CA INTERMEDIATE STRATEGIC MANAGEMENT

BOOSTER NOTES

By

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INDEX

CHAPTER 1 INTRODUCTION TO STRATEGIC MANAGEMENT

1. STRATEGIC MANAGEMENT:

The strategic management process is the set of activities that firm managers undertake to put their firms in the best possible position to compete successfully in the marketplace. Strategic management is made up of several distinct activities: developing the firm's vision and mission; strategic analysis; developing objectives; creating, choosing, and implementing strategies; and measuring and evaluating performance.

2. CONCEPT OF STRATEGY

We may define the term 'strategy' as a long-range blueprint of an organization's desired image, direction and destination, i.e., what it wants to be, what it wants to do, how it wants to do things, and where it wants to go.

Igor H. Ansoff: *The common thread among the organization's activities and product-markets that defines the essential nature of business that the organization has or planned to be in future.*

William F. Glueck: *A unified, comprehensive and integrated plan designed to assure that the basic objectives of the enterprise are achieved.*

In large organisations, strategies are formulated at:

- *The corporate,*
- *Divisional, and*
- *Functional levels*

3. TYPES OF STRATEGY:

Strategy is partly ***Proactive*** *and partly* ***Reactive****: A company's strategy is typically a blend of:*

- *Proactive actions on the part of managers to improve the company's market position and financial performance.*
- *Reactions to unanticipated developments and fresh market conditions in the dynamic business environment.*

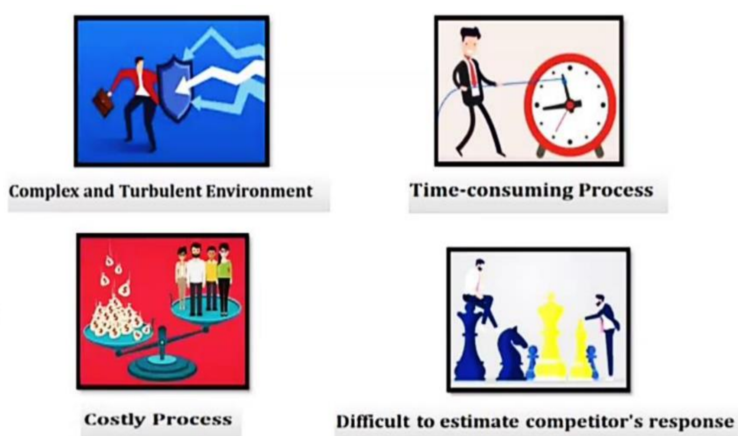
4. THE MAJOR BENEFITS OF STRATEGIC MANAGEMENT ARE:

- *It helps define the goals and mission*
- *Helps organisations to be proactive instead of reactive in shaping its future*

- *Provides frameworks for all major decisions of an enterprise*
- *Seeks to prepare the organisation to face the future*
- *Serves as a corporate defence mechanism against mistakes and pitfalls*
- *Enhance the longevity of the business*
- *Helps the organisation to develop certain core competencies and competitive advantages*

5. LIMITATIONS OF STRATEGIC MANAGEMENT:

- *Environment is highly complex and turbulent.*
- *Time-consuming process*
- *Costly process*
- *Difficult to clearly estimate the competitive responses*



6. STRATEGIC INTENT

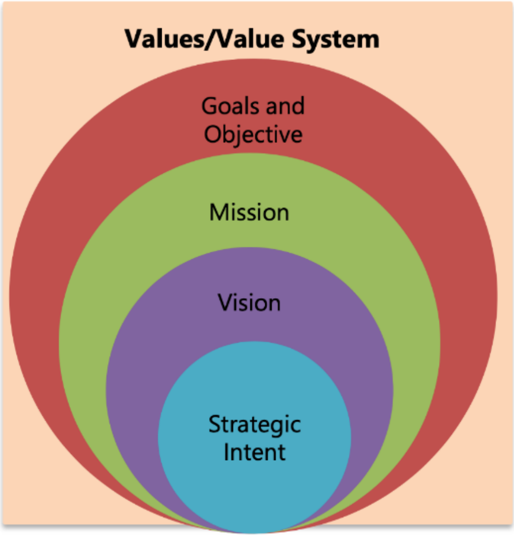
Strategic intent can be understood as the philosophical base of strategic management.

1. *Vision:*
   - *Blueprint of the company's future position.*
   - *Glimpse of what the organisation would like to become in future. Every sub system of the organisation is required to follow its vision.*

2. *Mission:*
   - *Mission delineates the firm's business, its goals and ways to reach the goals*
   - *A mission statement helps to identify, 'what business the firm undertakes.'*

3. *Goals and Objectives: These are the end results which are to be attained with the help of an overall plan, over the particular period.*

4. *Values/ Value System: Collins and Porras succinctly define core values as being inherent and sacrosanct; they can never be compromised, either for convenience or short-term economic gain.*



Component of Strategic Intent

7. LONG-TERM OBJECTIVES IN SEVEN AREAS:

- *Profitability*
- *Productivity*
- *Competitive Position*
- *Employee Development*

- *Employee Relations*
- *Technological Leadership*
- *Public Responsibility*

Short-range objectives can be identical to long-range objectives

8. MAIN LEVELS OF MANAGEMENT:

- *Corporate level*
- *Business level*
- *Functional level*

9. NETWORK OF RELATIONSHIP BETWEEN THE THREE LEVELS

1. *Functional and Divisional Relationship:*
   - *Independent relationship,*
   - *Business level manager, reporting directly to the business head, who is a corporate level manager*

2. *Horizontal Relationship:*
   - *All positions, from top management to staff-level employees, are in the same hierarchical position*
   - *It is a flat structure where everyone is considered at same level*
   - *More suitable for start-ups*

3. *Matrix Relationship:*
   - *Grid-like structure*
   - *Built for temporary task-based projects*
   - *Helps manage huge conglomerates with ease*
   - *More than one business level managers for each functional level teams*

CHAPTER 2 STRATEGIC ANALYSIS: EXTERNAL ENVIRONMENT

1. STRATEGIC ANALYSIS:

Judgments about what strategies to pursue need to flow directly from analysis of a firm's external environment and its internal resources and capabilities. Environmental scanning is a natural and continuous activity for every business and some do it on an informal basis, while others have a formal structure to collect meaningful information.

The two important situational considerations are:

(1) Industry and competitive conditions, and

(2) An organisation's own capabilities, resources, internal strengths, weaknesses, and market position.

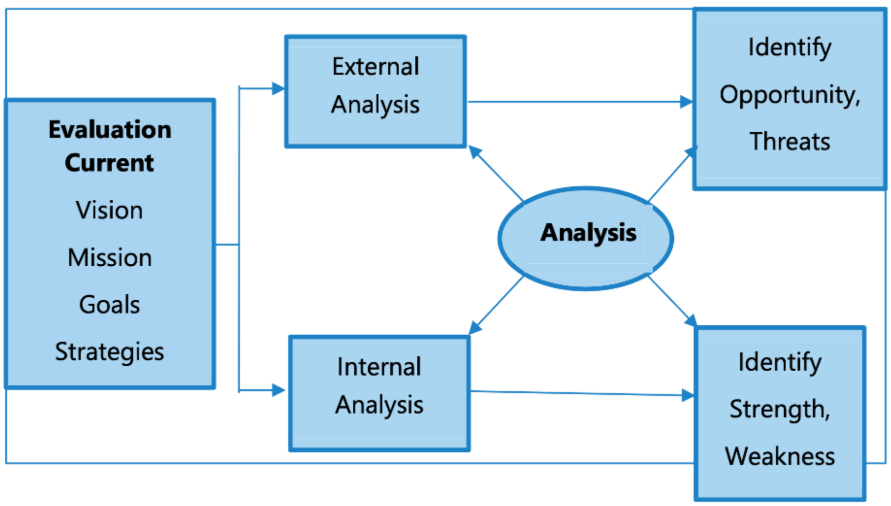


Figure: Strategic Analysis

2. ISSUES TO CONSIDER FOR STRATEGIC ANALYSIS:

- *Strategy evolves over a period of time*
- *Balance of external and internal factors*

3. BUSINESS ENVIRONMENT:

The term "business environment" refers to all external factors, influences, or situations that in some way affect business decisions, plans, and operations. Organisational success is determined by its business environment, and even more from its relationship with it.

4. MICRO ENVIRONMENT:

- *Micro-environment is related to small area or immediate periphery*
- *Affect on a direct and regular basis*

5. ELEMENTS OF MACRO ENVIRONMENT:

"The environment includes factors outside the firm which can lead to opportunities for, or threats to the firm. Although, there are many factors, the most important of the factors are socio-economic, technological, supplier, competitors, and government."

Gluek and Jauch

- *Demographic Environment*
- *Socio-Cultural Environment*
- *Economic Environment*
- *Political-Legal Environment*
- *Technological Environment*

6. PESTLE - A TOOL TO ANALYSE MACRO ENVIRONMENT:

P- political
E- economic
S- socio-cultural
T- technological
L- legal
E- environmental

7. INTERNATIONAL ENVIRONMENT:

Analysing international environment is important since it allows organisation to discover opportunities in the global market and evaluate feasibilities of capitalising on these opportunities.

Levels:

- *Multinational Environmental Analysis,*
- *Regional Environmental Analysis, and*
- *Country Environmental Analysis*

8. BUSINESS PRODUCTS HAVE CERTAIN CHARACTERISTICS AS FOLLOWS:

- *Products are either tangible or intangible.*
- *Product has a price.*
- *Products have certain features that deliver satisfaction*
- *Product is pivotal for business*
- *A product has a useful life*

9. PRODUCT LIFE CYCLE (PLC):

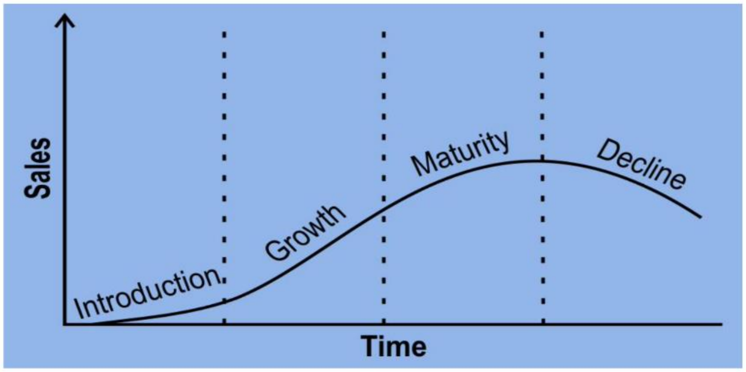


Figure: Product Life Cycle

- *The first stage of PLC is the introduction stage with slow sales growth*
- *The second phase of PLC is growth stage with rapid market acceptance*
- *The third phase of PLC is maturity stage where there is slowdown in growth rate*
- *In the fourth stage of PLC is declines with sharp downward drift in sales*

10. VALUE CHAIN ANALYSIS:

Value chain analysis is a method of examining each activity in value chain of a business in order to identify areas for improvements. When you do a value chain analysis, you must analyse how each stage in the process adds or subtracts value from the end product or service.

The two basic steps of identifying separate activities and assessing the value added from each were linked to an analysis of an organization's competitive advantage by ***Michael Porter.***

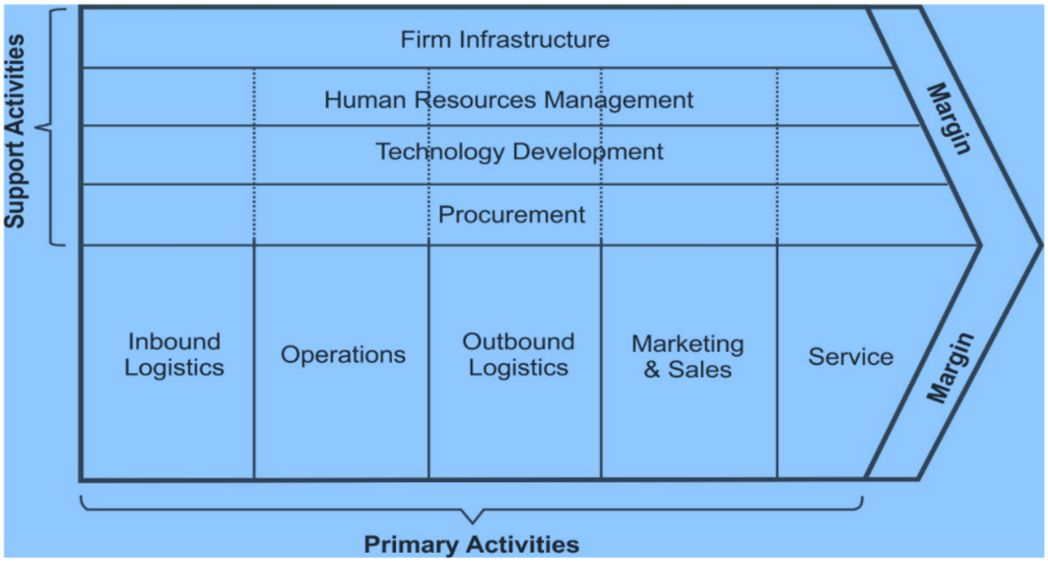


Figure: Value Chain (Michael Porter)

11. PORTER'S FIVE FORCES MODEL:

Step 1: Identify the specific competitive pressures associated with each of the five forces.

Step 2: Evaluate how strong the pressures comprising each of the five forces are (fierce, strong, moderate to normal, or weak).

Step 3: Determine whether the collective strength of the five competitive forces is conducive to earn attractive profits.

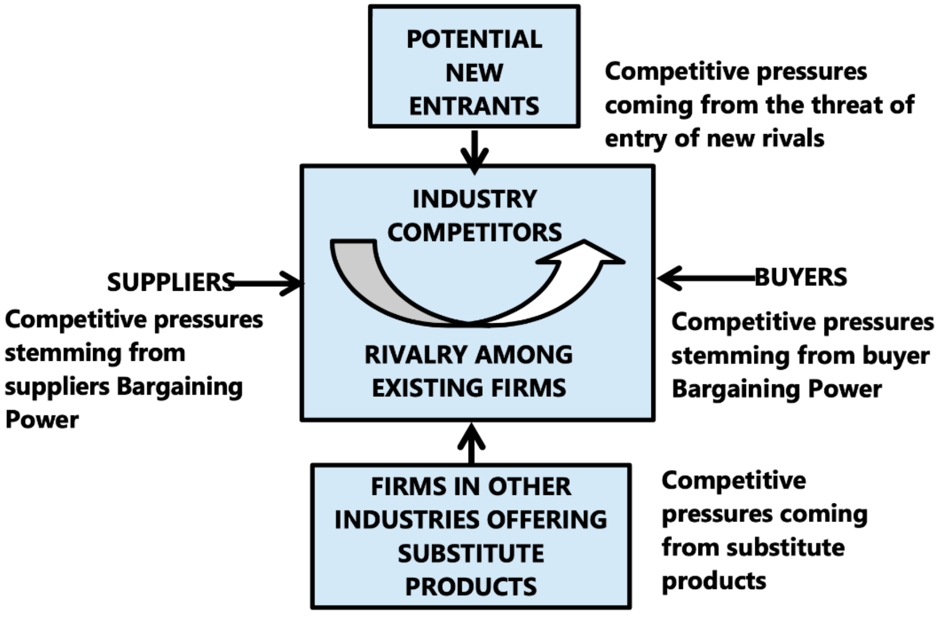


Figure: Porter's Five Force Model of Competition

12. ATTRACTIVENESS OF INDUSTRY:

- *Growth potential*
- *Competition*
- *Profitability*
- *Competitive position of an organisation*
- *The potential to capitalize on the vulnerabilities of weaker rivals.*
- *Able to defend*
- *The degrees of risk and uncertainty*
- *The severity of problems confronting the industry as a whole.*
- *Whether adds to the firm's ability to be successful in other industries*

13. EXPERIENCE CURVE:

Experience curve has following features:

- *As business organisation grow, they gain experience.*
- *Experience may provide an advantage over the competition. Experience is a key barrier to entry.*
- *Large and successful organisation possess stronger "experience effect".*

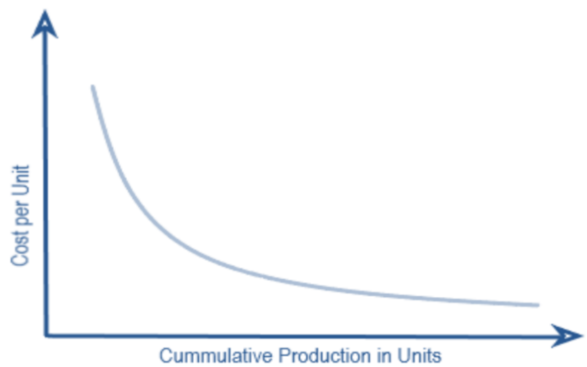


Figure: Experience curve

14. VALUE CREATION:

The concept of value creation was introduced primarily for providing products and services to the customers with more worth.

***Michael Porter** argues that a company can generate competitive advantage in two different ways, either through differentiation or cost advantage. According to Porter's, differentiation means the capability to provide customers superior and special value in the form of product's special features and quality or in the form of aftersales customer service.*

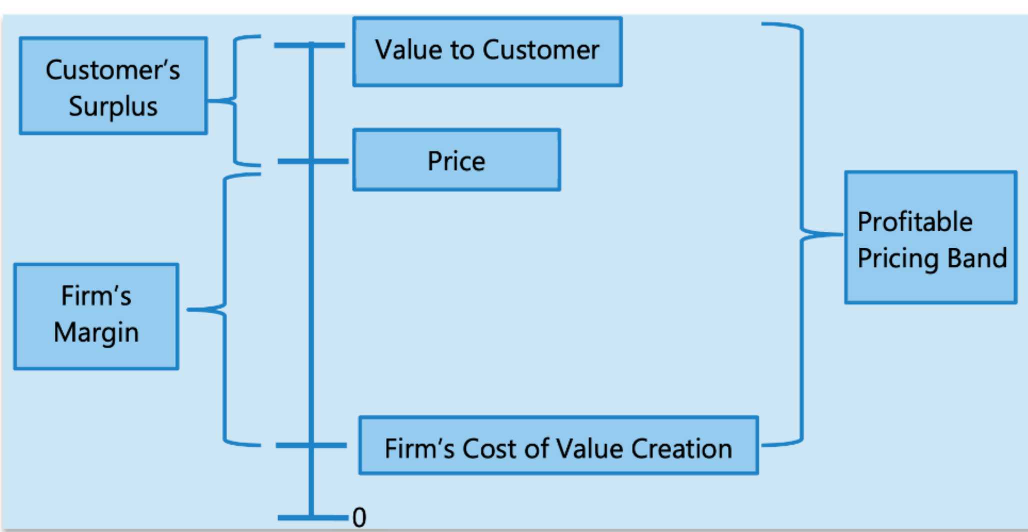


Figure: Value Creation

At the most basic level, how profitable a company becomes depends on three factors:

(1) The value customers place on the company's products;

(2) The price that a company charges for its products; and

(3) The costs of creating those products.

15. CUSTOMER BEHAVIOUR:

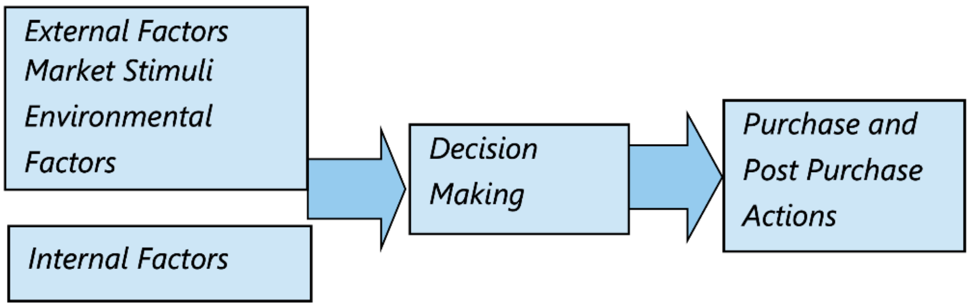


Figure: Process of consumer behaviour

16. COMPETITIVE LANDSCAPE STEPS:

- *Identify the competitor: Who are the competitors and how big are they?*
- *Understand the competitors: What are their product and services?*
- *Determine the strengths of the competitors:*
- *Determine the weaknesses of the competitors: Where are they lacking?*
- *Put all of the information together:*

17. KEY SUCCESS FACTORS (KSFs):

Key success factors are the prerequisites for industry success or, to put it another way, KSFs are the factors that shape whether a company will be financially and competitively successful.

An organisation with perceptive understanding of industry KSFs can gain sustainable competitive advantage by training its strategy on industry KSFs and devoting its energies to being distinctively better than rivals on one or more of these factors.

Only rarely does an industry have more than three or four key success factors at any one time.

CHAPTER 3

STRATEGIC ANALYSIS: INTERNAL INVIRONMENT

1. INTRODUCTION:

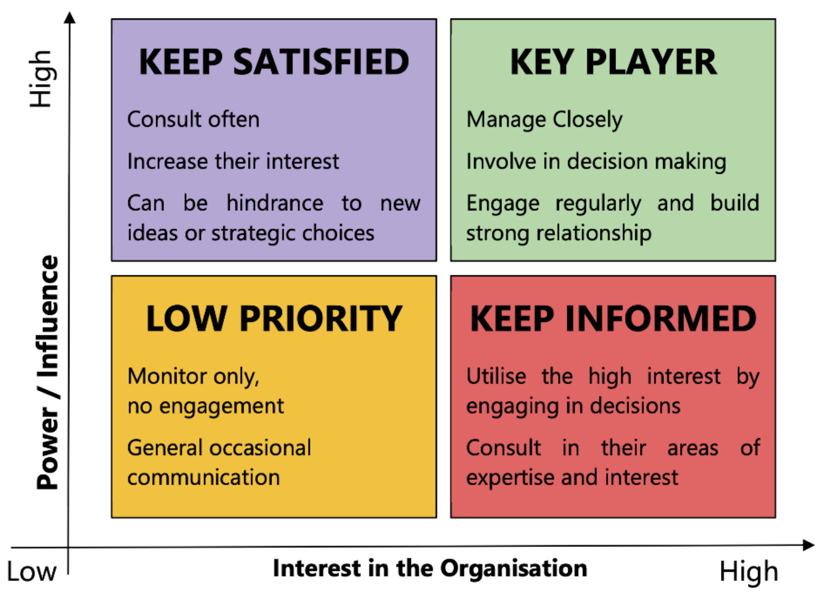
Internal environment refers to the sum total of people – individuals and groups, stakeholders, processes-input-throughput-output, physical infrastructure-space, equipment and physical conditions of work, administrative apparatus-lines of authority & power, responsibility, accountability and organizational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

2. KEY STAKEHOLDERS:

Stakeholders can be defined as any person/group of individuals, internal or external, that has an interest in, or impact on the business or corporate strategy of the organisation. They have the power to influence the strategy or performance of that organisation.

Generally, stakeholders include management, employees, shareholders, customers and vendors. Additionally, other individuals and groups, such as governments, labour unions and local groups

3. MENDELOW'S MATRIX:



4. STRATEGIC DRIVERS:

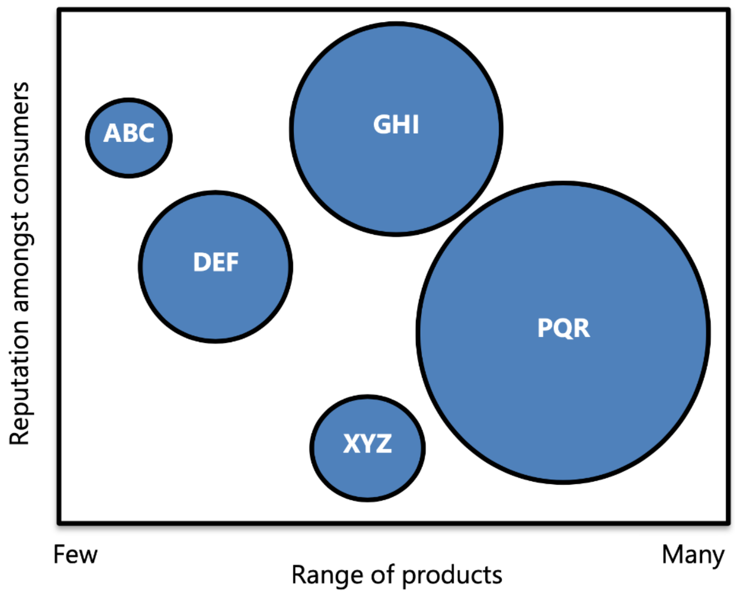
- *Industry and markets*
- *Customers*
- *Products/services*
- *Channels*

5. STRATEGIC GROUP MAPPING:

The procedure for constructing a strategic group map and deciding which firms belong in which strategic group is straightforward:

- *Identify the competitive characteristics that differentiate firms*
- *Plot the firms on a two-variable map*
- *Assign firms that fall in about the same strategy space to the same strategic group*
- *Draw circles*

Strategic Group Mapping



Explanation of Diagram (Strategic Group Mapping)

6. CUSTOMER VS CONSUMER:

Customer versus Consumer
A simple bifurcation yet extremely important for strategy build up. Consumers are the ones who finally use a product/service, while customers are the buyers of that product. A customer can be a consumer and vice versa. But for strategy teams especially marketing teams it is important to understand the customer and consumer separately. **For example**, baby diapers are bought by parents (customers) who are willing to pay higher price for higher quality, while the real consumers are the babies, who are more concerned about the comfort and easiness of the diaper. If babies do not accept the product i.e. if consumers aren't satisfied, it is difficult to retain the buyer i.e. customers as well.

7. MARKETING STRATEGIES:

- ***Social Marketing:*** *To bring in a social change*
- ***Augmented Marketing:*** *Additional customer services and benefits*
- ***Direct Marketing:*** *Marketing through various advertising media that interact directly with consumers*
- ***Relationship Marketing:*** *Creating, maintaining, and enhancing strong, value-laden relationships with customers and other stakeholders*
- ***Services Marketing:*** *Marketing to services*
- ***Person Marketing:*** *To create, maintain or change attitudes and behaviour towards particular person*
- ***Organization Marketing:*** *To create, maintain, or change attitudes and behaviour of target audiences towards an organization*
- ***Place Marketing:*** *To create, maintain, or change attitudes and behaviour towards particular places*
- ***Enlightened Marketing:*** *Support the best long-run performance of the marketing system*
- ***Differential Marketing:*** *To target several market segments and designs*
- ***Synchro-marketing:*** *When the demand for a product is irregular synchro-marketing can be used to find ways to alter the pattern of demand through flexible pricing, promotion, and other incentives.*
- ***Concentrated Marketing:*** *It can also take the form of Niche marketing.*
- ***Demarketing:*** *It includes marketing strategies to reduce demand temporarily or permanently*

8. TYPES OF CHANNELS:

1. ***The sales channel:*** *The intermediaries involved in selling the product through each channel*
2. ***The product channel:*** *Intermediaries who physically handle the product on its path from its producer to the end user*
3. ***The service channel:*** *Entities that provide necessary services to support the product, as it moves through the sales channel and after purchase by the end user*

9. ROLE OF RESOURCES AND CAPABILITIES: BUILDING CORE COMPETENCY:

C.K. Prahalad and Gary Hamel *have advocated a concept of core competency, which is a widely used concept in management theories. They defined core competency as the collective learning in the organization, especially coordinating diverse production skills and integrating multiple streams of technologies.*

According to ***C.K. Prahalad and Gary Hamel,*** *major core competencies are identified in three areas-*

- *Competitor differentiation,*
- *Customer value, and*
- *Application to other markets*

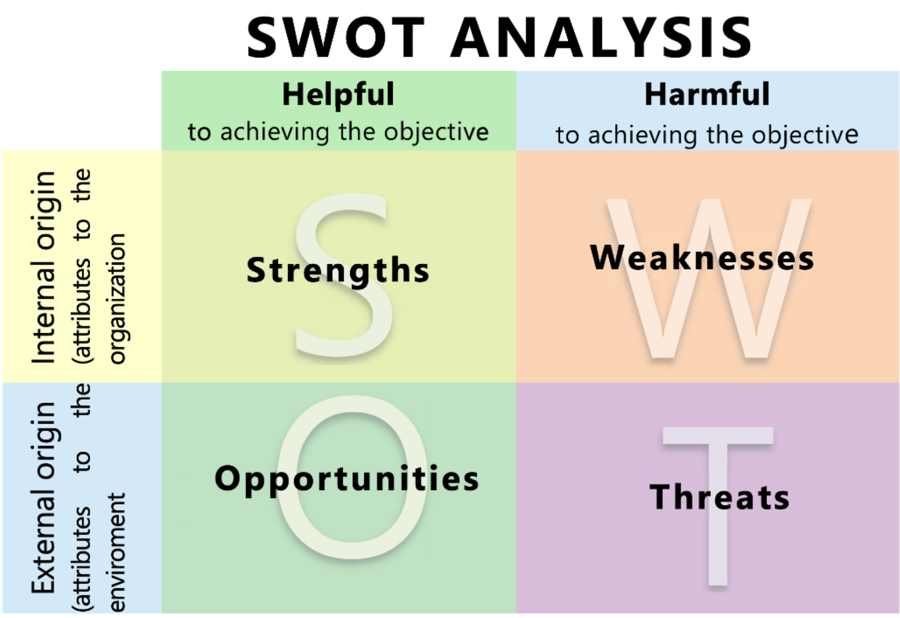
Core competencies are the knowledge, skills, and facilities necessary to design and produce core products. Core competencies are created by superior integration of technological, physical and human resources. They represent distinctive skills as well as intangible, invisible, intellectual assets and cultural capabilities.

10. CRITERIA FOR BUILDING A CORE COMPETENCIES (CC):

- *Valuable*
- *Rare*
- *Costly to imitate*
- *Non-substitutable*

11. COMBINING EXTERNAL AND INTERNAL ANALYSIS (SWOT ANALYSIS):

SWOT analysis is the analysis of a business's strengths, weaknesses, opportunities and threats. The primary objective of a SWOT analysis is to help organizations develop a full awareness of all the factors (external as well as internal), involved in making a business decision.



SWOT Analysis Example

12. COMPETITIVE ADVANTAGE: USING MICHAEL PORTER'S GENERIC STRATEGIES:

If a company's strategies result in superior performance, it is said to have a competitive advantage. 'It is a set of unique features of a company and its products that are perceived by the target market as significant and superior to the competition.'

Sustainability of Competitive Advantage

- *Durability*
- *Transferability*
- *Imitability*
- *Appropriability*

13. MICHAEL PORTER'S GENERIC STRATEGIES:

According to Porter, *strategies allow organizations to gain competitive advantage from three different bases: cost leadership, differentiation, and focus. Porter called these base generic strategies.*

- ***Cost leadership*** *emphasizes on producing standardized products at a very low per unit cost for consumers who are price-sensitive.*
- ***Differentiation*** *is a strategy aimed at producing products and services considered unique industry-wide and directed at consumers who are relatively price-insensitive.*
- ***Focus*** *means producing products and services that fulfil the needs of small groups of consumers with very specific taste.*

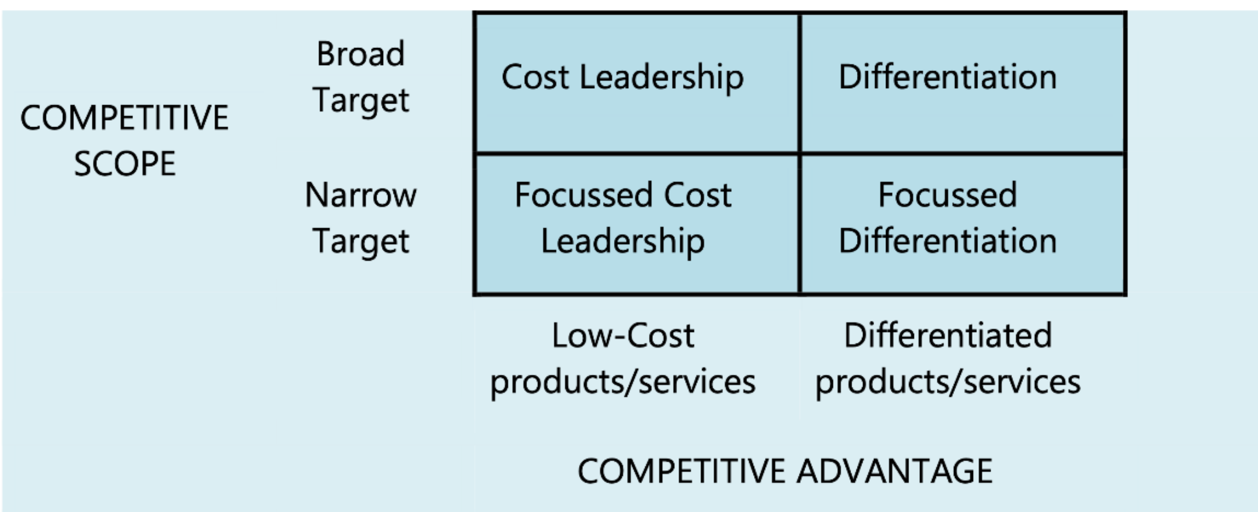


Figure: Michael Porter's Generic Strategies

14. ACHIEVING COST LEADERSHIP STRATEGY:

1. *Prompt forecasting of demand of a product or service*
2. *Optimum utilization of the resources to achieve cost advantages*
3. *Achieving economies of scale*
4. *Standardisation of products*
5. *Invest in cost saving technologies*
6. *Resistance to differentiation till it becomes essential*

15. BASIS OF DIFFERENTIATION:

1. ***Product:*** *Innovative products*
2. ***Pricing:*** *Offer the lowest price or can attempt to establish superiority through higher prices*
3. ***Organisation:*** *Location advantage, name recognition and customer loyalty*

16. ACHIEVING DIFFERENTIATION STRATEGY:

1. *Offer utility*
2. *Elevate/Improve performance of the product*
3. *Offer the high-quality product/service for buyer satisfaction.*
4. *Rapid product innovation*
5. *Taking steps for enhancing brand image and brand value.*
6. *Fixing product prices based on the unique features*

17. ACHIEVING FOCUSED STRATEGY:

1. *Selecting specific niches*
2. *Creating superior skills*
3. *Generating high efficiencies*
4. *Developing innovative ways in managing the value chain*

18. BEST COST PROVIDER STRATEGY:

It is directed towards giving customers more value for the money by emphasizing on both, low cost and upscale differences.

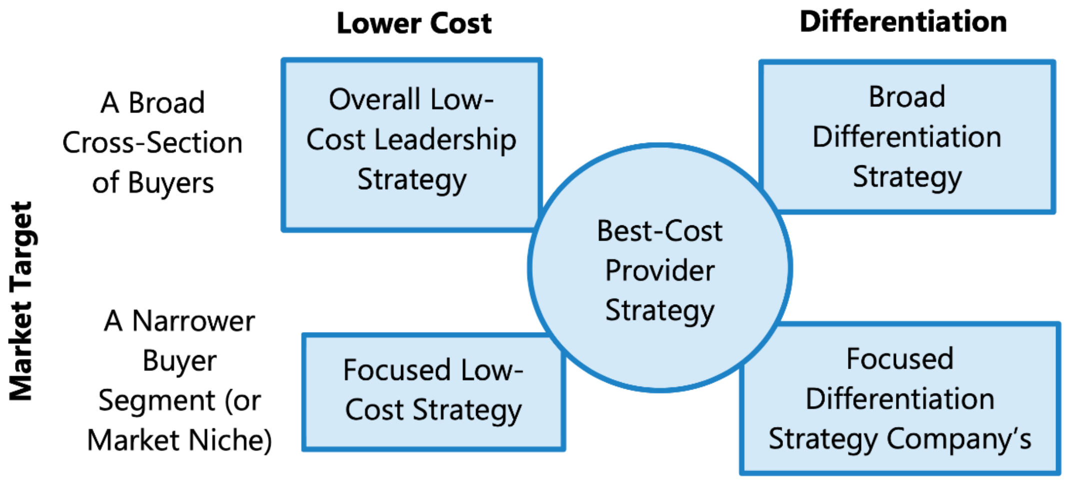


Figure: The Five Generic Competitive Strategies

CHAPTER 4 STRATEGIC CHOICES

1. TYPES OF CORPORATE STRATEGIES:

- *Stability strategy*
- *Expansion strategy*
- *Retrenchment strategy*
- *Combination strategy*

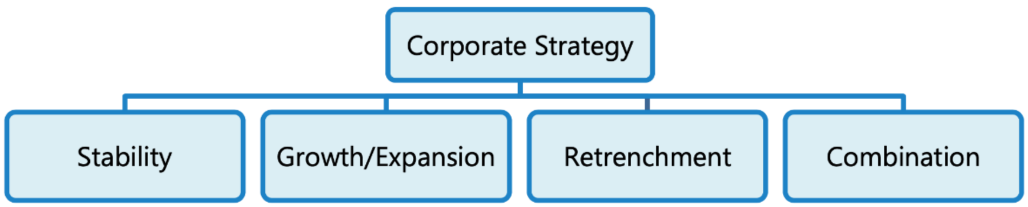


Figure:-Types of Corporate Strategies

2. CHARACTERISTICS OF STABILITY STRATEGY:

- *Same business, same product-market posture and functions, maintaining same level of effort*
- *The endeavour is to enhance functional efficiencies*
- *Does not involve a redefinition of the business*
- *It is a safe strategy*
- *It does not warrant much of fresh investments*
- *Less risk*
- *Leading to building of core competencies.*
- *Modest growth objective*

3. MAJOR REASONS FOR STABILITY STRATEGY:

- *A product has reached the maturity stage*
- *The staff feels comfortable with the status quo*
- *Environment is relatively stable.*
- *Where it is not advisable to expand*
- *After rapid expansion*

4. CHARACTERISTICS OF GROWTH/EXPANSION STRATEGY:

- *Redefinition of the business*
- *Opposite of stability strategy*

- *Leads to business growth.*
- *Fresh investments and new businesses/products/markets*
- *Highly versatile strategy*
- *Intensification and Diversification*

5. Major Reasons for Growth/Expansion Strategy:

- *When environment demands increase in pace of activity.*
- *Strategists may feel more satisfied*
- *Lead to greater control over the market vis-a-vis competitors.*
- *Advantages from the experience curve and scale of operations*
- *Expansion also includes intensifying, diversifying, acquiring and merging*

6. TYPES OF GROWTH/ EXPANSION STRATEGY:

A. Internal growth strategies

B. External growth strategies

A. INTERNAL GROWTH STRATEGIES CAN BE FURTHER DIVIDED INTO:

I. Expansion through Intensification

II. Expansion through Diversification

I. EXPANSION OR GROWTH THROUGH INTENSIFICATION: *Organisation tries to grow internally*

- *Market Penetration*
- *Market Development*
- *Product Development*

II. EXPANSION OR GROWTH THROUGH DIVERSIFICATION: *Entry into new products or product lines, new services or new markets, involving substantially different skills, technology and knowledge*

Diversification can be classified into two broad categories:

(a) Concentric diversification: Diversification into related business

(b) Conglomerate diversification: Diversification into unrelated business

(c) Expansion through Innovation: Up gradation of existing product lines or processes

Concentric diversification is generally understood in two directions:

- ***Vertical integration:*** *The firm remains vertically within the same process sequence moves forward or backward in the chain*
- ***Horizontal integration:*** *Acquisition of one or more similar businesses operating at the same stage or integrate with the firms producing complementary products or by-products or by taking over competitors' products.*

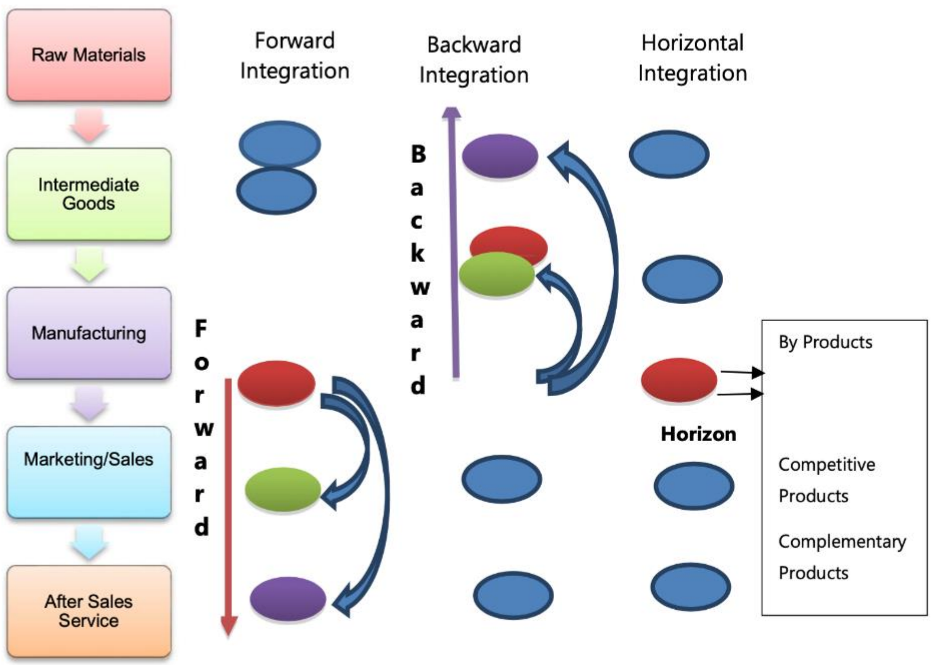


Figure: Diversification

B. EXTERNAL GROWTH STRATEGIES:

I. EXPANSION THROUGH MERGERS AND ACQUISITIONS:

- ***Merger****: is a process when two or more companies come together to expand their business operations. In such a case the deal gets finalized on friendly terms and both the organizations share profits in the newly created entity*

- ***In Acquisition:*** *one financially strong organization overpowers the weaker one*

TYPES OF MERGERS:

(a) Horizontal Merger: *Merger with a direct competitor*

(b) Vertical Merger: *Same industry but at different stages of production or distribution system*

(c) Co-generic Merger: *Merging organizations are associated in some way or the other related to the production processes, business markets, or basic required technologies.*

(d) Conglomerate Merger: *Combination of organizations that are unrelated to each other*

II. EXPANSION THROUGH STRATEGIC ALLIANCE:

Relationship between two or more businesses that enables each to achieve certain strategic objectives which neither would be able to achieve on its own

7. STRATEGIC EXITS/RETRENCHMENT:

I. TURNAROUND STRATEGY: *For internal retrenchment to take place, emphasis is laid on improving internal efficiency, known as turnaround strategy.*

Action Plan for Turnaround:

- *Stage One – Assessment of current problems*
- *Stage Two – Analyze the situation and develop a strategic plan*
- *Stage Three – Implementing an emergency action plan*
- *Stage Four – Restructuring the business*
- *Stage Five – Returning to normal*

II. DIVESTMENT STRATEGY: *Divestment strategy involves the sale or liquidation of a portion of business, or a major division, profit centre or SBU.*

Major Reasons for Retrenchment:

- *A business that had been acquired proves to be a mismatch and cannot be integrated*
- *Negative cash flows from a particular business*
- *Severity of competition and the inability of a firm*
- *It is not possible for the business to do technological upgradation*
- *A better alternative may be available for investment*

8. ANSOFF'S PRODUCT MARKET GROWTH MATRIX:

- ***Market Penetration:*** *Selling existing products into existing markets/more sales to present customers without changing products in any major way.*

- ***Market Development:*** *Sell its existing products into new markets*
- ***Product Development:*** *offering modified or new products to current markets*
- ***Diversification:*** *new products in new markets*

	Existing Products	New Products
Existing Markets	Market Penetration	Product Development
New Markets	Market Development	Diversification

Figure: Ansoff's Product Market Growth Matrix

9. ADL MATRIX:

*The ADL matrix (derived its name from **Arthur D. Little**) is a portfolio analysis technique that is based on product life cycle*

Categorization of products or SBU's into one of five competitive positions:

- *Dominant: Rare position, Monopoly, Strong and protected technological leadership*
- *Strong: Freedom over its choice of strategies*
- *Favourable: No one competitor stand out clearly/Market leaders a reasonable degree of freedom*
- *Tenable: Perform satisfactorily*
- *Weak: unsatisfactory*

10. BOSTON CONSULTING GROUP (BCG) GROWTH-SHARE MATRIX:

A company classifies its different businesses on a two dimensional growth-share matrix. In the matrix:

- *The vertical axis represents market growth rate*
- *The horizontal axis represents relative market share*

Using the matrix, organisations can identify four different types of products or SBU as follows:

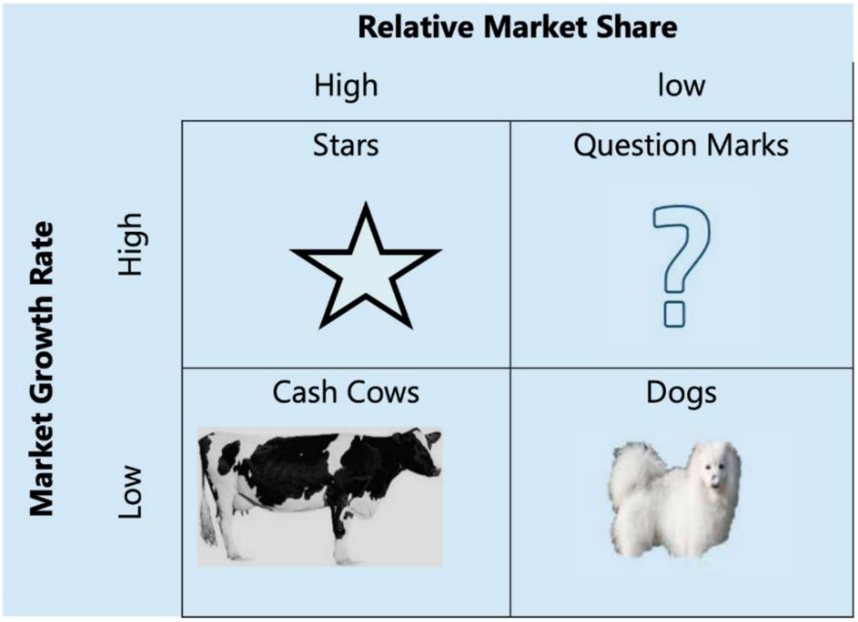


Figure: BCG Growth-Share Matrix

- ***Stars:*** *Growing rapidly, need heavy investment and represent best opportunities for expansion*
- ***Cash Cows:*** *low-growth, high market share, generate cash and have low costs, established, successful, and need less investment*
- ***Question Marks:*** *called problem children or wildcats, are low market share business in high-growth markets. They require a lot of cash, need heavy investments with low potential*
- ***Dogs:*** *Low-growth, low-share, do not have much future*

BCG MATRIX: POST IDENTIFICATION STRATEGIES:

1. Build: *increase market share*

2. Hold: *preserve market share.*

3. Harvest: *increase short-term cash flow*

4. Divest: *sell or liquidate*

11. GENERAL ELECTRIC MATRIX ["STOP-LIGHT" STRATEGY MODEL]:

*This model has been used by General Electric Company (developed by **GE** with the assistance of the consulting firm **McKinsey and Company**) and inspired from traffic control lights.*

The vertical axis indicates market attractiveness, and the horizontal axis shows the business strength in the industry

Business strength

Market attractiveness	Strong	Average	Weak
High	Invest/Expand	Invest/Expand	Select/Earn
Medium	Invest/Expand	Select/Earn	Harvest/Divest
Low	Select/Earn	Harvest/Divest	Harvest/Divest

CHAPTER 5 STRATEGIC IMPLEMENTATION AND EVALUATION

1. STAGES IN STRATEGIC MANAGEMENT:

1. *Developing a strategic vision and formulation of statement of mission, goals and objectives.*
2. *Environmental and organisational analysis.*
3. *Formulation of strategy.*
4. *Implementation of strategy.*
5. *Strategic evaluation and control.*

2. STRATEGY FORMULATION:

Strategic Planning*: The game plan that really directs the company towards success is called "corporate strategy". The success of the company depends on how well this game plan works. Because of this, the core of the process of strategic planning is the formation of corporate strategy. The formation of corporate strategy is the result of a process known as strategic planning.*

How to deal with Strategic uncertainty

- *Flexibility*
- *Diversification*
- *Monitoring and Scenario Planning*
- *Building Resilience*
- *Collaboration and Partnerships*

3. DIFFERENCE BETWEEN STRATEGY FORMULATION AND IMPLEMENTATION:

Strategy Formulation Vs. Strategy Implementation

Strategy Formulation	Strategy Implementation
Strategy Formulation includes planning and decision-making involved in developing organization's strategic goals and plans.	Strategy Implementation involves all those means related to executing the strategic plans.
In short, Strategy Formulation is **placing the Forces before the action**.	In short, Strategy Implementation is **managing forces during the action**.
An **Entrepreneurial Activity** based on strategic decision-making.	An **Administrative Task** based on strategic and operational decisions.
Emphasizes on **effectiveness**.	Emphasizes on **efficiency**.
Primarily an **intellectual and rational process**.	Primarily an **operational process**.
Requires co-ordination among few individuals at the top level.	Requires co-ordination among many individuals at the middle and lower levels.
Requires a great deal of **initiative, logical skills, conceptual intuitive and analytical skills.**	Requires specific **motivational and leadership traits**.
Strategic Formulation precedes Strategy Implementation.	Strategy Implementation follows Strategy Formulation.

4. LINKAGES:

- ***Forward Linkages***: *The different elements in strategy formulation starting with objective setting through environmental and organizational appraisal, strategic alternatives and choice to the strategic plan determine the course that an organization adopts for itself.*

- ***Backward Linkages***: *Just as implementation is determined by the formulation of strategies, the formulation process is also affected by factors related with implementation. While dealing with strategic choice, remember that past strategic actions also determine the choice of strategy.*

5. ISSUES IN STRATEGY IMPLEMENTATION: *Given below in sequential manner the issues in strategy implementation which are to be considered:*

- *Project implementation*
- *Procedural implementation*
- *Resource allocation*

- *Structural implementation*
- *Functional implementation*
- *Behavioural implementation*

6. STRATEGIC CHANGE THROUGH DIGITAL TRANSFORMATION: ***Steps to initiate strategic change***

- *Recognize the need for change*
- *Create a shared vision to manage change*
- *Institutionalise the change*

7. KURT LEWIN'S MODEL OF CHANGE:

(a) Unfreezing the situation: *First "unfreezing the situation", so that members would be willing and ready to accept the change. Breaking down the old attitudes and behaviours, customs and traditions.*

(b) Changing to the new situation: *Recognise the need for change and have been fully prepared to accept such change*

H.C. Kellman *has proposed three methods for reassigning new patterns of behavior*

- *Compliance*
- *Identification*
- *Internalization*

(c) Refreezing: *Refreezing occurs when the new behaviour becomes a normal way of life*

8. HOW DOES DIGITAL TRANSFORMATION WORK?/CHANGE MANAGEMENT:

Change management in the digital transition consists of four essential elements:

1. *Defining the goals and objectives of the transformation*
2. *Assessing the current state of the organization and identifying gaps*
3. *Creating a roadmap for change that outlines the steps needed to reach the desired state*
4. *Implementing and managing the change at every level of the organization*

9. CHANGE MANAGEMENT STRATEGIES FOR DIGITAL TRANSFORMATION:

The five best practices for managing change in small and medium-sized businesses are:

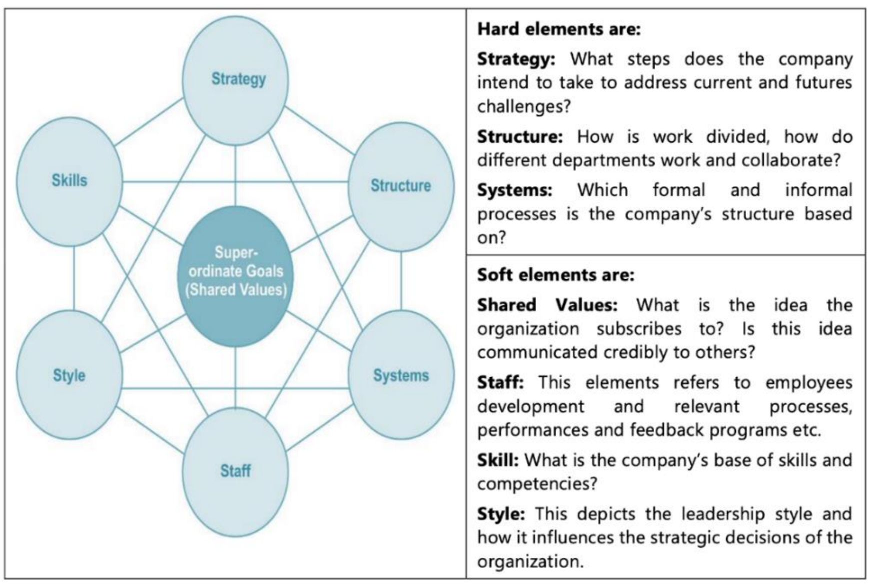
1. *Begin at the top*
2. *Ensure that the change is both necessary and desired*

3. *Reduce disruption*
4. *Encourage communication*
5. *Recognize that change is the norm, not the exception*

10. HOW TO MANAGE CHANGE DURING DIGITAL TRANSFORMATION?

1. *Specify the digital transformation's aims and objectives*
2. *Always, always, always communicate:*
3. *Be ready for resistance*
4. *Implement changes gradually*

11. McKinsey 7S Model: *Tool that analyzes a company's "organizational design."*



The following elements are the hard elements in an organization.

- *Strategy*
- *Structure*
- *Systems*

The following are the soft elements in this model;

- *Shared Values*
- *Style*
- *Staff*
- *Skills*

12. TYPES OF ORGANIZATION STRUCTURE (A) SIMPLE STRUCTURE (LALA KI DUKAN):

A simple structure is an organizational form in which the owner-manager makes all major decisions directly and monitors all activities, while the company's staff merely serves as an executor.

- *Most appropriate for a single-business strategy and offer in a single geographic market*
- *Appropriate for focused cost leadership or focused differentiation strategies*
- *Little specialization, few rules, little formalization, unsophisticated information systems*
- *Direct involvement of owner-manager*
- *Openness to innovation, greater structural flexibility, and an ability to respond more rapidly to environmental changes*

13. TYPES OF ORGANIZATION STRUCTURE (B) FUNCTIONAL STRUCTURE:

A functional structure groups tasks and activities by business function, such as production/operations, marketing, finance/accounting, research and development, and management information systems.

Besides being simple and inexpensive, a functional structure also promotes specialization of labour, encourages efficiency, minimizes the need for an elaborate control system, and allows rapid decision making.

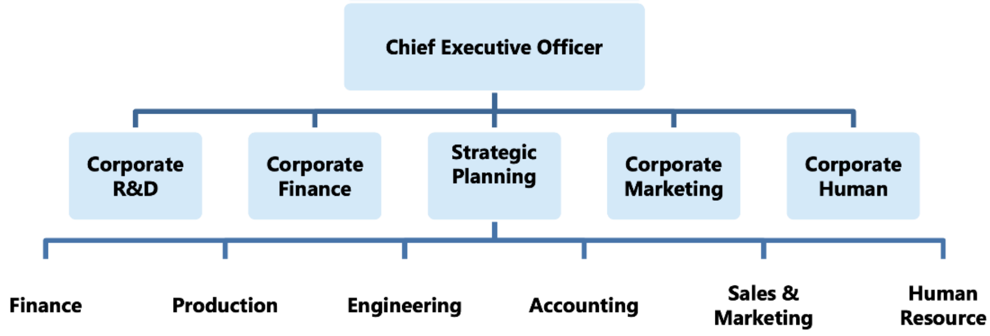


Figure: Functional Structure

14. TYPES OF ORGANIZATION STRUCTURE (C) DIVISIONAL STRUCTURE:

The divisional structure can be organized in one of the four ways: (1) by geographic area, (2) by product or service, (3) by customer, or (4) by process

- *Accountability is clear*
- *Extensive delegation of authority*
- *Employee morale is generally higher*
- *Creates career development opportunities*

- *Divisional structure is costly*
- *Functional specialists*
- *Exists some duplication of staff services*
- *Managers must be well qualified*
- *Divisional structure by process is similar to a functional structure*
- *Key difference between these two designs is that functional departments are not accountable for profits or revenues*

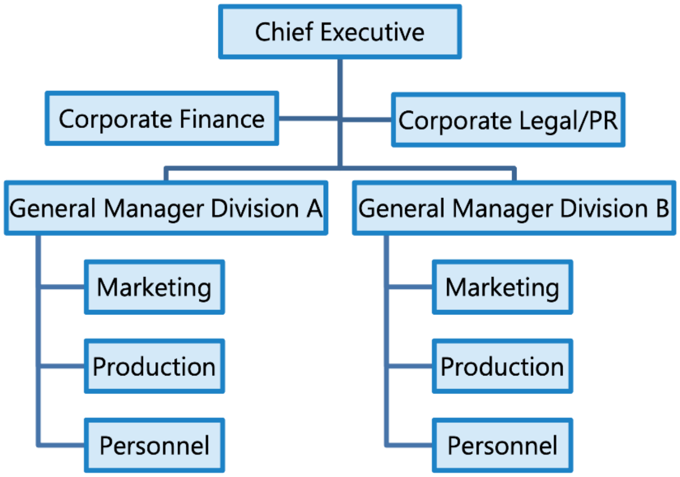


Figure: Divisional Structure

15. TYPES OF ORGANIZATION STRUCTURE (D) MULTI DIVISIONAL STRUCTURE:

Multidivisional or M-form structure was developed in the 1920s, in response to coordination- and control-related problems in large firms.

- *Same as Divisional structure*
- *Division represents a separate 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*

16. TYPES OF ORGANIZATION STRUCTURE (E) STRATEGIC BUSINESS UNIT (SBU) STRUCTURE:

This concept is relevant to multi-product, multi-business enterprises. It is impractical for an enterprise with a multitude of businesses to provide separate strategic planning treatment to each one of its products/businesses; it has to necessarily group the products/businesses into a manageable number of strategically related business units and then take them up for strategic planning.

The three most important characteristics of a SBU are:

- *It is a single business or a collection of related businesses which offer scope for independent planning and which might feasibly standalone from the rest of the organization.*
- *It has its own set of competitors.*
- *It has a manager who has responsibility for strategic planning and profit performance, and who has control of profit-influencing factors.*

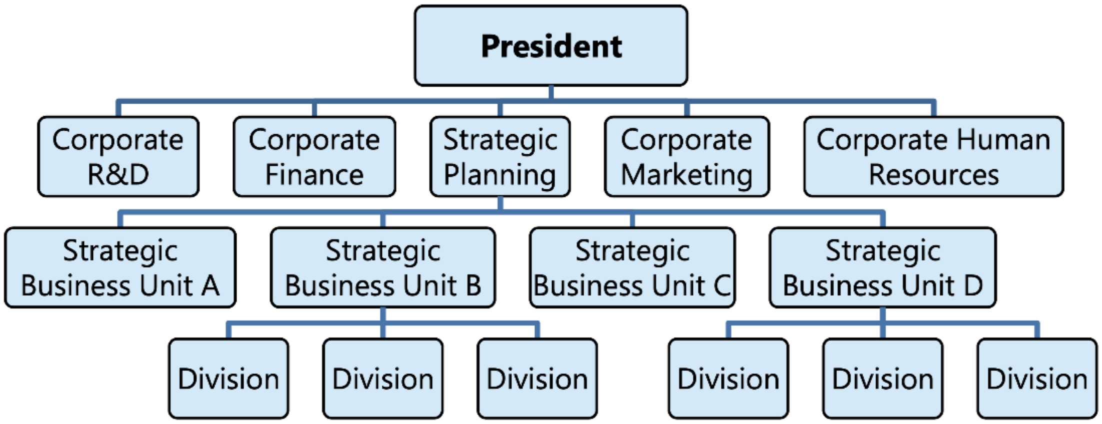


Figure: SBU Structure

The attributes of an SBU and the benefits a firm may derive by using the SBU Structure are as follows:

- *A scientific method of grouping which helps the firm in strategic planning.*
- *An improvement over the territorial grouping*
- *An SBU is a grouping of related businesses*
- *analysing and segregating the assortment of businesses/portfolios and regrouping them into a few*
- *Unrelated products/businesses in any group are separated*
- *removing the vagueness and confusion*
- *Each SBU is a separate business*
- *Each SBU will have its own distinct set of competitors and its own distinct strategy.*
- *Each SBU will have a CEO*

17. TYPES OF ORGANIZATION STRUCTURE (F) MATRIX STRUCTURE:

- *Very appropriate when organizations conclude that neither functional nor divisional forms are right*
- *Functional and product forms are combined simultaneously at the same level of the organization*
- *Employees have two superiors, a product or project manager and a functional manager*
- *The product units or projects are usually temporary*
- *It is most complex structure*

- *Vertical and horizontal flows of authority and communication*
- *Result in higher overhead*
- *Dual lines of budget authority*
- *Dual sources of reward and punishment*

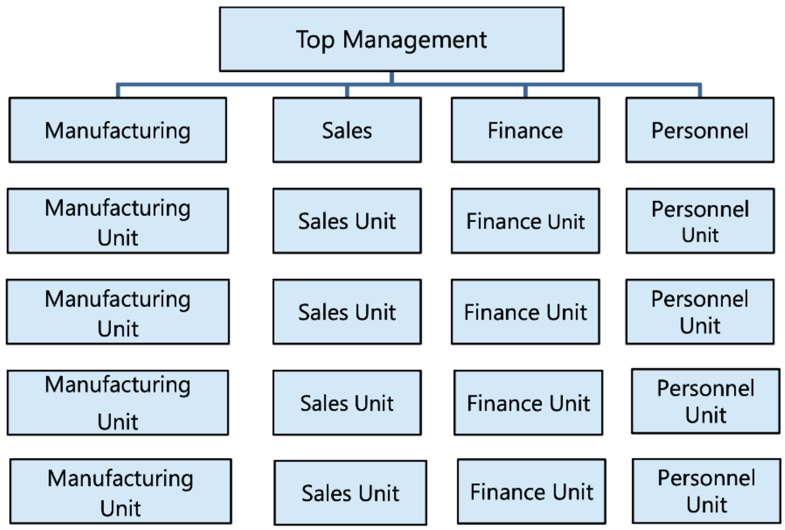


Figure: Matrix Structure

18. TYPES OF ORGANIZATION STRUCTURE (G) NETWORK STRUCTURE:

- *"Non-structure" by its virtual elimination of in-house business functions*
- *Virtual organization*
- *Collaborations*
- *Non-hierarchical*
- *Cobweb-like networks*
- *Useful when the environment of a firm is unstable*
- *Strong need for innovation and quick response*
- *Business functions are scattered at different geographical locations*

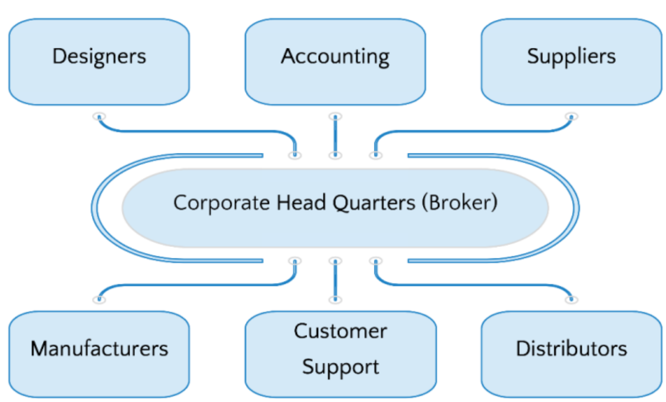


Figure: Network Structure

19. TYPES OF ORGANIZATION STRUCTURE (H) HOURGLASS STRUCTURE:

The role played by middle management is diminishing as the tasks performed by them are increasingly being replaced by the technological tools.

- *Three layers with constricted middle layer*
- *Short and narrow middle-management level*
- *Information technology links the top and bottom levels*

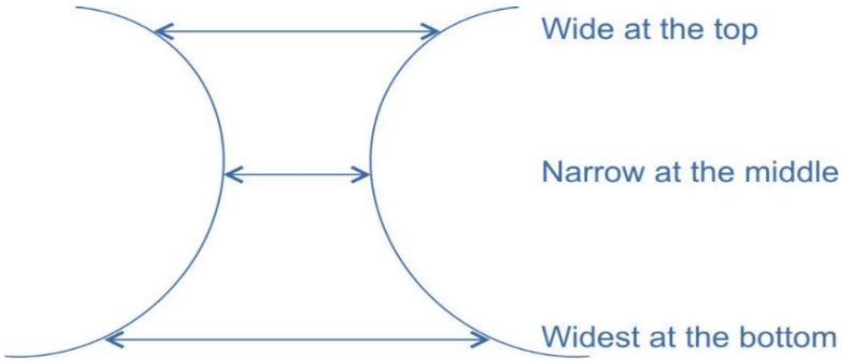


Figure: Hourglass Organisation Structure

20. ORGANIZATION CULTURE:

It has its own philosophy and principles, its own history, values, and rituals, its own ways of approaching problems and making decisions, its own work climate.

Corporate culture refers to a company's values, beliefs, business principles, traditions, ways of operating, and internal work environment.

Culture: ally or obstacle to strategy execution: *When they are compatible, the culture becomes a valuable ally in strategy implementation and execution.*

Role of culture in strategy execution: *Strong culture promotes good strategy execution when there's fit and impedes execution when there's negligible fit.*

21. LEADERSHIP ROLES:

Managers have five leadership roles to play in pushing for good strategy execution:

1. *Staying on top*
2. *Promoting a culture of esprit de corps*
3. *Keeping the organization responsive to changing conditions*

4. *Exercising ethical leadership*
5. *Pushing corrective actions*

22. RESPONSIBILITIES OF STRATEGIC LEADERS/MANAGERS:

- *Making strategic decisions.*
- *Formulating policies and action plans to implement strategic decision.*
- *Ensuring effective communication in the organisation.*
- *Managing human capital (perhaps the most critical of the strategic leader's skills).*
- *Managing change in the organisation.*
- *Creating and sustaining strong corporate culture.*
- *Sustaining high performance over time.*

23. TYPES OF LEADERSHIP:

1. Transformational leadership style:

- *Uses charisma and enthusiasm to inspire people to exert them for the good*
- *Appropriate in turbulent environments*
- *Offer excitement, vision, intellectual stimulation and personal satisfaction*
- *Motivates followers to do more*
- *Increases self-confidence, and also promote innovation*

2. Transactional leadership style:

- *Focuses more on designing systems and controlling the organization's activities*
- *Associated with improving the current situation*
- *Uses the authority of its office to exchange rewards, such as pay and status.*
- *Formalized approach to motivation*

24. THE PROCESS OF CONTROL HAS THE FOLLOWING ELEMENTS:

(a) *Operationalized objectives into measurable and controllable standards*

(b) *Monitoring and measuring the performance*

(c) *A mechanism (i) for comparing the actual results with standards (ii) for detecting deviations and (iii) for learning new insights*

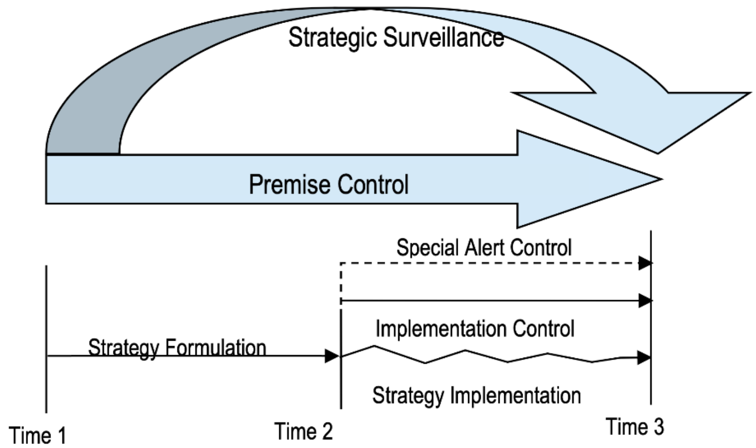
(d) *A mechanism for feeding back corrective and adaptive information and instructions to the system*

25. TYPES OF CONTROL:

1. ***Operational Control:*** *The thrust of operational control is on individual tasks or transactions as against total or more aggregative management functions*

2. ***Management Control:*** *When compared with operational control, management control is more inclusive and more aggregative, in the sense of embracing the integrated activities of a complete department, division or even entire organisation*

3. ***Strategic Control:*** *According to* ***Schendel and Hofer*** *"Strategic control focuses on the dual questions of whether: (1) the strategy is being implemented as planned; and (2) the results produced by the strategy are those intended."*



Source: *John A Pearce II, Richard B Robinson, Jr. and Amita Mital "Strategic Management-Formulation, Implementation and Control".*

26. TYPES OF STRATEGIC CONTROL:

- ***Premise control:*** *Systematic and continuous monitoring of the environment to verify the validity and accuracy of the premises on which the strategy has been built. It primarily involves monitoring two types of factors:*
  (a) Environmental factors
  (b) Industry factors

- ***Strategic surveillance:*** *General monitoring of various sources of information casual environmental browsing. Reading financial and other newspapers, business magazines, attending meetings, conferences, discussions and so on can help in strategic surveillance.*

- ***Special alert control:*** *Sudden changes in government, natural calamities, terrorist attacks, unexpected merger/acquisition by competitors, industrial disasters etc.*

- ***Implementation control:*** *Implementation control is directed towards assessing the need for changes in the overall strategy in light of unfolding events and results associated with incremental steps and actions.*

  The two basic forms of implementation control are:

  (a) Monitoring strategic thrusts: overall strategy

  (b) Milestone Reviews: All key activities

27. STRATEGIC PERFORMANCE MEASURES:

Strategic performance measures are key indicators that organizations use to track the effectiveness of their strategies and make informed decisions about resource allocation.

Types of Strategic Performance Measures:

- *Financial Measures*
- *Customer Satisfaction Measures*
- *Market Measures*
- *Employee Measures*
- *Innovation Measures*
- *Environmental Measures*

28. THE IMPORTANCE OF STRATEGIC PERFORMANCE MEASURES:

- *Goal Alignment*
- *Resource Allocation*
- *Continuous Improvement*
- *External Accountability*

29. FACTORS IN CHOOSING THE RIGHT STRATEGIC PERFORMANCE MEASURES:

- *Relevance*
- *Data Availability*
- *Data Quality*
- *Data Timeliness*