STRATEGIC LEVELS IN ORGANISATION & STRATEGIC MANAGEMENT FOR NON-PROFIT ORGANISATIONS

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

Funtional Level – It includes Functional Managers
They are responsible for specific Business Functions or operations

STRATEGIC MANAGEMENT IN EDUCATIONAL INSTITUTES

They are using management techniques for attracting best students
There is significant change in competitive climate
The education system has gone considerable change with introduction of computer & internet technologies
They have joined hands with Industries to make graduates more employable
Lectures can be accessed anytime anywhere

STRATEGIC MANAGEMENT IN MEDICAL ORGANISATION

Modern Hospitals are creating new strategies for treatment of Chronic Diseases
Pathological Laboratories have started collecting door to door samples
Chronic care will require day treatment , user friendly ambulance services, electronic monitoring at home etc
Backward Integration Strategies include acquiring ambulance services , waste disposal services & diagnostics services
Today medical services are provided over Internet

STRATEGIC MANAGEMENT IN GOVERNMENTAL AGENCIES & DEPARTMENTS

All departments are using Strategy of How to use taxpayers money in most cost effective way to provide services & programs
But they are not have complete autonomy like Private companies
They are using techniques to develop & substantiate formal requests for additional funding

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

COMPETITIVE LANDSCAPE

STEPS TO UNDERSTAND COMPETITIVE LANDSCAPE

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

METHODS OF INDUSTRY & COMPETITIVE ANALYSIS

Dominant Economic Features of the Industry
Nature & Strength of Competition
Triggers of Change
Identify Strongest & Weakest Companies
Likely Strategic move of rivals
Key Factors for Competitive Success
Prospects & Financial Attractiveness of Industry

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 :
Competitor Differentiation
Customer Value
Application of Competence

4 CRITERIA TO DETERMINE CORE COMPETENCIES: (N-CRV)
Non-Substitutable
Costly to Imitate
Rare
Valuable

GLOBALISATION

CHARACTERISTICS OF GLOBAL COMPANY

It is conglomerate of multiple units but linked by common ownership

They have common pool of resources such as money , credit information , patents , trade names & control systems

They have some common strategy. Besides its managers and shareholders are also in different nation

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

BCG Growth Share Matrix

It is used for resource allocation in a diversified company. In this organisation can classify their products in 4 types :

STARS are products that are growing rapidly and need heavy investment to maintain their position and finance their growth potential. Strategy for them is HOLD & maintain market share

Cash Cows are low growth , high market share products . They generate cash and have low costs. Strategy is HARVEST , increase Short term cash flow

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. Strategy is BUILD & increase market share

Dogs are low growth , low share business and products. They generate cash to maintain themselves , but do not have much future. Strategy is Divest , that is sell or liquidate business

PRODUCT LIFE CYCLE

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

Growth – In this stage demand expands rapidly , prices fall , competition increases and market expands. Customer has knowledge of product and shows interest in purchasing.

Maturity – Competition gets tough and markets are stabilised. Profit comes down because of stiff competition , organisation works for maintaining stability

Decline – Sales & Profit falls down sharply as new product replaces old , so either we can do diversification or retrenchment

GE 9 CELL MATRIX

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

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 it's own strategies without it's market position threatened by it's 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

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

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

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TOWS Matrix

4 Kinds of Strategic choices are there :
SO – It is benefit that firm tries to achieve. Strength is used to capitalize or build upon opportunity.

ST – Position in which firm strives to minimize threats through using its strengths

WO- Position firm needs to overcome Weaknesses and make attempt to exploit the opportunities to maximum

WT – Position firm will try to avoid. They have to struggle for survival , In this we should overcome weakness and cope with threats

SWOT ANALYSIS

Logical Framework of Analysis – Based on SWOT , we can generate various alternative strategies and choose the strategy based on environmental opportunities & threats

Presents a Comparative Account – By matching Internal Strength and Weakness with external Opportunity & Threat , we can get certain pattern of relationships which will help in making strategy

Guides Strategy in Strategy Identification – After seeing all the patterns , SWOT guides strategist to think of over all position of organisation that helps to identify major purpose of strategy under focus

STRATEGIC BUSINESS UNITS

SBU is a unit of company that has separate mission and objectives which can be run independent from other company business
SBU can be company division , product line in a division , single product or brand
It is common in organization that are in multiple countries

It has 3 characteristics (MCC)
Manager who is responsible for planning & profit
It has it's own set of competitors
It has single business or collection of related business that can be planned separately

STRATEGIC DECISION MAKING

According to Jaunch & Glueck **" Strategic decisions cover the definition of business , products to be handled , markets to be served , funtions to be performed & major policies needed for organization to achieve Strategic Objectives"**

Major Dimensions of Strategic Decisions are :

It requires Top Management involvement
It involves Commitment of Organizational Resources
We need to Consider Firm's External Environment
They have Significant impact on Long Term Prosperity of Firm
They are Future Oriented
They have Major Multifunctional or Multi-Business Consequences

STRATEGIC INTENT

It refers to purpose of the organization what organization wants to achieve through strategies

Senior Managers must define " what they want to do " & "why they want to do "

It is statement which helps organization achieve Vision

It defines long term marketing position which organization desires to create or occupy

It is in the form of Vision & Mission at Corporate Level

VISION

It is set for Future
It tell us " WHERE WE WANT TO BE "
It will define Directional Path company should take in product , market , customer or technology
It will communicate management aspirations to the stakeholders
It is road map of Company's Future
3 Elements of strategic vision are :

- Coming up with a Mission that conveys " WHO WE ARE & WHERE ARE WE NOW"
- Using Mission for deciding long term choices about "WHERE WE ARE GOING"
- Communicating Vision in clear , exciting terms that would arouse Organization wide Commitment

Essentials of strategic vision
It helps to think creatively about How to Prepare a Company for future
It is exercise in intelligent Entrepreneurship
Creates Enthusiasm among members of organization
It gives Direction in which Organisation is headed

MISSION

Why we should have mission ?
To ensure Common Purpose within organisation
To establish General tone of organisation
To develop a basis for allocating resources
To provide a basis for motivating use of organisational resources
Serve as "FOCAL POINT" for organisational Purpose & Direction
It gives Work Structure for achievement of Objectives & Goals
It specifies Organisational Purpose & translation of these purpose into Goals that can be assessed in terms of Cost , Time & Performance parameters

THINGS TO BE KEPT IN MIND WHILE WRITING MISSION
It should give special identity to Organisation & path for development
They are Unique for the organization
It is defined by what needs it is trying to achieve, Customer groups it is targeting , Technology & Competencies it uses & Activities it Performs

OBJECTIVES

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
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
They should provide standards for Performance appraisal
They should help in achievement of mission & purpose
They provide basis for Strategic decision making

GOALS

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 MANAGEMENT MODEL

STRATEGIC MODEL INVOLVES FOLLOWING STEPS :

Develop a Strategic Vision & Formulate Mission , Goals & Objectives

Environmental & Organizational Analysis

Formulation of Strategy

Implementation of Strategy

Strategic Evaluation & Control

EXPANSION STRATEGIES

4 TYPES

INTENSIFICATION

DIVERSIFICATION

MERGER

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 it's own

In this both partners maintain their status as independent & separate entities , share benefits & control & continue to make contribution till alliance is terminated

Advantages (ESOP)
Economic
Strategic
Operational
Political

Disadvantages
Sharing – In this we need to share resources , knowledge , skills . It can create competitiors when they decide to break the alliance

DIVERSIFICATION

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

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.

CONGLOMERATE – In this there is no linkage , new products are totally different from existing products in every way , it is UNRELATED DIVERSIFICATION.

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 focus on Incremental Improvement
It does not involve redefinition of business
Safety oriented , status-quo strategy
Less risky & Less Investment
Involves minor improvement & not drastic changes

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

COMBINATION

In this we will adopt mix of Strategies for different Business of ONE Company . Eg – Stability in some areas , Expansion in some & Retrenchment in some.

Organisation is large & faces Complex Environment

Organisation has Several Business , each of which is Different industry requiring Different response

TURNAROUND

When Organisation substantially reduces it's scope of activity it follows this .

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**

ACTION PLAN FOR TURNAROUND

Assessment of Current Problems
Analyse the Situation & Develop a Strategic Plan
Implementing an Emergency Action Plan
Restructuring the Business
Returning to Normal

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
ECONOMIES OF SCALE
PRODUCT DIFFERENTIATION
SWITCHING COSTS
BRAND IDENTITY
ACCESS TO DISRIBUTION CHANNELS
POSSIBILITY OF AGGRESSIVE RETALIATION BY EXISTING PLAYERS

BARGAINING POWER OF BUYER

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

Buyers have full knowledge of products & their substitutes

They are big buyers

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 :

Their products are crucial and substitutes are not available

They can erect high switching costs

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

Huge Competitors in Industry

Competitors operate with Fixed Cost

They face High Exit Barriers

Little opportunity to differentiate their offerings

Industry faces slow or diminished growth

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

MICHEAL PORTER'S GENERIC STRATEGIES

3 GENERIC STRATEGIES

COST LEADERSHIP

DIFFERENTIATION

FOCUS

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

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 good when market is price-sensitive

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 , network or service

Because of these we can charge premium price

Risk is it can be copied by competitors

Differentiation can be greater product , lower costs , improved service , more features , lesser maintenance etc

BASIS OF DIFFERENTIATION

PRODUCT
PRICING
ORGANISATION

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 & DIFFERENTIATION STRATEGY

Buyer

Supplier

Rivarly

Entrants

Substitutes

FINANCIAL STRATEGY

It includes acquiring capital , developing projected financial statements / budgets , management / usage of funds & evaluation net worth of business.

Some examples that require financial and accounting policies are :

Raise capital with short or long term debt or equity

Lease or Buy Assets

Determine appropriate Dividend pay out ratio

Extend the time of accounts receivable

Establish discount on payment within specified time

Determine amount of cash to be kept in hand

EVALUATING NETWORTH OF BUSINESS – 3 APPROACHES

First approach is stockholders equity . It is common stock , paid-in capital & retained earnings. After calculating net worth , add or subtract goodwill and overvalue or undervalued assets

Second approach is 5 times of firm's current annual profit. A 5 year average profit level can also be used or current year profits

In third approach there **are 3 methods :**

First selling price of similar company or

Second multiply average net income for last 5 years with P/E ratio or

Third multiply no of shares with market price per share and add premium

RESEARCH & DEVELOPMENT STRATEGY

R & D Strategy can play integral part in strategy implementation

Guidelines which help in deciding R & D should be Internal or Outside

If rate of technical progress is **SLOW** , Market growth is **MODERATE** , then **Inhouse R&D** is solution , because it will create product monopoly which company can use

If rate of technical progress is **RAPIDLY** , and market is growing **SLOWLY** , then effort in R&D is risky , because we might develop product for which there is NO MARKET

If rate of technical progess is **SLOW** and market is growing **QUICKLY** , then we should do **outsourcing R&D**

If both Technical Progress is **FAST** & market growth rate is **FAST** , then R&D should be obtained through **acquisition of well established firm in industry**

3 R & D APPROACHES FOR IMPLEMENTING STRATEGIES

First Approach is to be **First firm to market technological products** , it is great strategy but dangerous one

Second Approach is be **Innovative Imitator of successful products** , thus minimizing risk and cost of start up. This strategy requires excellent R&D Staff and an excellent marketing department

Third Approach is be **Low Cost Producer by mass producing similar items** , but less expensive than others . This requires huge investment in plant and equipment , but fewer expenditure in R&D

FUNCTIONAL LEVEL STRATEGY

MARKETING STRATEGY-

It is an activity performed by Business organisation

In marketing it is more important to do what is strategically right rather than what is immediately profitable

Some of the marketing decisions are as follows :

Amount & Extent of Marketing

Kind of distribution network to be used

Price leader or follower

Complete or limited warranty

Limit or enhance the share of business to single or few customers

Reward people based on fixed salary or variable commission or mix of both

OBJECTIVES OF MARKETING

Delivering Value to Customer – Main activity is to give value to customer , but it is combined efforts of all the departments and not only marketing

Connecting with Customers – Companies today should be customer centred. They should choose the best market segment which they can serve better than competitors

MARKETING MIX

It consists of everything that firm can do to influence the demand for it's product

Product – Product means thing offered to target market . Decisions are made on managing existing product , add new ones & drop failed ones. Product can be differentiated based on size , shape , colour , packaging , brand name , after sales services and so on.

Price – Price is amount of money customers have to pay. We should keep in mind following things while setting price :

Make product acceptable to customer

Producing reasonable margin over cost

Catering to market that helps in developing market share

For new product we can either do Price Skimming or Price Penetration

Place – It means place where product is available. One of the basic decision is to choose right marketing channel. Distribution policy adopted by company is also major factor. Strategies for intermediaries like wholesaler and retailer should be designed

Promotion – 4 Methods of Promotion are :

Personal Selling – In this there is face to face interaction with customer and high degree of personal attention to them. Not a cost effective way of reaching large number of customers

Advertising – This includes brochures , newspapers , magazines , hoarding , display boards , radio , television and internet.

Publicity – In this no payment are made to media for advertising. It includes press releases , conferences , reports , stories and internet releases

Sales Promotion – Activities done for promotion other than above 3. It includes discount , contests , money refunds , instalments , kiosks , exhibition and fair that constitute sales promotion.

Expanded marketing mix – Due to Services New P'S Are Added:

People – All human actors play very important role in buyer's perception , namely the firm's personnel & customer

Process – Actual procedures , mechanisms & flow of activities by which product or service are delivered

Physical Evidence – Environment in which market offering is delivered and customer interact with firm

HUMAN RESOURCES STRATEGY

HR helps in achieveing competitive advantage , if we keep in mind following things :

Recruitment & Selection – Workforce will be more competent , if we can identify , attract and select most competent applicants

Training – Training will help employees to perform their jobs properly

Appraisal of Performance – We should evaluate performance to identify any deficiencies , so they can be solved through counselling , coaching or training

Compensation – We can increase competency of workforce by offering pay and benefit packages that are more attractive than those of competitors

STRATEGIC ROLE OF HR MANAGER

Providing Purposeful Direction
Building Core Competency
Creating Competitive Advantage
Facilitation of change
Managing workforce diversity
Empowerment of Human resources
Development of works ethic and culture

LOGISTICS MANAGEMENT- It ensures right materials are available at right place at right time of right quality and at right cost.SCM management helps in logistics and enables company to have constant contact with distribution team which consists of trucks , trains or any other mode of transportation.

How can logistics help business
Cost Savings,Reduced Inventory,Improved Delivery Time,Customer Satisfaction,Competitive Advantage

PRODUCTION STRATEGY

It is related to production system , operational planning and control and logistics management.

Production system is concerned with capacity , location , layout , product or service design , work systems , degree of automation , extent of vertical integration and such factors.

Here the aim of strategy implementation is to see how efficiently resources are utilized and in what manner day to day operations can be managed to achieve long term objectives

SUPPLY CHAIN MANAGEMENT STRATEGY

It involves linkages between supplier , manufacturers and customers

SCM is process of planning , implementing and controlling operations of supply chain operations

It covers entire movement of RM , WIP & FG from point of origin to point of consumption

IMPLEMENTING & SUCCESSFULLY RUNNING SCM INVOLVES

Product Development
Procurement
Manufacturing
Physical Distribution
Outsourcing
Customer Service
Performance Measurement

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 penalities for achievement or non-achievement

ENTREPRENEUR & INTRAPRENEUR

ENTREPRENEUR
Initiates & innovates a new concept
Recognises & utilises opportunity
Arranges & coordinates resources
Faces risks & uncertainity
Establishes new company
Adds value to product / service

INTRAPRENEUR
A person who starts the company is Entrepreneur , but Intrapreneur is employee who promotes innovation within limits of organisation
He is employee of large organisation , who is given authority to initiate creativity , innovation in company's product , services & projects , redesign process & systems
He believes in change and does not fear failure
They discover new ideas , look for opportunity , take risks

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

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 outsources , 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

NETWORK STRUCTURE

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Organisation functions are scattered in different geographical areas

STRATEGY AUDIT

The audit of management performance helps us to find problem areas

By Analysing environment we know where changes happen and where we need to change

Companies review their plans to identify weakness

A Strategy Audit is examination & evaluation of areas affected by operation of strategic management process within an organisation

It helps to identify areas where we need to change business strategies & plans

NEED FOR STRATEGY AUDIT

When Strategy is not giving desired outcomes

When goals & objectives of Strategy are not achieved

Where there is major change in external environment

When top management wants to fine-tune strategy & introduce new strategy

RICHARD RUMELT'S CRITERIA FOR STRATEGIC AUDIT

Consistency – If the Strategy is not consistent with goals & policies of organisation , it may be due to managerial problems , policy problems , department issues etc

Consonance – If the Strategy is not in tune with Internal & External Environment and trends within the society

Feasibility – If our Strategy is not within available physical , human & financial resources of the enterprise , then it will fail

3 BASIC ACTIVITIES OF STRATEGIC AUDIT

Examining the underlying basis of firm's strategy

Comparing actual results with expected results

Taking corrective actions to ensure performance matches to plans

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.

BUSINESS PROCESS REENGINEERING

BPR is Rethinking , Redesign , Reinvestment of Current Business Practices to achieve Dramatic Improvement in terms of quality , cost , speed & service

Dramatic improvement means not 5-10 % , but 80-90% improvement

It means starting everything from scratch and forgetting all the age old practices

It does not look marginal improvement , it wants dramatic improvement

3 elements of BPR are :

It begins with FUNDAMENTAL RETHINKING

It involves RADICAL REDESIGN OF PROCESS

It aims at achieving DRAMATIC IMPROVEMENT IN PERFORMANCE

STEPS TO ACHIEVE BPR ARE :

Determine Objectives

Identify Customers & determine their needs

Study the Existing Processes

Formulate a redesign process plan

Implement the redesigned process

Problems in BPR :

HTT

It disturbs established hierarchies & functional structures and creates serious impact and involves resistance among work force

It involved time & expenditure in short run and there can be loss in revenue during transition period

Setting of targets can be tricky , because we are doing first time

BENCHMARKING

Benchmarking is a process of continuous improvement in search for competitive advantage

It measures company's product , services & practices against those of competitors or industry leaders in their field

Efforts are made to learn , improve & evolve them to suit our requirement

It means identifying gaps , finding out novel methods to improve situation , and fulfil the gaps

Steps in Benchmarking Process

Identify the need for Benchmarking

Clearly Understand the Existing Process

Identify the Best Process

Compare our processes with that of others

Prepare a report & Implement Steps to fill Performance Gap

STRATEGY FORMULATION V/S STRATEGY IMPLEMENTATION

STRATEGY FORMULATION	STRATEGY IMPLEMENTATION
It focuses on effectiveness (Doing right thing)	It focuses on efficiency (Doing things rightly)
It is Intellectual Process	It is an operational proess
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