Achieving Focused Strategy by:

- **Selecting specific niche which are not covered by others**
- **Creating superior skills for catering niche markets**
- **Generating high efficiency for niche markets**
- **Developing innovative ways in managing value chain**

Advantages of Focused Strategy

- **Premium prices** can be charged for focused product / service
- Due to expertise in that **Particular product / service, Rival firms find hard to compete**

Disadvantages of Focus Strategy

- Firms that **lack in distinctive competencies may not follow this strategy**
- **Due to limited demand, costs can be higher**
- In long run **niche could disappear or taken over by larger competitors**

Disadvantages of Differentiation Strategy

- It fails to work , **if it is not valued by customer**
- In long term **uniqueness is difficult to sustain**
- **Charging too high price** for differentiated feature may cause customer to **switch to another alternative**

BEST COST PROVIDER STRATEGY

Last Strategy is by combining all 3 Generic Strategies that aim at giving more value to customer by – **Low Cost & Upscale Differences**

Objective is to keep cost lower than those of competitor

It can be done by:

- **Offering Products / Services at Lower Price than those offered by rivals**
- **Charging same price as of competitors with Much Higher Quality & Better Features**

ADVANTAGES OF COST LEADERSHIP & DIFFERENTIATION

- Buyer
- Supplier
- Rivalry
- Entrants
- Substitutes

Disadvantages of Cost Leadership Strategy

- Not Long run option as **others may also follow same strategy**
- **Only successful, if volumes are high**
- **They keep costs low by minimising advertisement, R & D Cost etc , this can be expensive in long run**
- **Technological changes can be huge threat**

CHARTS OF CHAPTER 4

STRATEGIC CHOICES

CORPORATE / GRAND / DIRECTIONAL STRATEGIES

They are of 4 types:

STABILITY

EXPANSION

RETRENCHEMENT

COMBINATION

STABILITY

- Stability Strategy is done when **companies continue in same markets & deals in same products**
- It focuses on **Incremental Improvement**
- It does **not involve redefinition of business**
- **Safety oriented, status-quo strategy**
- **Less risky & Less Investment.**
- It is **NOT Do Nothing** Strategy, but **DO Nothing New**
- Involves **minor improvement** & not drastic changes

Major Reasons for Stability Strategy

- A Product has reached **maturity** stage **of Product Life Cycle**
- **Less risky as it involves less changes**
- Environment is **relatively stable**
- Expansion is **perceived as threatening** (OTT, Telecomm)
- **After Rapid Expansion, firm wants to stabilise itself**

EXPANSION

- It involves **Redefining the Business** by **enlarging scope of Business**
- It involves **Dynamism , Vigour , Promise & Success**
- It involves **new products , markets & technology , innovation decisions etc**
- It is **risky & highly versatile strategy**
- It involves **Diversifying , Acquiring & Merging Business**
- It involves **Fresh Investments & New Businesses/ Products / Markets**

MAJOR REASONS FOR GROWTH/ EXPANSION STRATEGY

- When **Organisation wishes to Grow**
- Due to **Change in Environment**
- It helps in **greater control over competitors**
- Advantages from **Experience Curve & Scale of Operation may acrue**

STRATEGIC EXITS

When **Organisation substantially reduces it's scope of activity** it follows this. Different kinds of Retrenchment Strategies are -

When **organisation focus on ways and means to reverse the process of decline**, it adopts **TURNAROUND STRATEGY**

If it **cuts-off loss making units, divisions or SBU's curtails its product line or reduces funtions performed**, it follows **DIVESTMENT STRATEGY**

If both don't work, and it **choose to close its business** then comes **LIQUIDATION STRATEGY**

Danger Signals for Turnaround are –

- **Persistent negative cash flow** from business(es)
- **Uncompetitive products or services**
- **Declining market share**
- **Deterioration in physical facilities**
- **Over-staffing, high turnover of employees,** and low morale
- **Mismanagement**

Major Reasons for Retrenchment / Turnaround Strategy are –

- Management **no longer wishes to remain in Business** wholly or partly, due to losses
- Management feels **business could be better by divesting or liquidating** unprofitable activities
- A **Business proves to be mismatch** & cannot be integrated with company
- **Persistent Negative Cashflows** from the Business, creating need for Divestment
- **Severity of Competition** & inability to cope up with it
- **Technological upgradation is required**, if business is to survive, but not possible to invest
- **A better alternative is available**, causing firm to divest a part of its unprofitable business

ACTION PLAN FOR TURNAROUNd

1. **Assessment of Current Problems** **Assess the current problems and get to the root causes** and the extent of damage the problem has caused
2. **Analyse the Situation & Develop a Strategic Plan** - **Identify appropriate strategies** and develop a preliminary action plan . Analyze the **strengths and weaknesses** in the areas of competitive position. Once major problems and opportunities are identified, **develop a strategic plan with specific goals and detailed functional actions**
3. **Implementing an Emergency Action Plan** - Appropriate **action plan must be developed to stop the bleeding** and enable the organization to survive. The plan **typically includes marketing and operations actions working capital, reduce costs, human resource, financial, to restructure debts, improve budgeting practices, prune product lines and accelerate high potential products**
4. **Restructuring the Business** - During the turnaround, the **"Product Mix"** may be changed, requiring the organization to do some repositioning. **Core products neglected over time may require immediate attention** to remain competitive. The **'People Mix'** is **another important ingredient. Reward and compensation systems** that encourage dedication and creativity encourage employees to think profits and return on investments
5. **Returning to Normal** - Organization should begin to show signs of **profitability, return on investments and enhancing economic value added.** Emphasis is placed on a number of strategic efforts such as carefully adding **new products and improving customer service, creating alliances with other organizations**

EXPANSION STRATEGIES

4 TYPES

Internal Growth Strategies

1. **Intensification**
2. **Diversification**

External Growth Strategies

3. **Mergers**
4. **Alliance**

MERGER

Vertical - It is **merger of 2 or more organisation that are operating in same industry** but at **different stages of production or distribution system**. This leads to increased synergies with merging firms

Horizontal – It is **merger of 2 or more organisation in same industry, can be merger with direct competitor**, to achieve economies of scale, reducing duplication of work, avoiding competition, reduction in fixed cost & working capital etc

Congeneric – In merger of 2 or more organisation that are associated in some way either through **production process or business market or basic required technologies.**

Conglomerate – It is combination of organization that are **unrelated to each other.** There is **no linkage with respect to customer groups, functions or technologies used**.

INTENSIFICATION

Market Penetration – In this we will **direct our resource towards Profitable Growth of existing products in existing market**.

Market Development – In this we will **market existing products to New Markets** by **changing content of advertising or Promotional media**

Product Development – It involves **substantial modification of existing products that can be marketed to current customers** through established channels

ALLIANCE

Alliance is 2 or more Business that enables **each other to achieve strategic objectives which neither would have achieved on its own**

In this both **partners maintain their status as independent & separate entities**

Advantages (ESOP)

1. **Economic** - There can **be reduction in costs and risks by distributing them across the members of the alliance. Greater economies of scale** can be obtained in an alliance, as production volume can increase
2. **Strategic** - **Rivals can join together to cooperate instead of compete.** Strategic alliances may also be useful to **create a competitive advantage by the pooling of resources and skills**
3. **Organisational** - Strategic alliance helps to **learn necessary skills and obtain certain capabilities from strategic partners.** Having a good partner builds trust
4. **Political** - Sometimes **strategic alliances are formed with a local foreign business to gain entry into a foreign market.**

Disadvantages of Alliance - Strategic alliances require **sharing of resources and profits, and also sharing knowledge and skills** that otherwise organisations may not like to share.

Sharing knowledge and skills can be problematic if they involve trade secrets

EXPANSION STRATEGIES &
ANSOFF PRODUCT MARKET GROWTH MATRIX

DIVERSIFICATION

CONCENTRIC – In this New Business is linked through **existing Business through process, technology or marketing.** New Product is **spin-off from existing product through products / processes.**

- **Vertically Integrated Diversification** – In this firms opt to engage in Business that are related to existing Business
- **HORIZONTAL** – Acquisition **of one or more similar Business operating at same stage of production – marketing chain** that is offering similar product or taking over competitor's products

1. **Forward Integration** is **moving forward in the value chain** & entering business lines that use similar products, we can also **enter Business of distribution channels**
2. **Backward Integration** is step towards **creation of effective supply chain by entering into Business of input providers,** so we can **increase our capacity and reduce the cost of production**

CONGLOMERATE – In this there is **no linkage, new products are totally different from existing products in every way, it is UNRELATED. There is no relation in Process / Technology / Function**

INNOVATION - It drives upgradation of existing product lines or process, leads to increased market share, revenues, profits, & most important customer satisfaction

Benefits of Innovation

1. **Helps to Solve Complex Problems – Helps to solve problems by offering customer centric sustainable solutions. Eg – Solar, Alternative Sources of Fuel**
2. **Gives Competitive Advantage – More we do innovation, more far we go from competitor's reach. It needs less marketing, it will not only help retain old customers, but also help acquire new ones**
3. **Increases Productivity – By automating repetitive tasks, adds productivity of teams & thereby benefitting organization as a whole . Eg – MS Excel**

ANSOFF PRODUCT MARKET GROWTH MATRIX

MARKET PENETRATION – It refers to growth strategy where we focus on **existing products and existing markets.** We can do this by **greater spending on advertising, aggressive promotion, new product dimensions, pricing strategy** so new entrants don't come

MARKET DEVELOPMENT – Refers to **Growth Strategy where we will expand existing products in new markets.** This can be achieved by new **markets, new product dimensions or packaging, new distribution channels or different pricing policy** to create new market segments

PRODUCT DEVELOPMENT – Refers to Growth Strategy **where business aims to expand new products in existing markets.** It requires **development of new competencies and requires business to develop modified products which can appeal existing markets**

Diversification – It is Growth Strategy where we will market **New Products in New Markets.** It can be by **starting or acquiring business outside the company.** It is risky because **we have no position of that product in the market**

BCG Growth Share Matrix

STARS are products that are **growing rapidly and need heavy investment** to **maintain their position** and finance their growth potential. They show **best opportunity for expansion**

Cash Cows are **low growth, high market share products.** They **generate cash and have low costs.** They need less investment to maintain market share. In long run when **growth rate is down Stars become Cash Cows**

Question Marks are **problem child, low market share, high growth market.** They require **lot of cash to hold their share,** and need heavy investment with low potential to generate cash. We should **try to turn them into STARS**

Dogs are **low growth, low share business and products.** They generate cash to maintain themselves, but do not have much future. They should be **minimised by means of Divestment or Liquidation**

AFTER FIRM HAS CLASSIFIED ITS PRODUCTS, 4 STRATEGIES ARE -

- **BUILD** – Here **objective is to increase market share by forgoing short term earnings** in favour of large market share
- **HOLD** – Here **objective is to preserve the market share**
- **HARVEST** – Here **objective is to increase short term cashflow** regardless of long-term effect
- **DIVEST** – Here **objective is to sell or liquidate business** and allocate resources else where

GE 9 CELL MATRIX

This model is known as **Business Planning Matrix, GE Nine-Cell Matrix & GE Model**

It is developed by **General Electric along with Mckinsey**

This approach has been **inspired from traffic control lights**

3 lights mean – **GREEN for GO, AMBER OR YELLOW for CAUTION & RED for STOP**

It uses 2 things **Business Strength & Market Attractiveness** whereas BCG considers Relative Market Share & Market Growth

In **Green** Business must expand, to **invest and grow**

If **Amber or Yellow it** needs caution and **managerial discretion is called for strategic decision**

If in **Red Zone,** it will **lead to losses, so it be retrenchment , divestment or liquidation**

ADL Matrix

It is **portfolio analysis technique based on product life cycle.** It measures the **business strength of product or SBU's based on one of the 5 competitive positions such as**

Dominant – It is **rare position and is due to either a monopoly or strong** and protected technological leadership

Strong – Firm has **considerable power to choose its own strategies without its market position threatened by its competitors**

Favourable – In this **no competitors stand out, but this we have reasonable degree of freedom due to market leaders**

Tenable – Although **firms in this category are doing good,** there are **generally vulnerable because of strong competitors**

Weak – Performance is not satisfactory, **although opportunities for improvement do exist**

CHARTS OF CHAPTER 5

STRATEGIC IMPLEMENTATION & EVALUATION

STRATEGY FORMULATION V/S STRATEGY IMPLEMENTATION	STRATEGY IMPLEMENTATION
STRATEGY FORMULATION It focuses on effectiveness (Doing right thing)	It focuses on efficiency (Doing things rightly)
It is Intellectual Process	It is an operational process
It requires conceptual intuitive & analytical skills	It requires motivation & leadership skills
It formulates coordination among executives of Top Level	It requires coordination among executives of middle & lower levels

Linkage Between Strategy Formulation & Implementation

STRATEGIES CAN BE FRAMED IN 2 DIRECTIONS

- **Forward Linkages** – In this we will make **Strategy without thinking of resources , due to this many changes have to made within organisation** . Eg – Organisation Structure . In this leader has to adapt to new strategies. Strategy has Forward Linkages with their implementation
- **Backward Linkages – In this we will make Strategy based on Present structure of resources and also consider past strategic actions.** In this we just have to make incremental changes & we can achieve Where we wish to be

Strategic Planning

- Shapes **Organization & its resources**
- Assesses **the impact of environment variables**
- Takes **complete view of organization**
- Concerned with **Long term success of company**
- It is **responsibility of senior Managers**

Operational Planning

- Deals **with current Deployment of Resources**
- Develop **tactics rather than strategy**
- **Project current operations** into future
- **Makes small changes** to functional departments
- It is **responsibility of functional managers**

How to Deal with Strategic Uncertainity ??

- **Flexibility** – Strategy should be flexible to adapt to changes in environment
- **Diversification** – Diversify products , markets & customer base
- **Monitoring & Scenario Planning** – How different scenarios can impact their strategies
- **Building Resilience** – Strengthen operational processes , increase financial & management capabilities
- **Collabaration & Partnerships** - Collaborate with other organisations , suppliers , customers & **partners to share risk & gain access to new markets & technologies**

STRATEGIC CHANGE

Due to changes in the environment , business has to make changes in strategy & bring new Strategies
Changes can be made in form of new markets , products , services or new ways of doing Business

There are 3 Steps to make change
Recognise the Need for Change – After analysing Internal & External Environment through SWOT , we will determine where there is defect & scope for change
Create a Shared Vision to Manage Change – Senior Managers & Employees should have shared vision , Senior Managers have to convince that Change is really needed , and it should be serious towards new strategic alternatives & associated changes
Institutionalise the Change – Here we will implement changed Strategy . We will also monitor change regularly , if any discrepancy , it should be brought to notice of concerned person , so they can take corrective actions

KURT LEWIN'S MODEL OF CHANGE

Unfreezing the Situation – In this we will make people prepare for change. In this we will break down old attitudes , behaviour , customs & traditions , so we can start with clean slate. This can be by making announcement , meetings , promotion new ideas etc

Change to New Situation – Here we will bring the change . In order to make the change there are 3 methods – Compliance , Identification & Internalization

Refreezing – In this we will finalise the Change and make it permenant , after it has been completely accepted by everyone . This is continous process , as organisations keep on changing

CHANGING TO NEW SITUATION CAN BE IN 3 WAYS :

COMPLIANCE- Strict by Reward & Punishment
IDENTIFICATION- Role Models & follow them
INTERNALISATION- Freedom to learn & adopt new behaviour

STRATEGIC CONTROL

Controlling is monitoring the Strategy and measure results against those expected to make corrections .
There are 3 Types of Control **(OSM)**
Operational Control – The main focus of Operational control is on individual tasks or transaction as against total or more aggregative function.

Management Control – It is more inclusive & aggregative in sense it covers integrated activities of complete department , division or entire organisation.

Strategic Control – It focus on whether strategy is implemented as planned and whether it produces correct as expected or not

TYPES OF STRATEGIC CONTROL

Premise Control – A Strategy is based on certain assumption or premises , about environment , which may change over time

Strategic Surveillance - It involves general monitoring of various sources of information which have bearing on organisation strategy

Special Alert Control – At times unexpected events happen like earthquake , major disaster , merger/acquisition by competitor , such events may require immediate review of strategy

Implementation Control – Managers implement strategy by converting major plans into concrete , sequential actions that form small steps. Here we will check small steps to see whether changes are needed in strategy or not.

STRATEGIC CHANGE THROUGH DIGITAL TRANSFORMATION

The use of Digital Technologies to develop fresh, improved or entirely new company procedures, goods , or services is known as Digital Transformation .

Change management in Digital Transformation consist of 4 Elements –

1. Defining goals & objectives of Transformation
2. Assessing the current state of organization & identifying gaps
3. Creating Roadmap for change that outlines steps needed to reach desired stage
4. Implementing & managing change at every level of organization

How to Manage Change During Digital Transformation??

1. **Specify Digital Transformation's aims & Objectives** – What are the **precise objectives that must be achieved? It all are on same page,** perusing goals can be easy
2. **Always Communicate** – Ensure **we communicate aim of Digital Transformation** & How it will affect everyone including employees, clients, suppliers
3. **Be ready for Resistance** – Have a strategy in place, **even if change is good, it is challenging for people to accept**
4. **Implement Changes Gradually** – We should **implement changes gradually** rather than at once
5. **Offer Assistance & Training** – Workers will need **Guidance in new procedures, software applications etc**

5 Best Practices for Managing Change in Small & Mid size Business are:

1. **Begin at the Top** – A **focused leader should be at top** with same view point as communicated in change. If **top level is strong, rest of organization will accept the change** and it will be promoted in right way
2. **Change is Necessary & Desired** – If **company doesn't have sound strategy, introducing too much, too fast can be major issue for organization**
3. **Reduce Disruption** – **Everyone expectations are different,** getting feedback early, so we are ready to manage change. **Give staff members knowledge & tools,** they need to adjust to change
4. **Encourage Communication** – **Create channels, so departments can give feedback about new procedures, ideas, people** who will be most affected should be communicated
5. **Recognize Change is Norm & not Exception** – To stay **updated in markets with customers**, we need to remember **change is not a project , but rather ongoing process**

MCKINSEY 7S MODEL

This tool analyzes **company's organizational design** .

The goal of these tools is to depict **how effectiveness can be achieved in an organization through hard & soft elements**

Hard Elements can be Controlled by Management

1. **Strategy –** Blueprint to bring core competence and achieve competitive advantage to drive margins & lead the industry
2. **Structure** – There are **several structures,** which one we select depends on **availability of resources, Degree of centralization or decentralization**
3. **Systems –** Development of **Daily tasks, operations & teams to execute goals & objectives** in most efficient & effective manner

Soft s – THESE ARE DIFFICULT TO DEFINE & ARE MORE GOVERNED BY CULTURE

4. **Shared Values** – Core values which are reflected in organization or influence code of ethics of the management
5. **Style** – Depicts Leadership style, how we motivate people to achieve organizations goals
6. **Staff** – the Talent pool of organization
7. **Skills** – Core competency or key skills of employees, which determine success of organization

Limitations of McKINSEY MODEL

- Ignores External Environment
- It does not explain concept of organizational effectiveness or performance
- More Static & Less flexible for decision making
- Gaps are there in conceptualizing & implementing strategy

SM MODEL / SM INVOLVES FOLLOWIGNG STAGES

1. **Develop a Strategic Vision & Formulate Mission , Goals & Objectives**
2. **Environmental & Organizational Analysis**
3. **Formulation of Strategy**
4. **Implementation of Strategy**
5. **Strategic Evaluation & Control**

DIFFERENT TYPES OF ORGANISATION STRUCTURES

SIMPLE STRUCTURE

It is good for those who follow single business strategy and offer line of products in single market

In this owner takes all the decisions and monitors all the activities of staff

Little specialisation, few rules, little formalisation, direct involvement of owners in all activities

Communication is fast and new products tend to be introduced very quickly

But when company grows and it wishes to do specialisation, there will be pressure on owner or managers , so company moves to

DIVISIONAL STRUCTURE

As a firm grows and has different product & services in different markets, we have to bring Divisional Structure which can be in one of the 4 ways: By Geographic ara , By Product or Service , By Customer or By Process

In this accountability is clear, divisional managers are held responsible for sales and profit

It creates career development opportunities for managers

But it is very costly, each division requires functional specialist who are to be paid

There is duplication of staff services, facilities etc

Some divisions receive more priority than another, difficult to maintain consistency

FUNCTIONAL STRUCTURE

It promotes specialisation of labour, encourages efficiency, minimised need for an elaborate control system and allows rapid decision making

In this there is CEO, supported by corporate staff with functional line managers such as Production, Finance, Marketing etc

Problems are there can be communication & coordination problems across all Business functions

All managers may develop a narrow perspective, losing sight of over-all company's vision and mission

MATRIX STRUCTURE

When Organisation feels neither Functional or Division forms are appropriate for them, then comes Matrix

It is combination of Functional & Divisional Structure

Employees have 2 superiors – Project Manager & Functional Manager

It is most complex because it depends upon both vertical and horizontal flow of authority

It has dual line of reward and punishment, shared authority, dual reporting channel and need for extensive communication, visible results of work etc

It is very useful when external environment is very complex

NETWORK STRUCTURE

It is virtual elimination of inhouse Business Functions

Many activities are outsourced, so it is also called as VIRTUAL Organisation

It is useful when environment is unstable

In this there are less salaried employees, and majority are contract workers for specific project or time

Hour Glass Structure

In recent years due to growth of technology & IT, role of middle level is replaced by technological tools

In this there are 3 layers, short and narrow middle layer and IT links both Top & Bottom Levels tools like Facebook, WhatsApp, Instagram etc

In Hourglass managers are handling cross functional issues like production, finance, marketing etc

It has reduced costs, simplified decision making

However, with reduced middle level, promotion opportunities for bottom level also reduces

So, there is less motivation for bottom level, organisation in order to keep them motivated offer system of proper rewards

Multi-Divisional Structure

Multidivisional structure calls for:

Creating separate divisions, each representing a distinct business

Each division would house its functional hierarchy;

Division managers would be given responsibility for managing day-to-day operations;

A small corporate office that would determine the long-term strategic direction of the firm and exercise overall financial control over the semi-autonomous divisions.

Corporate office is responsible for formulating and implementing overall corporate strategy and manages divisions through strategic and financial controls

SBU's

When company has number of diversified business , it is impractical for enterprise to do strategic planning for each of it's product , Hence comes SBU

In this we will group related business , so we can do their planning together

It should have 3 Characteristics (MCC)

1. **Manager** who is responsible for planning and profit
2. Own set of **Competitors**
3. **Single Business or collection** of related Business which can be planned separately from other SBU

Individual SBU's are treated as profit centres & controlled by headquarters

STRATEGY LEADERSHIP

Managers have 5 leadership Roles in Good Strategy Execution: (CRETA)

1. Promoting **a culture of esprit de corps** that motivates employees to perform level at high level
2. Keeping organisation **responsive to changing conditions, opportunities, ideas,** capabilities
3. **Exercising Ethical leadership** & insist that company **conducts its affair like model corporate citizen**
4. Staying on the **top and monitoring progress, & solving all issues** which lie in path of **Strategy execution**
5. Pushing **corrective actions to improve strategy execution** & **over-all performance**

ATTRIBUTES OF SBU & BENEFITS FIRM MAY DERIVE FROM SBU ARE:

- It is grouping of **multi-business corporation** which helps in strategic planning
- Each SBU is **separate Business** from planning point of view
- It is improvement over **territorial grouping of business** based on territorial units
- Grouping of **related Business** that can be planned separately from rest of Business
- Each SBU has **CEO,** who is responsible for planning and profit
- Each SBU has its distinct set of **Competitors & Strategy**
- Unrelated Products in **any group** are Separated and assigned into Separate SBU
- **Grouping SBU** helps in planning by removing vagueness and confusion

STRATEGY LEADERSHIP

Strategic Leadership sets direction by developing & communication vision of future, formulate strategies according to environment

A Leader has to play various roles like Entrepreneur, Strategist, Culture builder, visionary, spokesperson, negotiator, motivator, arbitrator, policy maker, policy enforcer, listener and decision maker.

Responsibilities of Strategic Leader

Making Strategic decisions
Formulating policies and plans to implement decisions
Effective communication in organisation
Managing change in the organisation
Managing Human capital
Creating & Sustaining strong corporate culture
Maintaining high performance over time

STRATEGY SUPPORTIVE CULTURE

Corporate culture refers to company's value, belief, business principles, traditions, ways of operating & internal work environment

When the culture of company is in line with strategy it become valuable in strategy implementation & execution, when in conflict, strategy may fail

Strategy-Culture conflict weakens and may even defeat managerial efforts to make strategy work

We should make the strategy in line with culture

Changing a Company's culture is very difficult because it is carried since years

In large companies changing corporate culture can take 2-5 years

2 APPROACHES TO LEADERSHIP

TRANSFORMATIONAL –

- Uses Charisma & enthusiasm to inspire people to do good for organisation
- Good for new organisation or poorly performing organisation
- They offer excitement vision & personal satisfaction
- They inspire to achieve dream, vision
- They motivate followers to do more than expectation by increasing their self confidence

TRANSACTIONAL –

- It focuses on design system and controlling organisation activity
- Try to build on existing culture
- Useful in matured organisation
- Uses authority of office to exchange reward and punishment
- Setting clear goals with rewards or penalties for achievement or non-achievement

STRATEGIC PERFORMANCE MEASURES

- A **company's performance** depends on strategy
- Companies that **outperform their competitors** are those who execute well
- **SPM is a method that increase line executives understanding company goals** & offer continuous system for **tracking progress towards these objectives using clear cut performance measurements**
- It gives **common language to all divisions** , so they can communicate openly & productively
- They also **help in resource allocation**
- They help to **check whether strategies are aligned as per goals & objectives & make necessary adjustments to improve performance**

Importance of Strategic Performance Measures (CAGR)

- **Continuous Improvement** – Helps to **track progress & make adjustments to improve performance** over time
- **External Accountability – Accountability** to Stakeholders , Shareholders , Customers & Regulatory bodies by providing clear & transparent picture of their performance
- **Goal Alignment – Help organizations align their strategy with goals** & objectives , ensuring they are on Right Track
- **Resource Allocation** – Helps to **prioritize & allocate resources to that area** which will have **highest impact on performance**

CHOOSING RIGHT STRATEGIC PERFORMANCE MEASURES
Following Factors need to be kept in mind , while selecting Right Performance Measures as per Organizational Goals –

- **Relevance** – Should be relevant **to Organisational Goals**
- **Data Availability** – Data should be **available & collected & analysed on timely basis**
- **Data Quality** – Data should be **high quality & accurate & reliable**
- **Data Timeliness** – Data should be **current & up to date** to make **informed decisions on timely basis**

Types of Strategic Performance Measures

- **Financial Measures** – Such as Revenue growth , return on investment , profit margins , understanding financial performance & ability to generate profit
- **Customer Satisfaction Measures** – Customer satisfaction , Customer Retention & Customer loyalty provide insight into organisations ability to meet needs and provide high quality products
- **Market Measures** – Market Share , Customer Acquisition , Customer referrals provide information on organizations ability to attract customers
- **Employee Measures** – Employee satisfaction , turnover rate & employee engagement provide insight into ability to retain employees
- **Innovation Measures** – R & D spending , Patent registrations , New Product launches provide insight into organisations ability to innovate & create new products & services
- **Environmental Measures** – Energy consumption , Waste Disposal , Carbon emissions provide insight into Organsations care for environment