UDESH REGULAR

FOR GROUP-2, MAY 2024

- Subject- Strategic Management
- Chapter- **Strategic Analysis - External Environment**
- Lecture No.- 1

Recap of Previous Lecture

Topic Doubts Solving

Topics to be Covered

Topic — Concept & Questions

Strategic Analysis – External Environment

Business Environment

↓

All factors which have impact on business operations

↓

- **Internal**
  ↓
  It Consist of people within the Org.

- **External**
  ↓
  It includes micro & macro environment

  e.g: Org. Shareholders, industry competitive forces, Political, Legal etc.

Strategic Analysis

→ Component of business planning with a methodical approach,
→ to mark right resources investment
→ and assist business in achieving its objectives

↓

Analyse industry, & Competitive Conditions

Analysis of own capabilities, resources, strength, weakness & market position.

↓

It is a Continous process with two limitations

↓

Gives lot of option but doesn't tell which is best
↓
Becomes confusing and difficult to implement

Time Consuming and thus hurting overall functioning of org.

Issues to Consider for Strategic analysis

A) Strategy evolves over a period of time

- result of choices taken over a period of time
- radically changes to speed up growth
- influenced by experience

B) Balance of Internal & External forces

- meeting internal strength & weakness with external opportunities & threats
- No perfect match
- Thus, strategic analysis use workable balance

C) Risks

- identify potential risk & address their consequences
- External - due to inconsistencies in strategy & environment
- Internal - due to forces within Org.

Strategic Analysis

Internal Environment

Strength, weakness, resources, constraints etc.

External Environment

Opportunities, threats, trends etc.

A) Identify Strategic alternatives
B) Select Strategy
C) Implement Strategy
D) Review Strategy

Strategy & Business Environment

→ Business keeps a close and continuous interaction with environment which helps in following ways:-

A) Determine opportunities & threats e.g: grocery store in your area

B) Giving direction for growth e.g: instagram, Snapchat

C) Continuous learning e.g: CA, AI

D) Image Building e.g: Solar power use by Co.

E) Meeting Competition e.g: Jio vs Hotstar for match streaming

→ Strategic analysis is relevant covering internal & external environment to achieve competitive advantage and ensure survival & growth of org.

External Environment

Micro	Macro
→ Related to small area or immediate periphery of org.	→ Portion of the outside the world.
→ Can be controlled by org.	→ Can't be controlled by org.
→ Have direct impact on org.	→ Have indirect impact on org.
→ Narrow in scope	→ Broad in scope

Elements of Macro Environment

A) Demographic Environment

→ Means charateristics of population
→ Such as race, age, income level, job position, possession of assets, education, house ownership, religion etc.
→ Data about these are important both businessman and economist.
→ Need to adress following issues:-
  → Market size of industry
  → Represents opportunities or threats

Thank You

UDESH REGULAR

FOR GROUP-2, MAY 2024

- Subject- Strategic Management
- Chapter- **Strategic Analysis - External Environment**
- Lecture No.- 2

Recap of Previous Lecture

Topic Doubts Solving

Topics to be Covered

Topic — Concept & Questions

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  → Represents opportunities or threats

B) Socio- Cultural Environment

→ It represents factors like social tradition, values & beliefs, level & standard of literacy, ethical standards, state of society, extent of social satisfaction, conflict & cohesiveness and so on.

→ Differs from demographic in terms that it is the behaviours and belief system of population.

→ Core belief of society tends to be persistent & difficult to change.

→ Thus, business has to adjust to social norms & beliefs to operate successfully.

c) Economic Environment

→ Overall economic situation including regional, national & global.
→ Purchasing power depends on current income, prices, savings, circulation of money, debt availability.
→ It includes factors like GDP, per capita income, market for goods & services, interest rates, inflation, disposable income etc.
→ High interest rate are determintal for the business with debt.

D) Political Legal Environment

→ It includes factors like general level of policy development, degree of politicization, economic issues, law & order, political stability etc.

→ Business is guided & controlled by Govt. policies and thus need to consider changes in regulatory framework.

→ Business prefer to operate in a country where there is a sound legal system.

E) Technological Environment

→ Techology has changed the way a business communicate and do things.

→ It has changed the way how business operate.

→ Technology & business are linked & inter-dependent

→ Technology act as both opportunity and threat.

→ Business can effectively adopts technological innovations to their strategic advantage.

PESTLE Analysis for Macro Environment

→ It is a way of scanning the macro environment factors that have influenced or are likely to affect the org.

→ Earlier it was PEST but now legal & environment factors are included.

→ It is simple to understand & quick to implement.

→ It encourages management to be proactive and structured thinking in decision making.

P → Political
E → Economic
S → Socio-cultural
T → Technological
L → Legal
E → Environmental

Environmental Factors

→ Affect industries such as farming, insurance, tourism etc.

→ Awareness to climate change is both creating new markets and diminishing existing ones.

Internationalization of Business

→ Enables a business to enter new market for greater earnings, economies of scale and less expensive resources.

→ Business can do it with international strategy planning.

→ Business views whole world as a one market.

Characteristics of Global Business

→ Conglomerate of multiple units but linked to a common ownership

→ Common pool of resources such as money, credit, patent, information, control system etc.

→ Some common strategy and its managers & stakeholders are also in different nations.

Developing Internationally

→ Evaluate global opportunities & threats and rate them with internal capabilities.

→ Describe the scope of firm's global commercial operations.

→ Create the firm's Global objectives

→ Develop distinct Corporate Strategies for global business and whole org.

Why do business go global ?

- → Need to grow
- → Rapid shrinking of time and distance accross the globe due to faster communication and speedier transportation etc.
- → Domestic market is no longer adequate
- → Need for reliable & cheap source of raw material, cheap labour etc.
- → Reduce transportation cost to produce near the market.
- → Trade tariffs and custom barriers are being lowered.
- → To form strategic alliance & leverage their comparative and competitive advantage.

Thank You

UDESH REGULAR

FOR GROUP-2, MAY 2024

- Subject- Strategic Management
- Chapter- Strategic Analysis - External Environment
- Lecture No.- 3

Recap of Previous Lecture

Topic Doubts Solving

Topics to be Covered

Topic — Concept & Questions

How to access international environment

A) Multinational environment analysis

→ involves indentifying, anticipating and monitoring. Significant components of global environment on large scale.

→ Analse macro environment, Govt. intervention etc.

→ These characteristics are evaluated in their present & future impact. e.g. India vs China vs North Korea

B) Regional Environment Analysis

→ In depth evaluation of critical factors in a specific area.

→ Discovering marketing opportunities for goods or services or innovation in choosen locations.

c) Country Environmental Analysis

→ Study of economic, legal, political & cultural dimesion is required to be successful.

→ Analysis must be customized for each country to develop effective market entrance strategies.

Characteristics of Product [or Service]

A) Products are either tangible or intangible

↙ eg: Car, pen, books etc.

↓ eg: banking, telecom, education etc.

B) Product has a price

→ Price is determined where quantity provided equals quantity desired.

→ In present world, price is given by market and business have to work on cost to maintain profitability.

C) Product has feature that delivers satisfaction

→ It should provide value satisfaction to the consumer

→ It is distinguish in terms of function, quality, experience & design.

D) Product is pivotal for business

→ It is the centre of business around which all strategic activities revolve.

→ It is the driving force behind business activities.

2) Product has a useful life

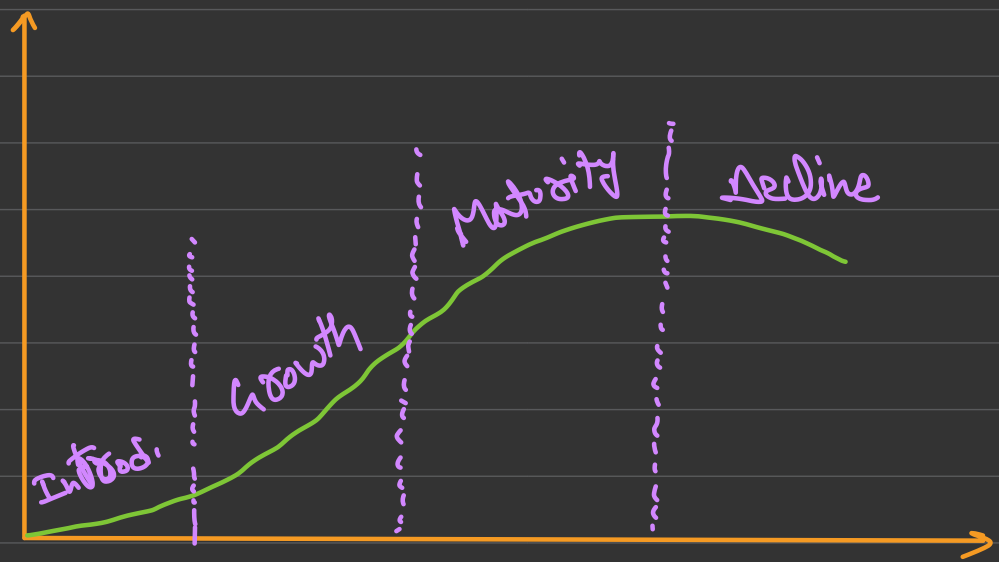
→ Every product has a useful life after which is must be replaced or reinvented or may cease to exist.

→ e.g. Gear scooters, Kodak Camera etc.

Product Life Cycle (PLC)

→ It is useful for making strategic choices.

→ It is a "S-shaped" curve that shows relationship of sales with respect to time for a product.



First Stage - Introduction

- Slow sales growth, competition is neglibile, prices are high, markets are limited.
- Growth is slow because of lack of awareness on part of customers
- e.g: Self-driving cars, AI applications, smart glasses etc..

Second Stage - Growth

- Demand expand rapidly, price fall, competition increases & market expands.
- Customer has knowledge about the product & shows interest
- e.g: Electric vehicles, Smart-watches, PW

Third Stage - Maturity

- Competition gets tough, market gets stabilized, profit comes down due to stiff competition.
- Org. work to maintain stability.
- e.g: Flat tv screen, smartphone etc.

Fourth Stage - Decline

→ Sharp decline in sales & profit as new product replaces old.
→ Stay in market either by diversification or retrenchment.
→ eg: wired earphones, DVD players, diesel cars.

→ Main advantage of PLC is that it can be used to diagnose a portfolio of products in order to establish which stage it exists.

→ Depending on stage, strategic choices can be made:-

- Expansion feasible in introduction & growth stage.
- Mature business may be used as a source of cash for investment in other business which requires resources.
- Combination of strategies like selective harvesting, retrenchment etc. may be used for declining business.

Value Chain Analysis

→ It was introduced by Michael Porter

→ It is a method of examining each activity in value chain of a business to identify area of improvement.

→ It is used as a means of describing the activities within and around an Org. and relating them to assessment of Org.

→ There are two type of activities

A) Primary

B) Secondary

Thank You

UDESH REGULAR

FOR GROUP-2, MAY 2024

- Subject- Strategic Management
- Chapter- **Strategic Analysis - External Environment**
- Lecture No.- 4

Recap of Previous Lecture

Topic Doubts Solving

Topics to be Covered

Topic — Concept & Questions

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→ It is used as a means of describing the activities within and around an Org. and relating them to assessment of Org.

→ There are two type of activities
   A) Primary
   B) Secondary

Primary Activities

A) Inbound logistics

→ activities concerned with recieving, storing and distributing the inputs to the product / service.

→ e.g. material handling, stock control, etc.

B) Operations

→ Convert raw materials into finished goods

→ e.g. machinery, packaging, assembly, testing etc.

C) Outbound logistics

→ Collect, store and distribute the product to customer.

→ for product – warehousing, transport etc.

→ for service – bringing customer to service or location.

D) Marketing & Sales

→ provide means whereby consumers are made aware of the product / service and able to purchase it.

→ includes, advertising, sales administration etc.

2) Services

→ all the activities which enhances or maintain value of a product / service.

→ e.g. installation, repair etc.

Support / Secondary Activities

A) Procurement

→ Process for aquiring various resources inputs to the primary activities.

B) Techology Dept.

→ Key technologies may be concerned with the product (R&D), or process or particular resources (raw material improvement).

C) Human Resource Mgt.

→ Concerned with activities like recruiting, training, managing, developing and rewarding people within org.

D) Infrastructure

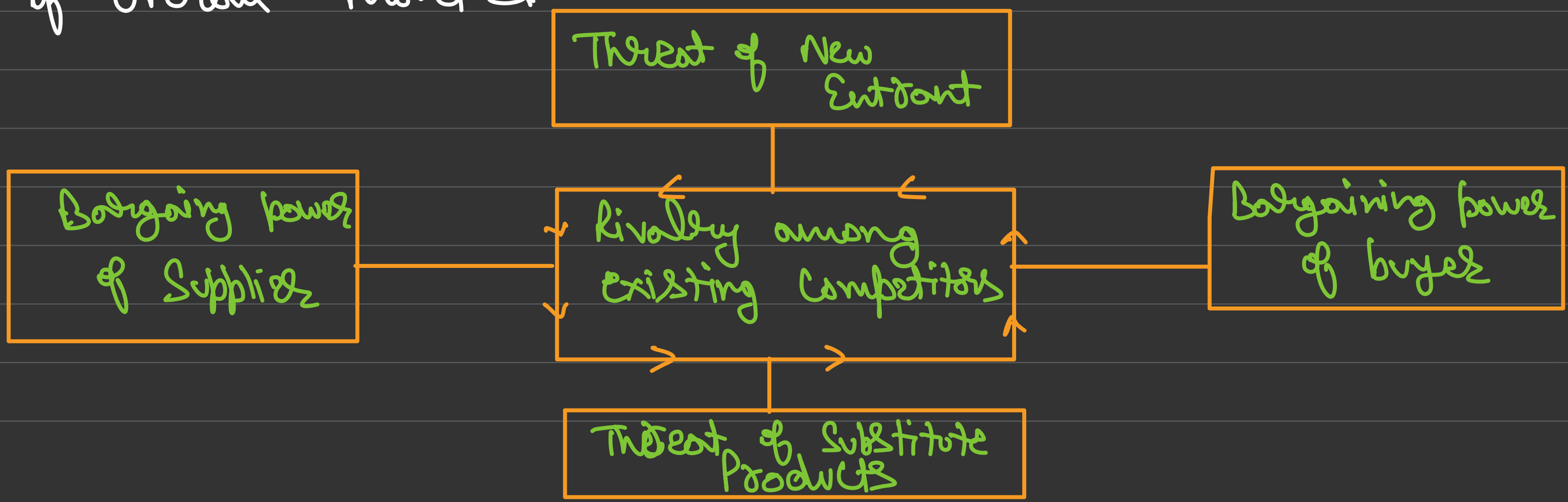
→ System of planning, finance, quality control, information mgt. etc. are critically important to an org. performance in its primary activity.

Industry Environment Analysis

→ It analyse whether industry is lucrative or not.
→ Estimate competitive pressure
→ Alligning strategy with industry circumstances & realities.

Porter's five forces Model

→ It is a simple & efficient way of knowing competition.
→ It diagnoses the significant competitive pressures in the market and access the strength & importance of each.
→ It states the competitive pressures operating in five areas of overall market



Steps for Competitive Analysis

A) Identify specific pressure of each of 5 forces.

B) Evaluate how strong the pressure is i.e. fierce, strong, moderate or weak.

C) Determine whether collective strength of five forces is conducive to earn attractive profits.

1) Threat of New Entrant

→ New entrants can reduce profit as it will increase supply and sell at lower price.

→ Bigger the new entrant, the more severe the competition effect.

→ A firm's profitability is higher when other firms are blocked from entering.

→ To discourage new entrants, firms can raise entry barriers which are:-
- Capital Requirement
- Economies of Scale
- Product differentiation
- Switching costs
- Brand identity
- Access to distribution Channel
- Possibility of aggressive retaliation

2) Bargaining power of buyers

→ This force will become heavier depending on possibilities of buyer's forming group or cartel.

→ Buyer's sometimes exert considerable pressure on existing firms to secure lower prices or better prices.

→ It happens when:-

A) Buyer have full knowledge of product & their substitutes.
B) They are big buyers
C) Product is not critical to the buyer and they can easily switch to the substitutes available.

Thank You

UDESH REGULAR

FOR GROUP-2, MAY 2024

- Subject- Strategic Management
- Chapter- Strategic Analysis - External Environment
- Lecture No.- 5

Recap of Previous Lecture

Topic Doubts Solving

Topics to be Covered

Topic — Concept & Questions

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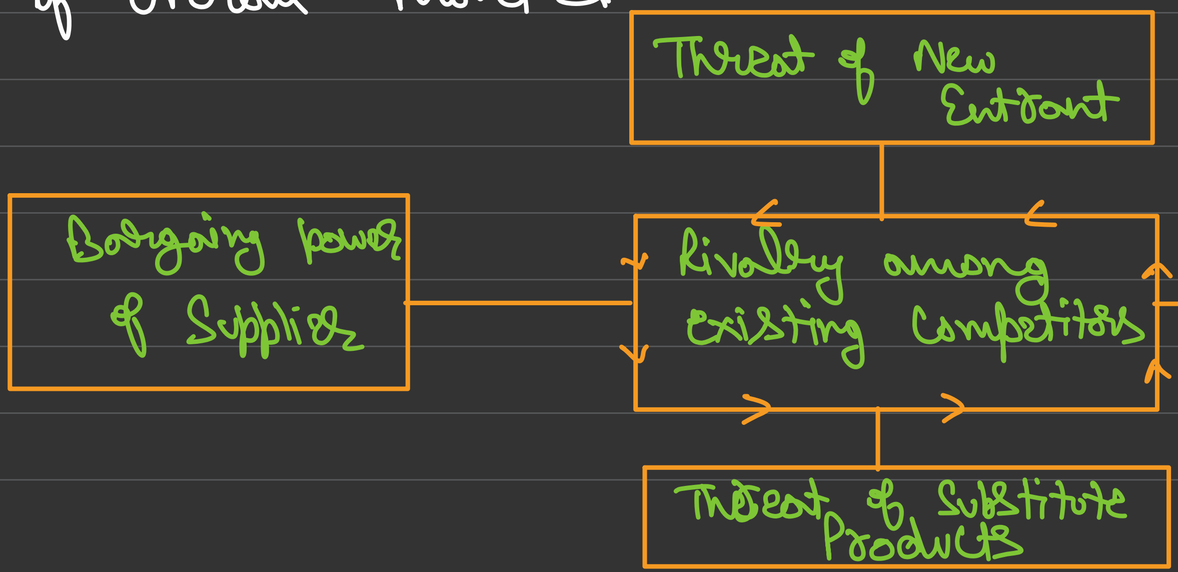

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B) They are big buyers
C) Product is not critical to the buyer and they can easily switch to the substitutes available.

3) Bargaining of Suppliers

→ It determines the cost of raw material & other inputs and thus impact profitability.

→ It happens when:-

A) Their products are crucial and substitutes are not available.

B) They can incur high switching costs

C) They are more concentrated than their buyers.

4) Threat of Substitute Products

→ Substitute products offering a price advantage and/or performance improvement drastically alter the competitive character of industry.

→ More substitue available leads to less attractive & profit industry.

5) Nature of rivalry in the industry

→ The more intensive rivalry, the less attractive is the industry.

→ Rivalry is more and profitability are low when:-

- Industry leader
  - ↳ No leader leads to high rivalry
- No. of Competitors
  - ↳ High number of Competitors leads to high rivalry
- Fixed Cost
  - ↳ High fixed cost leads to price cut to utilize excess capacity.
- Exit Barriers
  - ↳ High exit barriers leads to less exit – high Competition
- Product differentiation
  - ↳ leads to higher price
  - ↳ If not exist than lower profits
- Slow Growth
  - ↳ leads to high Competition
  - ↳ to retain market share

Attractiveness of Industry

→ Read from Pg-368

Experience Curve

→ Developed in 1960s by The Boston Consulting Group (BCG)]

→ Similar to learning curve which explains that efficiency increase due to repetitive product work by worker.

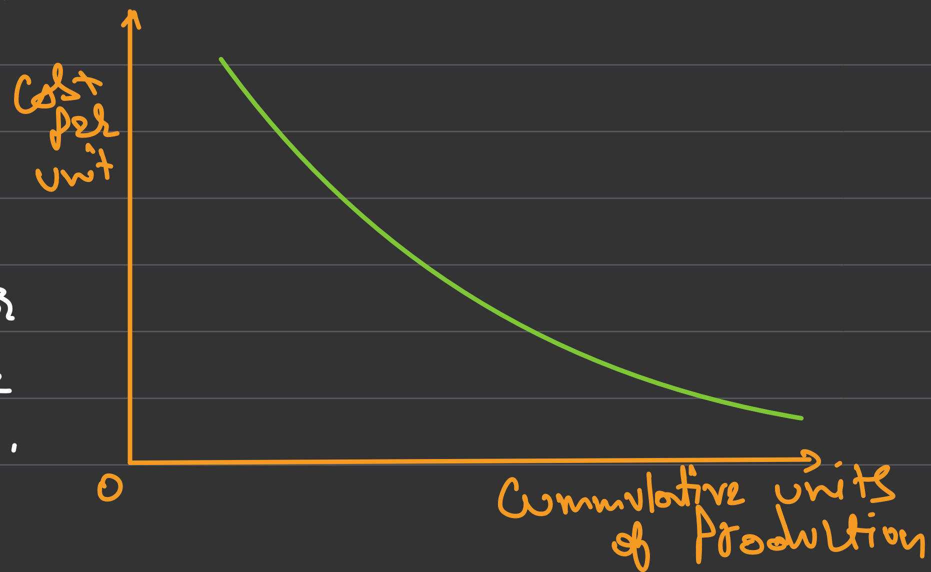
→ Based on phenomenon that unit cost declines as a firm accumulate experience in terms of a cummulative volume of production.

→ Based on the Concept, "we learn as we grow".

→ Due to factors like economies of scale, product redesign & technological improvements in production.

→ It acts as a barrier for new firms entring in industry.

→ Likely Strategic Choice for Competitor Can be niche market approach or segmentation based on demography.



Value Creation

→ It is an activity or performance by firm to create value that increases worth of goods, services, business process or even whole business system.

→ Value is measured by product features, quality, availability, durability, performance and its service for which customers is willing to pay.

→ value creation should be for customers as well as stakeholders.

→ This concept gives business a competitive advantage and help them to earn above average profits / return.

3 factors that determine Co. profitability are:-

A) Cost of creating the products
B) Price Co. charges for its products
C) value customer price on the Co. product

→ Company's aim is to achieve competitive advantage to succeed in long term.

→ According Michael Porter, Co. can generate competitive advantage in two ways i.e. differentiation or cost advantage

→ Differentiation means the capability to provide customer superior and special value in the form of features, quality, after sales service.

→ Value chain analysis is an excellent tool to examine the sources of differentiation and understand Org. cost behavior.

Competitive Strategy

→ It explains how to compete in area in which business operate.

→ Criteria for analysis:-
  A) Creation of Competitive advantage
  B) Protection of Competitive advantage

Competitive Landscape

→ It is a business analysis which identifies competitors, either direct or indirect.

→ Steps to understand competitive landscape:-
  A) Identify the competitor → How big in terms of Market Share?
  B) Understand the Competitor → Their product & services
  C) Determine the strength of competitor
  D) Determine the weakness of competitor
  E) Put all the information together

→ It requires use of Competitive intelligence.

Key Factors for Competitive Success

→ An industry's key Success factors (KSFs) are those things that affect industry member's ability to prosper in the market.

→ 3 factors help to identify an industry KSFs:-

A) On what basis do customers choose between the competing brands of seller?

B) What resources and capabilities seller should have to compete successfully.

C) What does it take for seller to achieve a suitable competitive advantage.

→ Generally there are 3 to 4 KSFs in an industry.

→ The purpose of KSFs is to focus on important factors to competitive success and avoid less important things.

Customer Behaviour

→ It enables business to establish marketing and advertising, campaigns, retain customer for repeat sales etc.

→ It is influenced by various factors which are :-

A) External factors

- factors like advertisement, peer recommendations, social norms which have impact on customers.
- These are divided into two groups i.e. Company marketting efforts and numerous environmental factors.

B) Internal Influences

- i.e. psychological factors which are internal to customer.

C) Decision Making

- Stages of decision making process:-

(i) Problem recognition i.e. identify an existing need
(ii) Search for desirable alternative and list them
(iii) Seeking information on best alternative and weighing their pros & cons

(iv) Making a final choice

5) Post Decision Process

→ After making a decision and purchasing a product, final decision is evaluating a outcome.

→ Depending upon satisfaction, a happy customer may make repeat purchase & recommend and vice-versa.

Thank You

UDESH REGULAR

FOR GROUP-2, MAY 2024

- Subject- Strategic Management
- Chapter- Strategic Analysis - Internal Environment
- Lecture No.- 1

Recap of Previous Lecture

Topic

Doubts Solving

Topics to be Covered

Topic Concept & Questions

Strategic Analysis - Internal Environment

Internal Environment

→ It refers to the sum total of people - individuals and groups, stakeholders, processes, input - throughput - output, physical infrastructure, space, equipment etc. and includes org. cultural intangible aspects of working - relationships, philosophy, value, ethics etc. to shape an org. identity

→ It is specific to each org.

→ It is based on its structure and business model including stakeholders.

Understanding 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 org.

→ e.g. Shareholders, CEO, BOD, Banks, Govt. Agencies, Employees etc.

Mendelow's Matrix or Power-Interest Matrix or Stakeholder Analysis Matrix

→ It is a simple framework to manage key stakeholders.

→ Managing a project is exteremely complicated as it involves managing the competing interest of various stakeholders.

→ Mendelow suggested that one should analyse stakeholders based on Power (i.e. ability to influence org. strategy or resources) and Interest (i.e. how interested they are in org. success)

Power \ Interest	Low	High
High	**Keep Satisfied** e.g: Govt. Agencies, Customer, Banks etc.	**Key Players** e.g: Shareholders, CEO, BOD etc.
Low	**Low Priority** e.g: Media	**Keep informed** e.g: Employees, vendors, legal experts etc.

Power

Interest

Thank You

UDESH REGULAR

FOR GROUP-2, MAY 2024

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- Lecture No.- 2

Recap of Previous Lecture

Topic Doubts Solving

Topics to be Covered

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Low	**Low Priority** e.g. Media	**Keep informed** e.g. Employees, vendors, legal experts etc.

Interest

A) Keep Satisfied

- → High Power & less interested
- → Aim to keep them satisfied with their intended information on a regular basis.
- → e.g. banks, govt., customers etc.

B) Key Players

- → High Power & high interest
- → Aim to make them satisfied, take their advice, build actions and keep them informed with all information on regular basis.
- → e.g. Shareholders, CEO, BOD etc.

C) Keep Informed

- → Low Power & high interest
- → Aim to adequately inform this group and communicate with them to ensure that there are no major issues.
- → They can help in real time feedback & suggest improvements
- → e.g. Employees, vendors, legal expert etc.

D) Low Priority

- → Low Power & low interest
- → Aim to only monitor them with no actions to satisfy their expectations.
- → e.g. Media houses, business magazines etc.

⇒ Environment is highly dynamic and certain things might happen that can cause stakeholders to move between quadrants.

Strategic Drivers

→ For analysing internal environment, the strategic drivers needs to be analysed which considers what differentiate an organisation from its competitors.

→ The key strategic drivers are:-

A) Industry and markets
B) Customers
C) Products / Services
D) Channel

A) Industry & Markets

→ Similar companies based on their primary products are grouped together into industries.
→ e.g. Automotive industry, Ed-Tech industry etc.

→ Market refers to all the buyers and sellers of a particular product / service.
→ It the market same for all businesses.
↳ Market is not same for all businesses.
→ Market may be physical or may be virtual like e-commerce

Analysing Industry & Market

→ Tools used for this analysis is - Strategic Group Mapping
→ Strategic group consists of those rival firms which have similar competitive approaches and positions in market.

B) Customers

- → Different customers may have different needs and require different sales model.
- → Customer vs Consumer
  - Customer is the one who buys the product/service.
  - Consumer is the one who finally consumes the product or service.
- → e.g. PW Subscription – Customer – Parents
  – Consumer – Students

- → Thus both are important for the marketers.

- → From a pricing perspective – customer is more important

- → From value creation and design/usability – Consumer is at the centre of decision making.

c) Products / Service

→ Product stands for both "goods & services" that Co. offers to target market.

→ Product can be distinguished based on consumer, luxury, perishable etc.

→ Strategies are needed for managing existing product over time, adding new one and dropping failed products.

→ Strategic decisions must be made regarding branding, packaging, and other product features such as warranties.

→ For pricing new product, following points to be taken care:-
- Have a customer centric approach
- Provide sufficient returns
- Increase market share

→ Products & services need heavy investment in reaching out to customers.

→ Marketing Strategies are used to handle & fight the Competition

Read Details of Pt. A to M from Pg. 385

A) Social Marketing

e.g. Shanti Amla Oil – Rs. 2 on every product for girl's education

B) Augmented Marketing

e.g. Buy one get one offer, Amazon – See your product at your Place with 360° view

C) Direct Marketing

e.g. Emailers, TV ads, Radio ads etc.

D) Relationship Marketing

e.g. Coupon for discount on next purchase etc.

E) Services Marketing

e.g. Movies, Saloon etc.

F) Person Marketing

e.g. Sports Star, film Star etc.

G) Organisation Marketing

e.g. Cadbury

H) Place Marketing

e.g. Gujrat

I) Enlightened Marketing

e.g. Lifebuoy, Vimal, Patzle-G etc.

J) Differential Marketing

e.g. HUL → Lifebuoy, Lux, Rexona in popular segment

→ Dove and Pears in premium segment

K) Synchro- Marketing

e.g. lower price for morning movie ticket, happy hours etc.

L) Concentrated Marketing

e.g. Luxury cars, toddlers product

M) Demarketing

e.g. Save Oil, Save India

Thank You

UDESH REGULAR

FOR GROUP-2, MAY 2024

- Subject- Strategic Management
- Chapter- Strategic Analysis - Internal Environment
- Lecture No.- 3

Recap of Previous Lecture

Topic Doubts Solving

Topics to be Covered

Topic — Concept & Questions

D) Channels

→ These are the distribution system by which an org. distributes its product or service.

→ Examples → Lakme sells its product via retail, website, intermediaries etc.

→ There are three type of channels:-

I) Sales Channel

→ These are the intermediaries involving in selling the product through each channel and ultimately to end user.

→ The key Question is:- who needs to sell to whom for your product to be sold to your end user?

II) Product Channel

→ It focuses on series of intermidiaries who handle the product physically on its path from producer to end user

→ e.g. E-Commerce, Zomato, Porter etc.

III) Service Channel

→ It refers to entities that provide necessary services to support the product, as it moves through the sales channel and after purchase by end user.

→ It is an important consideration for products that are complex in terms of installation or customer service.

→ e.g. AC, wifi etc.

Building Core Competency

→ C.K. Prahalad and Gary Hamel have advocated concept of core competency.

→ Competency is defined as a combination of skills & techniques rather than individual skill or technique.

→ A core compentancy for a firm is whatever it does best.

→ Core competencies is defined as the collective learning in the org., especially coordinating diverse production skills and integrating various technologies that can lead to competitive advantage.

→ Core competencies is the integration of many resources say a sum of 5-15 areas.

→ There are three main areas of core competencies :-

A) Competitive Differentiation

- → Competence should be unique and difficult to imitate by competitors
- → It allows the Co. to provide better product or service.
- → Co. has to continuously improve on skills in order to sustain its competitive position.
- → Competence doesn't necessarily have to exist within one company, in order to define as core competence.
- → E.g. Tesla, Zepto, Dominos etc.

B) Customer Value

- → When purchasing a product or service it has to deliver benefit to the end consumer in order to be a core competence.
- → The essence is that the consumer should value the differentiation offered.

c) Application to other Markets

→ Core Competence must be applicable to the whole org. . It can't be only one particular skill or specified area of org.

→ If the three above-mentioned conditions are met, then the Co. can regard it as core competency.

Criteria for Building a Core Competencies (CC)

1) Valuable
→ These are the ones that allow the firm to exploit opportunities or avert the threat in its external environment.
→ Human capital is important in creating value for customers

2) Rare
→ Core competencies are very rare capabilities and very few of competitor possesses.
→ Competitive advantage results when firm develops and exploit valuable capabilities that differ from those shared with competitors.

3) Costly to Imitate
→ It means such capabilities and competing firms are unable to imitate easily.

4) Non- Substitutable

→ Capabilities that have no strategic equivalents are called non - substitutable capabilities.

→ Strategic value of capabilities increases as they become more difficult to substitute.

SWOT Analysis

Internal Origin	**S – Strength** Internal capabilities of Organisation	**W – Weakness** Internal weakness of Org.
External Origin	**O – Opportunity** Favourable External environment	**T – Threat** Unfavoural External environment

→ The primary objective of a SWOT analysis is to help Org. to develop a full awareness of all the factors (external as well internal), involved in making a decision.

→ SWOT analysis shall be implemented before all company actions.

→ SWOT analysis can show areas where an Org. is performing well as well as areas that need improvement.

→ SWOT analysis can maximize the opportunities by using strengths & minimize threats by reducing weakness.

Thank You

UDESH REGULAR

FOR GROUP-2, MAY 2024

- Subject- Strategic Management
- Chapter- **Strategic Analysis - Internal Environment**
- Lecture No.- 4

Recap of Previous Lecture

Topic Doubts Solving

Topics to be Covered

Topic Concept & Questions

Competitive Michael Porter's Generic Strategic

→ If a Company's Strategy results 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 percieved by the target customer as Significant and Superior to the Competition.

→ If you don't have a Competitive advantage, don't Compete.
 – Jack welch.

→ The Competitive advantage is achieved over rivals when the Company's profitability is greater than average profitability of industry.

→ It is achieved when the firm Successfully formulates and implements the value Creation Strategy which other firms are unable to duplicate or find it too costly to imitate.

Sustainability of Competitive Advantage

→ It depends on four factors of resources & capabilities:-

A) Durability

→ The period over which a competitive advantage is sustained depends in part on the rate at which a firm's resources & capabilities deteriorates.

→ If rate of product innovation is fast, products patents are likely to become obsolete. e.g. Smartphone - Flip & fold.

B) Transferability

→ Easier it is to transfer resources & capabilities b/w companies, the less sustainable will be the competitive advantage.

→ E.g. doctors in hospitals

C) Imitability

→ If resources & capabilities can't be purchased by a would be imitator, then they must be build from scratch and remain competitive advantage. e.g. Medicines

D) Appropriability

→ It refers to ability of firm to generate appropriate returns on its resource base.

→ no return will considered as no competitive advantage.

→ e.g. high price of new product but no buyer of that.

Michael Porter's Generic Strategies

Broad Target	Cost Leadership	Differentiation
Narrow Target	Focussed Cost leadership	Focussed Differentiation

→ According to Porter, strategies allow companies to gain competitive advantage from three bases i.e. Cost leadership, differentiation and focus.

→ These are called generic because they can be pursued by any type or size of business firm and even by NPO.

Cost Leadership

→ It emphasizes on producing standardized products at low cost per unit for consumers who are price sensitive e.g. milk, bread etc.

Differentiation

→ It is a strategy aimed at producing products and services considered unique industry-wide and directed at customers who are relatively price-insensitive.

→ e.g. Cement that can withstand earthquake etc.

Focus Strategy

→ Focus means producing products and services that fulfill the need of small group of consumers with very specific taste e.g. luxury cars etc.

→ Large companies follow broad market and small companies follow narrow market.

→ Porter stresses the need of strategies to perform cost-benefit analysis to evaluate "sharing opportunities" and "transfer" among the firm's existing and potential business to gain competitive advantage.

Cost leadership Strategy

→ It is a low-cost competitive strategy that aims at broad market.

→ It requires vigorous pursuit of cost reduction in areas of procurement, production, storage & distribution of product or service and economies in OHs cost.

→ Because of its lower cost, the firm is able to charge a lower price for its product or service than most of the competitors and earn satisfactory profits.

→ E.g. Macdonalds, Decathlon, PW etc.

→ Generally, cost leadership should be pursued in conjunction with differentiation.

→ Low-cost producer in an industry can be effective:-
- when the market is price-sensitive and
- when there are few ways to achieve product differentiation

→ It is done to reduce competitor and thereby gain market share and driving some competitors out of the market (e.g. Jio)

→ Some risks of pursuing cost leadership are:-
- that competitors may imitate the strategy, therefore driving overall industry profits down.
→ that technological breakthrough in the industry may make the strategy ineffective.
→ that buyer interest may swing to other differentiating features besides price.

→ Internal strategy of sharing resources to build a competitive advantage is called synergy benefit.

Achieving Cost Leadership

1) Prompt forecasting of demand of a product or service
2) Optimum utilization of resources to achieve cost advantage
3) Achieving economies of scale
4) Standardization of products for mass production
5) Invest in cost saving technologies
6) Resistance to differentiation, till it becomes essential.

Advantages of Cost leadership

1) Rivalry

→ In case of price-war, the low-cost firm will continue to earn profit even after competitors profit is wiped off.

2) Buyers

→ Powerful buyers would not be able to exploit the cost leader firm and will continue to buy its products.

3) Suppliers

→ Cost leaders are able to absorb the price increase from suppliers before they need to raise price of product.

4) Entrants

→ It creates barrier to market entry through their continuous focus on efficiency and cost reduction.

5) Substitutes

→ Low cost leaders are likely to lower costs to induce existing customers to stay with their products.

Disadvantages of Cost Leadership

1) Cost advantage may not last long as competitors may imitate cost reduction techniques.

2) Cost leadership can succeed only if the firm can achieve higher sales volume.

3) Cost leaders tends to keep their cost low by minimizing cost of advertising, marketing research, R&D, but this approach can prove wrong in long run.

4) Technological advancements areas can be a great threat.

Thank You

UDESH REGULAR

FOR GROUP-2, MAY 2024

- Subject- Strategic Management
- Chapter- Strategic Analysis - Internal Environment
- Lecture No.- 5

Recap of Previous Lecture

Topic

Doubts Solving

Topics to be Covered

Topic — Concept & Questions

Differentiation Strategy

→ This Strategy is aimed at broad mass market and involves the creation of a product or service that is percieved by the customers as unique.

→ Unqiuness can be associated with design, brand image, features, technology, customer services etc.

→ e.g. Domino's offering home delivery within 30 minutes or order is free.

→ Differentiation allows a firm to charge higher price for its product.

→ Successful differentiation can mean greater product flexibility, greater compatibility, lowered cost, improved service, less maintenance, greater convineance or more features.

→ A risk associated with pursuing a differentiation strategy is that unique product may not be valued high enough by customer to justify the higher price.

→ Another risk is that it can be copied by competitors quickly.

Basis of Differentiation

1) Product

→ Innovative products that meet customer needs can be area.

→ However, the pursuit of a new product offering can be costly – research & development, as well as production and marketing can all add to the cost of production & distrib.

→ e.g. Apple iphone, Tesla etc.

2) Pricing

→ Companies that differentiate based on product price can either determine to offer the lowest price or can attempt to establish superiority through higher price.

e.g. Jio Phone, Apple iphone.

3) Organisation

→ It can be in form of location advantage, name recognition, customer loyalty etc.

→ e.g. Apple, Tata etc.

Achieving Differentiation Strategy

→ offer utility to customers and match products with their taste and preferences.

→ Elevate / improve performance of the product.

→ offer high-quality product / service for buyer satisfaction

→ Rapid product innovation to keep up with dynamic environment

→ Taking steps for enhancing brand image & value.

→ Fixing product prices based on unique features of product and buying capacity of customer.

Advantages of Differentiation Strategy

1) Rivalry

→ It means that customer will be less sensitive to price increase, as long as firm can satisfy the need of its customers.

2) Buyers

→ They do not negotiate prices as they get special features and they have fewer options in the market.

3) Suppliers

→ Because differentiator charges a premium price, they can afford to absorb higher cost of supplies as the customers are willing to pay extra too.

4) Entrants

→ Innovative features are an expensive offer. So new entrants generally avoid these features.

5) Substitutes

→ They can't replace differentiated products.

Disadvantages of Differentiation Strategy

→ In the long term, uniqueness is difficult to sustain.

→ Charging too high price for differentiated features may cause the consumer to switch-off to another alternative.

→ It fails to work if its basis is something that is not valued by customer.

Focus Strategies

→ Focus strategies are most effective when customers have distinctive preferences or requirements, and when the firms are not attempting to specialize in the same target segment.

→ An Org. using a focus strategy may concentrate on a particular group of customers, geographic markets, or on a particular line-segment in order to serve a well-defined but narrow market better than competitors who serve a broader market. e.g. Ferrari Sports Car

→ Risk of pursuing a focus strategy include the possibility of numerous competitors recognizing the successful focus strategy and imitating it or that consumer preferences may shift towards the product attributes desired by the market as a whole.

Focus Cost leadership

→ A focussed cost leadership strategy requires competing based on price to target a narrow market.

→ A firm that follows this strategy doesn't necessarily charges the lowest price in the industry.

→ Instead, it charges low price relative to other firm that compete within the target market.

Focus Differentiation

→ A focused differentiation strategy requires offering unique features that fulfil the demands of a narrow market.

→ Some firms using a focussed differentiation strategy concentrate their efforts on a particular sales channel, such as selling over the internet only.

→ Other targets particular demographic groups.

→ e.g. Rolls-Royce sells limited high end luxury custom built cars.

Achieving focus Strategy

→ Selecting specific niches which are not covered by cost leaders and differentiators.

→ Creating superior skill for catering such niche market.

→ Generating high efficiencies for serving such niche markets.

→ Developing innovative ways in managing the value chain.

Advantages of focus Strategies

→ Premium price can be charged by the organisation for their focused product / service.

→ Due to tremendous expertise in the goods and services that the Org. following focus strategy offer rivals and entrants may find difficult to compete.

Disadvantages of focus Strategy

→ The firm lacking in distinctive competencies may not be able to pursue focus strategy.

→ Due to the limited demand of product/service, costs are high, which may cause problems.

→ In the long run, the niche could disappear or be taken over by large competitors by acquiring some competitive competencies.

Best- Cost Provider Strategy

→ It is a further development of three generic strategies.

→ It is directed towards giving customers more value for the money by emphasizing on both, low cost & upscal difference.

→ The objective is to keep costs and prices lower than those of other sellers of comparable products.

→ It can be done through :-

(a) offering products at lower price than what is being offered by rivals for products with comparable quality & features.

or

(b) Charging similar prices as by the rivals for products with much higher quality and better features.

FM	SM	MCQ
→ Sat. → 11:30 AM to 2 PM → Sat. → 2:30 PM to 4:30 PM → Sun. → ______ → Mon. → 11:30 AM to 1:30 pm → Mon. → 2 pm to 3:30 pm (if required)	Bal. – 2 Chapters (Approx. 10 to 12 Class) → 28th Feb. Complete → TTS → 6:30 to 8:30 → MWF → 11:30 to 1:30	MWF → 2 to 3:30 Pm

HW → Ch.-3 → Case-Studies + Desc. Ques. [from Book]

→ MCQ → Try

Doubts
↓
Tuesday
(20 Feb)

Thank You

UDESH REGULAR

FOR GROUP-2, MAY 2024

- Subject- Strategic Management
- Chapter- Strategic Choices
- Lecture No.- 1

Recap of Previous Lecture

Topic Doubts Solving

Topics to be Covered

Topic — Concept & Questions

Strategic Choices

→ Business follow different strategies to enter the market, to stay relevant, and grow in the market.

→ William F. Glueck and Lawrance R. Jauch discussed four generic strategies including stability, growth, retrenchment and combination.

→ These are also called as directional strategies.

Stability Strategy

→ It is pursued when:-
- it continue to serve in the same or similar markets and deals in same or similar products & services.

→ This strategy is typical for those firms whose product have reached the maturity stage of PLC or those who have a sufficient market share but need to retain that.

→ It is not "Do nothing" strategy but "Do Nothing new" strategy.

→ It involves minor improvement and not drastic changes.

→ Example – SAIL, NTPC, ONGC etc.

Characteristics of Stability Strategy

→ Co. stays with the same business, same product-market posture and functions, maintaining same level of efforts as at present.

→ Firm focusses on incremental improvement in functional efficiencies.

→ It doesn't involve a redefination of the business of corporation.

→ It is a safe strategy that maintains status-quo.

→ It doesn't warrant much of fresh investments.

→ The firms with modest growth objective chose this strategy.

Major Reasons for Stability Strategy

→ Product has reached maturity stage of the PLC.

→ The staff feels comfortable with the status quo as it involves less changes and less risks.

→ Environment is relatively stable.

→ Expansion may be percieved as threatning.

→ After rapid expansion, a firm might want to stabilize and consolidate itself.

Growth / Expansion Strategy

→ It is implemented by redefining the business by enlarging the scope of business and substantially increasing investment in business.

→ It is a strategy that can be equated with dynamism, promise and success.

→ This strategy may take the enterprise along relatively unknown and risky paths, full of promises & pitfalls.

→ Example → Google, Tesla etc..

Characteristics of Growth / Expansion Strategy

→ It involves redifination of the business.

→ It is the opposite of Stability Strategy.

→ Rewards are high along with risks.

→ It leads to business growth

→ It facilitates the process of renewal of firm through fresh investments and new business/product/market.

→ It is a highly vestaile strategy i.e. it offers several permutation and combinations for growth.

→ It holds within it two major strategy routes:- itensification and diversification.

Major reasons for Growth / Expansion Strategy

→ May become imperiative when environment demands increase in pace of activity.

→ Strategiest may feel more satisfied with the prospect of growth.

→ Expansion may lead to greater control over the market vis-a-vis competitors.

→ Advantage from the experience curve and scale of operations may occur.

Types of Growth / Expansion Strategy

Internal Growth Strategies

Intensification
- Market Penetration
- Market Development
- Product Development

Diversification
- Concentric
- Conglomorate
- Innovation

External Growth Strategies

Merger
- Verticle
- Horizontal
- Cogeneric
- Conglomorate

Alliance
- Economic
- Strategic
- Organization
- Political

Expansion or Growth through Intensification

→ It means that the Org. tries to grow internally by intensifying its operations either by market penetration, market development or by product development.

Market Penetration

→ firm directs its resources to the profitable growth of its existing products in the existing market.

- Increase market share
- Increase product usage
- Increase the frequency used
- Increase the Qty. usage
- Find new application for current users.

Market Development

→ It Consists of marketing present products, to customers related market areas by adding different channels of distribution or by changing the content of advertising or the promotional media.

- Expand geographically, target new segments.

Product Development

→ It involves substantial modification of existing products or creation of new but related items that can be marketed to current customers through established channels.

- Add product features, product refinement
- Develop a new-generation product
- Develop new product for same market.

Expansion or Growth through Diversification

→ Diversification is defined as an entry into new product or new market, involving substantially different skills, technology and knowledge.

Concentric Diversification

→ It takes place when the products are related.

→ In this diversification, the new business that it diversifies into is linked to the existing business through process, technology or marketing.

→ The new product is a spin-off from the existing facilities and products / processes.

→ The new product is only connected in a loop like manner at one or more points in the firm's existing process / technology / product chain.

→ e.g. Amazon basics products, a clothing co. now starts manufacturing shoes.

Vertically integrated diversification

- → firms opts to engage in business that are related to existing business of the firm.
- → A firm can either opt for backward or forward or horizontal integration.

Backward Integration

- → Concerned with creation of effective supply by entering business input services.
- → Strategy employed to expand profits and gain greater control over production / supply of a product whereby a company will purchase or build a business that will increase its own capabilities or lessen its cost of production.
- → e.g: A large supermarket chain considers to purchase a number of farms that would provide a significant amount of fresh produce.

Forward Integration

→ Moving forward in the value chain and entering business lines that use existing products.

→ Forward integration will also take place where org. enter into business of distribution channels.

→ e.g. A coffee bean manufacture may choose to merge with a coffee cafe.

Horizontal Integration

→ A firm gets horizontally diversified by integrating through aquisition of one or more similar business operating at the same stage of the production - marketing chain.

→ They can also integrate with the firm's producing complementary products or by-products or by taking over competitor's products.

→ e.g facebook aquired whatsapp

Thank You

UDESH REGULAR

FOR GROUP-2, MAY 2024

- Subject- Strategic Management
- Chapter- **Strategic Choices**
- Lecture No.- 2

Recap of Previous Lecture

Topic Doubts Solving

Topics to be Covered

Topic Concept & Questions

Conglomerate Diversification

→ No linkage related to product, market or technology exist.

→ The new business / products are disjointed from the existing products / service in every way.

→ It is totally unrelated diversification i.e. no common thread with the firm's present position.

→ Example:- A cement manufacturer diversifies into the manufacturing of steel, rubber products etc.

Innovation

→ It drives upgradation of existing products lines or process, leading to increase market share, revenues, profitability and most important, customer satisfaction.

→ Innovation offers the following:-

A) Helps to Solve Complex problems

→ A business strives to find opportunities in existing problems of society and it does so through planned innovation in areas of expertise.

→ Example - Environmental damage is tackled by using renewable sources of energy like solar power etc.

→ It might be costly in introductory stage but in the long run it will only have economic and environmental sustainability.

B) Increases Productivity

→ Innovation leads to simplification and in most cases automation of existing tasks which leads to increase in productivity.

→ e.g. MS Excel used by finance professionals to simplify and automate their manual tasks.

C) Gives Competitive Advantage

→ The faster a business innovates, the farther it goes from its competitor's reach.

→ Innovative products needs less marketing as they aim to provide added satisfaction to customers, thus, creating a competitive advantage.

→ Innovation not only helps to retain the existing customers but helps aquire new ones with ease.

External Growth Strategies

→ It happens when the Org. thinks of diversifying by making alliances with external Org..

Expansion through Merger & Acquisition

→ It is a means of instant expansion.

→ Synergy may result from such bases as physical facility, technology, distribution and so on.

→ Merger is a process where two or more companies come together to expand their business operations.

→ When one Org. takes over the other Org. and control all its business operations, it is called aquisition.

→ In acquisition, one financially sound company overpowers the weak one.

A) Horizontal Merger

→ It is a Combination of firms engaged in the Same industry.

→ It is a merger with direct Competitor.

→ The objective is to achieve economies of Scale, widening of product lines, decrease in working Capital & FA investment, getting rid of Competition and so on.

→ Example → Vodafone + Idea,

B) Verticle Merger

→ It is a merger of two Org. that are operating in Same industry at different stages of production or distribution system.

→ This often leads to increased Synergies with the merging firms.

→ If an org. takes over its supplier / producers of raw material, then it leads to backward integration.

→ If an org. decides to take over its buyer org. or distribution channel then it leads to forward integration.

→ e.g. Zee & Dish TV.

c) Co-Generic Merger

→ In this two or more merging org. are associated in some way or other related to the production process, business markets or basic required technology.

→ Such merger includes the extension of the product line or aquiring components that are required in the daily operations.

→ Ex. → A refrigirator manufacturer diversify by merging with org. manuf. kitchen appliances.

4) Conglomorate Merger

→ It is the Combination of org. that are unrelated to each other.

→ There are no linkages with respect to customer groups, customer functions, technologies being used

→ Example – Voltas & L&T.

Expansion through Strategic Alliance

→ Strategic alliance is a relationship between two or more business that enables each to achieve certain strategic objectives which neither would be able to achieve on its own.

→ The strategic partners maintain their status as independent and separate entities, share the benefits and control over the partnership and continue to make contributions to the alliance untill it is terminated.

→ e.g. Maruti with Suzuki

Advantages of Strategic Alliance

A) Organizational

→ It helps to learn necessary skills and obtain certain capabilities from strategic partners.

→ Strategic partners may help to enhance productivity, distribution system, supply chain, reputation in market.

B) Economic

→ There can be reduction in costs & risks by distributing them across the members of alliance.

→ Greater economies of scale, advantage of co-specialization, etc.

c) Strategic

→ Rivals can join together instead of competing with each other.

→ It is useful to create competitive advantage by the pooling of resources & skills to get access to new technology or to pursue joint R&D.

→ This may help with future business opportunities and the development of new products & technologies.

D) Political

→ It helps to gain entry into a foreign market either because of local prejudices or legal barriers to entry.

→ It may also help to improve your own influence & position.

Disadvantages of Strategic Alliance

→ It requires sharing of resources, knowledge and skills that would otherwise may not be shared.

→ Agreements can be executed to protect trade secrets, but they are only as good as the willingness of parties to abide by the agreement & the courts willingness to enforce them.

→ Strategic alliance may create potential competition when an ally becomes an opponent in future when it decides to separate out.

Thank You

UDESH REGULAR

FOR GROUP-2, MAY 2024

- Subject- Strategic Management
- Chapter- **Strategic Choices**
- Lecture No.- **3**

Recap of Previous Lecture

Topic Doubts Solving

Topics to be Covered

Topic — Concept & Questions

Strategic Exits

→ It is followed when Co. reduce the scope of its activity.

→ If the org. chose to focus on ways & means to reverse the process of decline, it adopts a turnaround strategy.

→ If the org. cuts off the loss making units, divisons, SBUs curtail its product line or reduces functions performed, it adopts a divestment or divestiture strategy.

→ If both doesn't work, it may chose to abandon the activities totally, resulting in liquidation strategy.

Turnaround Strategy

→ For internal retrenchment to take place, emphasis is laid on improving internal efficiency known as turnaround strategy.

→ Certain indicators that point out need of turnaround are:-

- Persistent negative cash flows.
- Uncompetitive product or service
- Declining market share
- Deterioration in physical facilities
- Over staffing, high turnover of employees
- Mismanagement

Major Reasons for Retrenchment / Turnaround Strategy

→ The mgt. no longer wishes to remain in business either partly or wholly due to continuous loss and unviability.

→ The mgt. feels that the business could be made viable by divesting some of the activities or liquidation of unprofitable activities.

→ A business that had been proves to a mismatch and can't be integrated with the company.

→ Persistent negative cash flows from a particular business creating the need for divestment of that business.

→ Severity of competition and inability of a firm to cope with it may cause it to divest.

→ Technological upgradation is required if the business is to survive but where it is not possible for the firm to invest in it, a preferable option would be to divest.

→ A better alternative may be available for investment, causing a firm to divest its unprofitable business.

Action Plan for Turnaround

1) Assessment of Current Problems

→ The first step is to assess the current problems and get to the root cause and the extent of damage the problem has created.

→ Once the problems are identified, the resources should be focussed towards these areas to effeciently work on correcting and repairing any issues.

2) Analyse the Situation and develop a Strategic Plan

- Identify appropriate strategies & develop a preliminary action plan.

→ for this one should look for the viable core business, adequate bridge financing and available org. resources.

→ Analyse the strength & weakness

→ Develop a strategic plan with specific goals and details of actions.

3) Implementing an emergency plan

→ An appropriate action plan must be developed to stop the bleeding and enable the org. to survive.

→ The plan typically includes HR, finance, marketing, working capital, debt restructuring etc.

→ A possitive operating CFs must be established as quickly as possible and enough funds to implement the turnaround strategy must be raised.

4) Restructuring the business

→ During this, the "Product Mix" may be changed, requiring the org. to do some repositioning.

→ Core products neglected over time may require immediate attention to remain competitive.

→ Morale building of Ees, reward and compensation should be given that encourages dedication and creativity among employees to think about profits and return on investment.

5) Returning to Normal

→ The org. begins to show signs of profitability, ROI and economic value added.

→ Emphasis is placed on a number of strategic efforts such as increasing market share, improving customer satisfaction etc.

Important elements of turnaround strategy are as follows:-

→ Changes in top management
→ Initial credibility - building actions.

→ Neutralizing external pressures

→ Identify quick pay off activities

→ Quick cost reductions

→ Revenue generations

→ Assets liquidation for generating cash

→ Better internal coordination

Divestment Strategy

→ It involves sale or liquidation of a portion of business, or a major divison, profit centre or SBU.

→ Divestment is usually a part of rehablitation or restructuring plan and is adopted when a turnaround has been attempted but has proved to be unsuccessful.

→ A divestment strategy may be adopted due to various reasons:-

→ Points similar to reasons for turnaround strategy.

(Refer pg. 422 of book)

Strategic options

- → Strategic options needs to be carved out from existing products and innovations that are happening in the industry.

- → Primarily used for competitive analysis and strategic planning in multi-product and multi-business firms.

- → They may also be used in less diversified firms if these consist of main business and other minor complementary interests.

- → A diversified Co. may decide to divert resources from its cash rich business, to more prospective ones that hold promise of a faster growth so that the Company achieves its corporate level objective efficiently.

Ansoff's Product Market Growth Matrix

	Existing Prod.	New Prod.
Existing Mkt.	Market Penetration	Product Development
New Market	Market Development	Diversification

→ Read from Pg- 423

Thank You

UDESH REGULAR

FOR GROUP-2, MAY 2024

- Subject- Strategic Management
- Chapter- **Strategic Choices**
- Lecture No.- 4

Recap of Previous Lecture

Topic

Doubts Solving

Topics to be Covered

Topic — Concept & Questions

Boston Consulting Group (BCG) Growth - Share Matrix

→ It is the simplest way to portray a corporation's portfolio of investment.

→ Growth share matrix also known as cow and dog metaphors is popularly used for resource allocation in a diversified company.

→ In this a Co. classifies its different business on a two- dimensional basis.

→ The verticle axis represents market growth rate and provides a measure of market attractiveness.

→ The horizontal axis represents relative market share as a measure of Co. strength in the market.

Market Growth Rate	Relative Market Share: High	Relative Market Share: Low
High	Stars	Question Mark or Wild Cats or Problem Children
Low	Cash Cows	Dogs

Stars

→ These are products or SBU that are growing rapidly.
→ They also need heavy investment to maintain their position and finance their rapid growth potential.
→ The represent best opportunities for expansion.

Cash Cows

→ These are low-growth, high market share products/business.
→ They generate cash and have low cost.
→ They are established, successful and less investment to maintain their market share.
→ In long run when the growth rate slows down, stars become cash cows.

Question Marks / Wildcats / Problem Children

→ These are low market share business in high-growth sectors.
→ They require a lot of cash to hold their share.
→ They need heavy investment with low potential to generate cash.
→ If left unattended are capable of becoming cash traps.
→ Since growth rate is high, increasing it should be relatively easier.
→ It is for business org. to turn them stars and then to cash cows.

Dogs

→ These are low-growth, low-share business & products.
→ They may generate enough cash to maintain themselves but do not have future.
→ Sometimes they may need cash to survive.
→ Dogs should be minimized by means of divestment or liquidation.

Post Identification Strategies

1) Build

- Here the objective is to increase market share, even by forgoing short term earnings in favour of building a strong future with large share.

2) Hold

- Here the objective is to preserve market share.

3) Harvest

- Here the objective is to increase short-term cash flows regardless of long-term effect.

4) Divest

- Here the objective is to sell or liquidate the business because resources can be better used elsewhere.

Problems & limitation of BCG Matrix

→ It can be difficult, time-consuming and costly to implement.

→ Mgt. may find it difficult to define SBU's and measure market share and growth.

→ It also focusses on classifying business but provide little advice for future planning.

→ It only focusses on market share growth.

General Electric Matrix [Stop-Light Strategy Model]

→ This model has been used by General Electric Company with the assistance of the Consulting firm McKinsey & Co.

→ This model is also known as Business Planning Matrix or GE Nine-cell Matrix or GE Model.

→ This approach is inspired from traffic control lights.

→ Lights used to manage traffic are:-
green means go
Amber or Yellow means caution
Red means Stop

→ This model uses two factors i.e. Business Strength, and Market Attractiveness.

Factors of Market Attractiveness

→ Size of Market
→ Market growth rate
→ Industry profitability
→ Competitive intensity
→ Availability of Technology
→ Pricing trends
→ Overall risk & returns
→ Demand variability
→ Segmentation
→ Distribution structure

Factors of Business Strength

→ Market Share
→ Market Share growth rate
→ Profit Margin
→ Distribution efficiency
→ Brand image
→ Ability to compete on price & quality
→ Customer loyalty
→ Production capacity
→ Technological capability
→ Relative cost position

		Business Strength		
		Strong	Average	Low
Market Attractiveness	High	Invest/Expand	Invest/Expand	Select/Earn
	Medium	Invest/Expand	Select/Earn	Harvest/Divest
	Low	Select/Earn	Harvest/Divest	Harvest/Divest

→ If a product falls in the green section, the business is at advantageous position.

→ To reap the benefits, the decision is to expand, to invest and grow.

→ If a product is in Yellow zone, it needs cautious and managerial discreation is called for making strategic choices.

→ If a product is in Red Zone, it will eventually lead to losses that would make things difficult for org.

→ In such case, appropriate strategy should be retrenchment, divestment or liquidation.

Difference b/w

BCG	vs GE
→ Focus on Market Growth	→ Focus on Market attractiveness which is broader than market growth.
→ Focus on market Share	→ Focus on business Strength which is broader than market Share
→ It is 4 cell Matrix	→ It is 9 cell matrix
→ Thinks of present & take decision	→ Thinks both about present & future potential
→ Developed by Boston Consulting Group	→ Developed by GE together with McKinsey & Co.

ADL Matrix

→ The ADL matrix derived its name from Arthur D. Little.

→ It is a portfolio analysis technique based on PLC.

→ This approach forms a two dimensional matrix based on stage of industry maturity and the firm's competitiveness position, environmental assessment and business strength assessment.

→ It helps in categorisation of product or SBU's into one of five competitive positions:-

- Dominant
- Strong
- Favourable
- Tenable
- weak

Dominant

- This is a comparatively safe position and in many cases is attributable either to a monopoly or a strong and protected technological leadership.

Strong

- The firm has a considerable degree of freedom over its choice of strategies and is often able to act without its market position being unduly threatened by its competitors.

Favourable

- It generally comes about when industry is fragmented and no one competitor stand out clearly, results in the market leaders a reasonable degree of freedom.

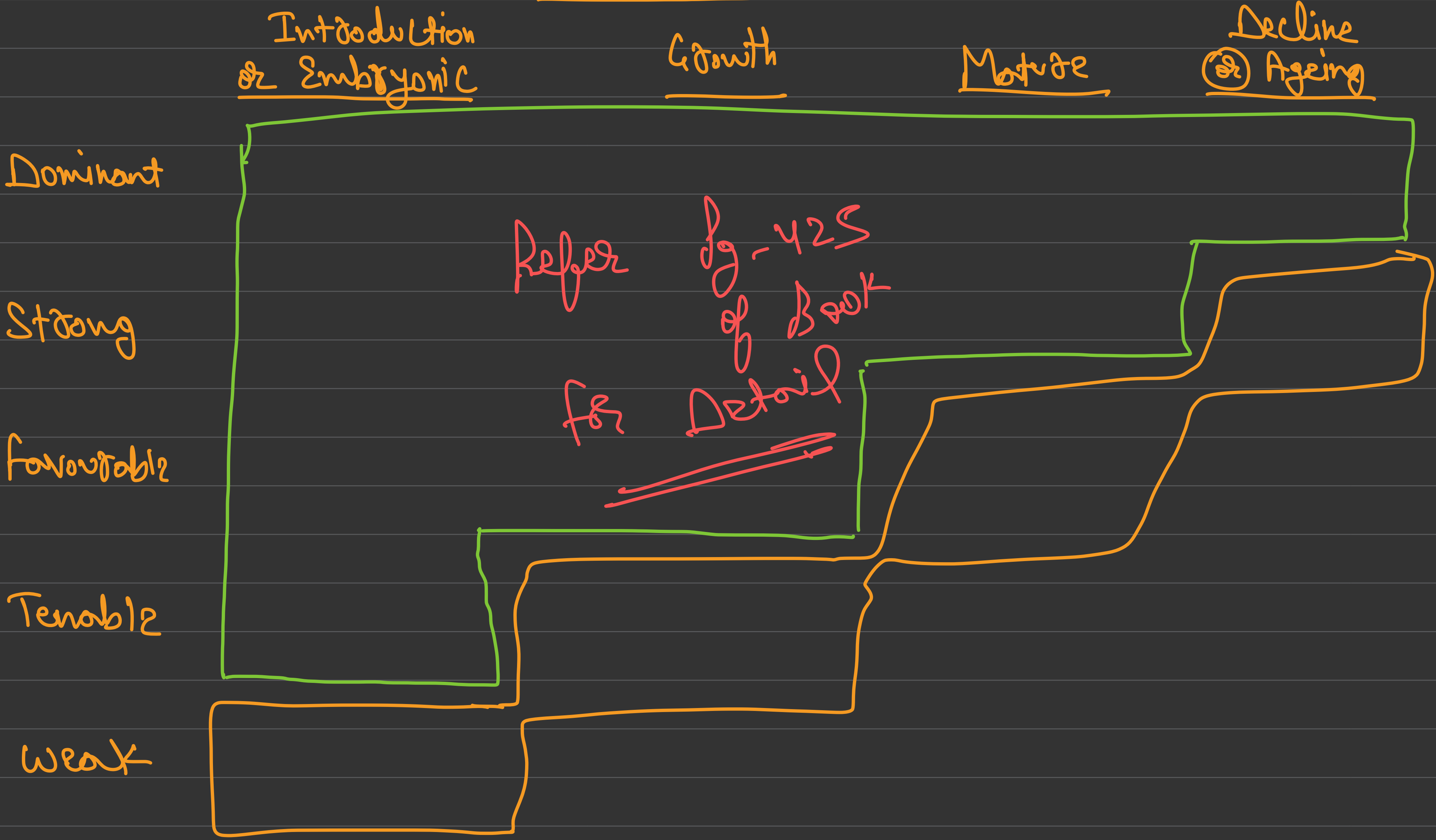
Tenable

- Firms are able to perform satisfactorily and can justify staying in the market, they are generally vulnerable in the face of increased competition from stronger and more proactive companies in the market.

Weak

- The permance of firms is generally unsatisfactory although opportunities for improvement do exist.

ADL Matrix


Introduction or Embryonic
Growth
Mature
Decline or Ageing
Dominant
Strong
Favourable
Tenable
Weak
Refer pg-425 of Book for Detail

Thank You

UDESH REGULAR

FOR GROUP-2, MAY 2024

- Subject- Strategic Management
- Chapter- Strategy Implementation and Evaluation
- Lecture No.- 1

Recap of Previous Lecture

Topic Doubts Solving

Topics to be Covered

Topic — Concept & Questions

Strategic Management Process

→ The process of developing an organisation's strategy is methodical.

→ The SM process is dynamic and continuous and it never really ends.

Stages in Strategic Mgt.

→ Developing a strategic vision, formulation of mission, goals and objectives.

→ Environmental and Organisation Analysis
→ Formulation of Strategy
→ Implementation of Strategy
→ Strategic evaluation and control

Stage-1 Strategic Vision, Mission & Objectives

→ First Co. should develop a vision i.e. future blueprint

→ It answers the question 'where it wants to be'

→ Top management's view and conclusion about Co.'s directions

→ Mission statements define what we are and what we do.

→ Objectives & goals of an org. flows from vission & mission

Stage-2 Environmental & Organisation Analysis

Environmental Analysis

→ It consist of economic, social, technical, political analysis.

→ It is dynamic and uncertain & helps in determining opportunities & threats.

Organisation Analysis

→ It consist of analysis of Co. resources, tech-resources, productive capacity, distribution channel, R&D etc..

→ It reveals to identify strength & weakness.

Stage-3 Formulation Strategy

→ First state is developing strategic alternatives in line with SWOT analysis.

→ Second stage involves choosing strategic alternative which will serve as strategy of firm.

Stage-4 Implementation of Strategy

→ It is operation oriented activity.
→ Most demanding & time consuming activity

Strategy implementation include following aspects:-

a) Developing a budget to allocate resources for strategy implement.

b) Staffing Org. with needed skills & expertise.

c) Motivating people to pursue target.

d) Creating a work culture that support strategy execution

e) Ensuring policies, procedures and operations facilitates execution.

f) Exerting leadership needed for strategic execution & continuous improvement.

Stage-5 Strategic Evaluation & Control

→ This stage involves :-
- evaluation of Co's strategy implementation &
- assessing impact of new external developments and make corrective adjustments to vision, mission, objectives & strategy.

Strategy formulation – Corporate Strategy

→ Planning entails choosing what has to be done in the future and creating action plans.

→ Planning can be strategic or operational

→ The game plan that really directs the Co. towards success is called corporate strategy.

Strategic Planning	Operational Planning
→ Shape the Org. & its resources	→ Deals with current deployment of resources.
→ Assess the impact of environment variables.	→ Develop tactics rather than strategy.
→ Takes a complete view of Org.	→ Project current operations into the future.
→ Concerned with the long-term success of Org.	→ Makes modification to the business functions.
→ It is a senior mgt. responsibility	→ It is responsibility of functional managers.

Strategic Uncertainity and how to deal with it ?

→ Strategic uncertainity refers to the unpredicitibility of future events and circumstances that can impact on org. goals and strategy.

→ It can be due to factors like market, competition, technology and so on.

→ To minimize impact of strategic uncertainity requires org. to have following factors:-

A) Flexibility

- Org. can build flexibility into their strategies to quickly adopt to changes in environment.

B) Diversification

- Diversifying the org. product portfolio, markets and customer bases can reduce the impact of strategic uncertainity.

C) Monitoring and Scenario Planning

- Org. can regularly monitor key indicators of change and conduct scenario planning to understand, how future scenarios might impact their strategies

D) Building Resilliance

- Org. can invest in building internal resilliances, such as strengthening their operational process, increasing their financial flexibility and improving their risk management capabilities.

E) Collaboration & Partnership

- Collaborating with other org., suppliers, customers and partners can help org. pool, resources, share risk and access to new market & technologies.

Strategy Implementation

→ It is concerned with translating strategic decisions into actions, which presupposes that the decision was made with some thought of being given to feasibility and acceptability.

Strategy Formulation	Strategy Implementation
→ It includes planning and decision making in developing strategic goals and plans.	→ It involves all those means related to executing the strategic plans.
→ It is placing the force before the action.	→ It is managing the force during the action.
→ An Enterpreneural Activity	→ An Administrative Task
→ Emphasizes on effectiveness	→ Emphasis on efficiency
→ Primarily on intellectual and rational process.	→ Primarily on operational process.

→ Requires co-ordination among few individual at the top level	→ Requires co-ordination among many individual at the middle & lower level.
→ Requires a great deal of initiative, logical skills, conceptual initiative and analytical skills.	→ Requires leadership and motivational skills.
→ Strategy formulation precedes strategy implementation	→ Strategy implementation follows strategy formulation

Strategy Implementation Linkages

Forward Linkages

→ The different elements in strategy formulation determines the course that an org. adopts for itself.

→ With the formulation of new strategies, or reformulation of existing strategies, many changes have to be effected within the org.

→ Example – The org. structure may undergo changes, style of leadership has to be adopted to the needs of the modified or new strategy.

Backward Linkages

- While dealing with strategic formulation, past strategies actions also determines the choice of strategy.

- Org. tend to adopt those strategies which can be implemented with the help of the present structure of resources combined with some additional efforts.

- Since incremental changes over a period of time, take the org. from where it is to where it wishes to be.

Thank You

UDESH REGULAR

FOR GROUP-2, MAY 2024

- Subject- Strategic Management
- Chapter- **Strategic Implementation and Evaluation**
- Lecture No.- 2

Recap of Previous Lecture

Topic Doubts Solving

Topics to be Covered

Topic — Concept & Questions

Issues in Strategy Implementation

→ Project implementation
→ Procedural implementation
→ Resources allocation
→ Structural implementation
→ Functional implementation
→ Behavioural implementation

Strategic Change

→ It is a Complex process that involve a corporate strategy focused on new markets, products, service and new way of doing business.

→ For initiating strategic change, three steps can be indentified:-

(a) Recognize the need for change

- It means going for environmental scanning involving appraisal of both internal & external capabilities may be through SWOT and than determining where defects lies and scope for change exists.

(b) Create a shared vision to manage change

- Objective of both org. and mgt. should coincide and there should not be any conflict.
- This needs creation of shared vision b/w org. and mgt. which needs to be communicated.

(c) Institutionalize Change

- It is the stage that requires implementation of change strategy.
- Change process could be monitored and in case of any deviation corrective actions should be taken.

Kurt Lewin's Model of Change

→ To make the change long lasting, Kurt Lewin proposed three phases of change process for moving the Org. from the present to the future.

A) Unfreezing

→ This process make individual aware of the necessity of change & help them to prepare for such change.

→ It involves breaking down old attitude & behaviour, custom & traditions so that they can start clean slate and willing to change.

→ This can be achieved by making announcement and holding meetings throughout the Org.

B) Changing to the new situation

- Once the unfreezing process is completed and the members of org. recognise the need for change and have been fully prepared to accept such change, their behavior patterns needs to be redefined.

- H.C. Kellman has proposed three methods for reassigning new patterns of behaviour.

1) Compliance
   - It is achieved by strictly enforcing the reward and punishment strategy for good and bad behaviour.
   - Fear of punishment, actual punishment or actual reward seems to change behaviour for the better.

2) Identification
   - It occurs when members are pyschologically impressed upon to identify themselves with some give role models whose behaviour they would like to adopt and try to become like them.

3) Internalization

- It involves some internal changing of individual's though process in order to adjust to the changes introduced. They have given freedom to learn and adopt new behaviour in order to succeed in the new set of circumstances.

c) Refreezing

→ It occurs when new behaviour pattern becomes way of life.

→ New behaviour must replace former behaviour completely and permanently.

→ Change process is not one time process but a continuous one due to dynamism and ever-changing environment.

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'.

- It is a fundamental adjustment that can be challenging to identify and even more challenging to implement.

- Change Mgt. in the digital transition consist of four essential elements:-

1) Defining the goals and objectives of the transformation

2) Assessing the current state of org. 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 org.

Change Management Strategies for Digital Transformation

A) Begin at the top

- A focused, invested, united leadership that is on the same page about the Co.'s future is reflected in change that begins at the top.

- The culture that will motivate the rest of the org. to accept change can only be generated and promoted in this way.

B) Ensure that change is both desired and necessary

- The fact that decision makers are unaware of how to properly handle a digital transformation and the effect it will have on firm is one of the main causes of this.

- If a corporation doesn't have a sound strategy in place, introducing too much too fast can frequently become a major issue down the road.

c) Reduce disruptions

- Employee preception of what is required or desirable change can differ by department, rank or performance history.

- It is crucial to lessen how changes affect staff.

- The introduction of new tactics or technologies intended to improve management corporate operations causes employees concern about change.

D) Encourage Communication

- Create channels so that workers may contact you with queries or complaints.

- Encourage departmental collaboration to generate ideas and innovations as new procedures take root.

5) Recognize that change is the norm, not the exception

- To stay updated in the market with customers, we need to remember change is not a project but rather an ongoing process.

- They must prepare for change in advance and accept them.

How to manage change during transformation?

1) Specify the digital transformation aim & objective.

2) Always communicate

3) Be Ready for Resistance

4) Implement change gradually

5) Offer Assistance & Training

Thank You

UDESH REGULAR

FOR GROUP-2, MAY 2024

- Subject- Strategic Management
- Chapter- Strategic Implementation And Evaluation
- Lecture No.- 3

Recap of Previous Lecture

Topic

Doubts Solving

Topics to be Covered

Topic — Concept & Questions

Organisational Framework

→ The McKinsey 7s Model refers to tool that analyses a company's organisational design.

→ The goal of these tools is to depict how effectiveness can be achieved in an org. through interaction of hard and soft elements.

→ Hard Elements or Hard Ss

A) Strategy

- The direction of org. is a blueprint to build on a core competency and achieve competitive advantage to drive margins and lead the industry.

B) Structure

- Depending on the availability of resources and the degree of centralization or de-centralization that the management desires, it chooses from the available alternatives.

c) System

- The development of daily tasks, operations and teams to execute the goals and objectives in the most efficient and effective manner.

Soft Elements or Soft S's

A) Shared Values

- The core values which get reflected within the org. culture or influence the code of ethics of org.

B) Style

- This depicts the leadership style and how it influences the strategic decisions of org. It also involves around people motivation and org. delivery of goals.

C) Staff

- The talent pool of org.

D) Skills

- The core competencies or the key skills of employee play a vital role in defining the success of org.

Limitations of McKinsey Model

- It ignores the importance of the external environment and depicts only the elements within the org.
- The model doesn't explain the concept of org. effectiveness or performance.
- The model is considered to be more static and less flexible.
- It is criticized for missing out the real gap's in conceptualization and execution of strategy.

Organisation Structure

→ It is the company's formal configuration of its intended roles, procedures, governance mechanisms, authority and decision-making process.

→ In order to implement and manage strategies, all Co. need some form of org. structure.

→ As Co. make new strategies, increase in size, diversification, new org. structures are required.

→ It shows what Co. do, how tasks are done given chosen strategy.

→ Co.'s structure should match with Co.'s strategy.

→ Structure can influence strategy.

Types of Org. Structure

1) Simple Structure

Owner / Manager

- Salesperson
- Clients
- Production

→ It is most appropriate for companies that follow a single business strategy and offer a line of product in a single geographical market.

→ Appropriate for Co. implementing focussed cost leadership or focussed strategies.

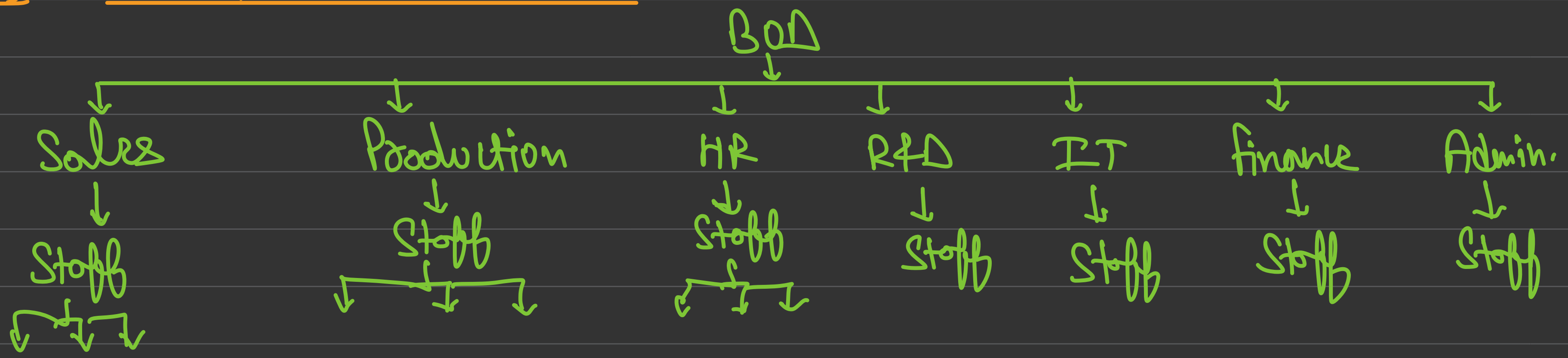
→ In this owner takes all decisions and monitors all the activities of staff.

→ In this, communication is fast and new products tend to be introduced very quickly which can lead to competitive advantage.

→ When the Co. grows and it wishes to do Specialization there will be pressure on owner-managers (due to lack of skills, experience & time).

→ Thus, it is incumbent on the Co. manager to recognise the inadequacies or inefficiencies of the simple structure and change it to one that is more consistent with Co. strategy.

2) Functional Structure



→ A widely used structure in business because it is simple and low cost.

→ It also promotes specialization of labour, encourages efficiency, minimize the need for an elaborate control system and allow rapid decision making.

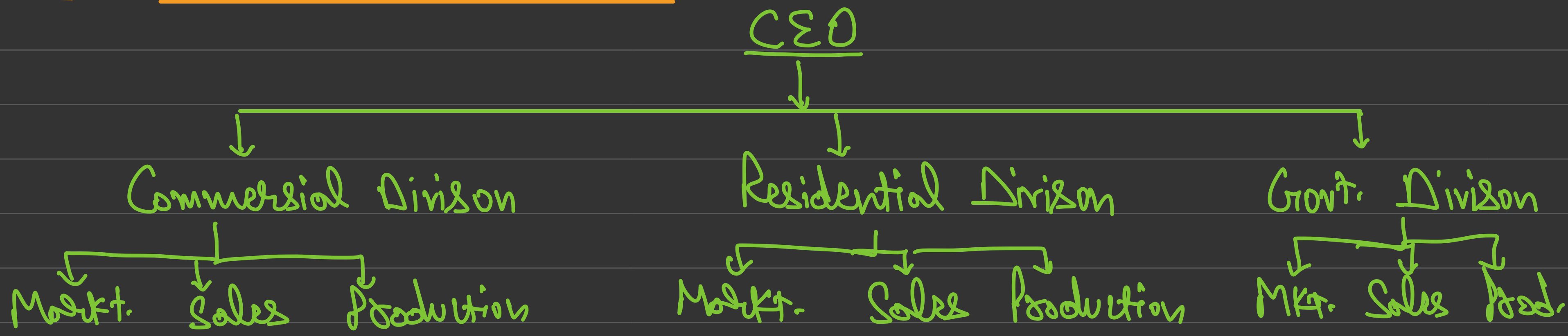
→ It consist of CEO or MD and supported by corporate staff with functional line managers such as production, financial accounting, R&D etc.

→ It enables the Co. to overcome the growth related constraints of simple structure.

→ There are some potential problems:-

- Differences in functional specialization and orientation may impede communication & coordination.
- Functional specialities often may develop a narrow perspective, loosing sight of the Co.'s vision and mission.

3) Divisional Structure



→ The divisional structure can be organised in one of the four ways :- by geographic area, by product or service, by customer or by process.

→ Advantages:-

ⓐ Accountability is clear

ⓑ It creates career development opportunities for managers, allow local control of local situations, lead to Competitive climate within Org..

→ Disadvantages:-

ⓐ It is costly due to following factors

- Each division requires functional specialists who must be paid.
- There exist duplication of staff service, facilities and personnel.
- Managers must be qualified which require higher salaries.
- It requires an elaborate, headquarter-driven control system.
- Certain region or products or customer may sometime require special treatment.

→ A key difference b/w divisonal & functional structure is that functional dept. are not accountable for profits or revenue, whereas divisonal department are evaluated on these criterias.

4) Multi- Divisonal Structure

→ It was developed in 1920s

→ It is composed on operating divisons where each divison represents a separate business to which top corporate office delegates responsibility for day to day operations and business unit strategy to divison managers.

→ The corporate office is responsible for formulating and implementing overall corporate strategy and manages divisons through strategic and financial controls.

→ In enables firm to more accurately monitor the performance of individual business, simplifying control problems and stimulate managers of poorly performing divisons to seek ways to improve them.

5) Strategic Business Units (SBUs) Structure

→ When number of products becomes huge and it is not practical to provide separate strategic treatment to each product.

→ SBU concept is relevant for multiproduct, multi-business.

→ It is scientific grouping of related business/ divisons which can be placed independently.

→ A SBUs structure consist of at-least three levels:-

a) Corporate headquarter at top.
b) SBUs at the second level.
c) divisons grouped by relatedness within each SBU at the third level.

→ Characteristics of SBU

a) It has its own competitors
b) It has a manager who has responsibility for strategic planning and profit performance.

c) It is a single business or a collection of related business which offer scope for independent planning from other SBUs.

Attributes of SBUs and the benefits a firm may derive by using SBUs structure

- 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.
- Each SBU has a CEO who is responsible for planning and profit.
- Each SBU has its distinct set of competitors & strategy
- Unrelated products in any group are separate and

assigned into separate SBU.

- Grouping based on SBU helps to remove vagueness and confusion.

Thank You

UDESH REGULAR

FOR GROUP-2, MAY 2024

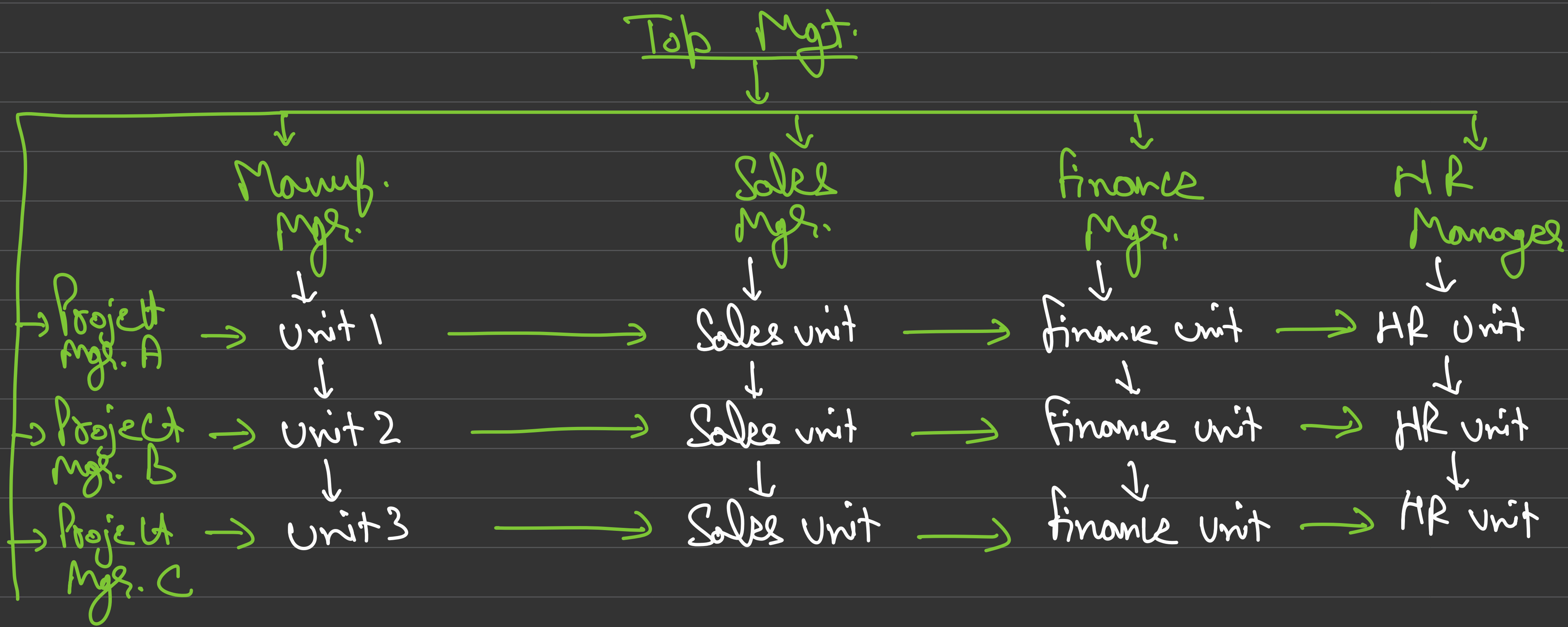
- Subject- Strategic Management
- Chapter- Strategic Implementation and Evaluation
- Lecture No.- 4

Recap of Previous Lecture

Topic Doubts Solving

Topics to be Covered

Topic — Concept & Questions


Top Mgt.
Manuf. Mgr.
Sales Mgr.
Finance Mgr.
HR Manager
Project Mgr. A
Project Mgr. B
Project Mgr. C
Unit 1
Unit 2
Unit 3
Sales unit
Sales unit
Sales unit
Finance unit
Finance unit
Finance unit
HR unit
HR unit
HR unit

F. Matrix Structure

- It is used when neither functional nor divisional forms are appropriate for org.
- It is a combination of functional and divisional structure.
- employees have two superiors i.e., a product/ project manager and functional manager.
- It is the most complex structure since there is both vertical & horizontal flow of authority.
- It has dual sources of reward and punishment, shared authority, dual reporting channel and need for extensive communication, visible results of work etc.
- It results in higher overhead because it has more management positions.

- It is very useful when the external environment is very complex and changeable.

- However there can be produce conflicts revolving around duties, authority, and resource allocation.

- It is widely used in many industries, including construction, healthcare, research and defence.

It is often found in an organization or within an SBU when the following three conditions exist:

i) ideas need to be cross fertilized across projects or products,

ii) resources are scarce, and

iii) abilities to process information and to make decision needs to be improved.

For development of matrix structure Davis and Lawrence, have proposed three distinct phases:

1. **Cross-functional task forces:**

Temporary cross-functional task forces are initially used when a new product line is being introduced. A project manager is in charge as the key horizontal link.

2. **Product/brand management:**

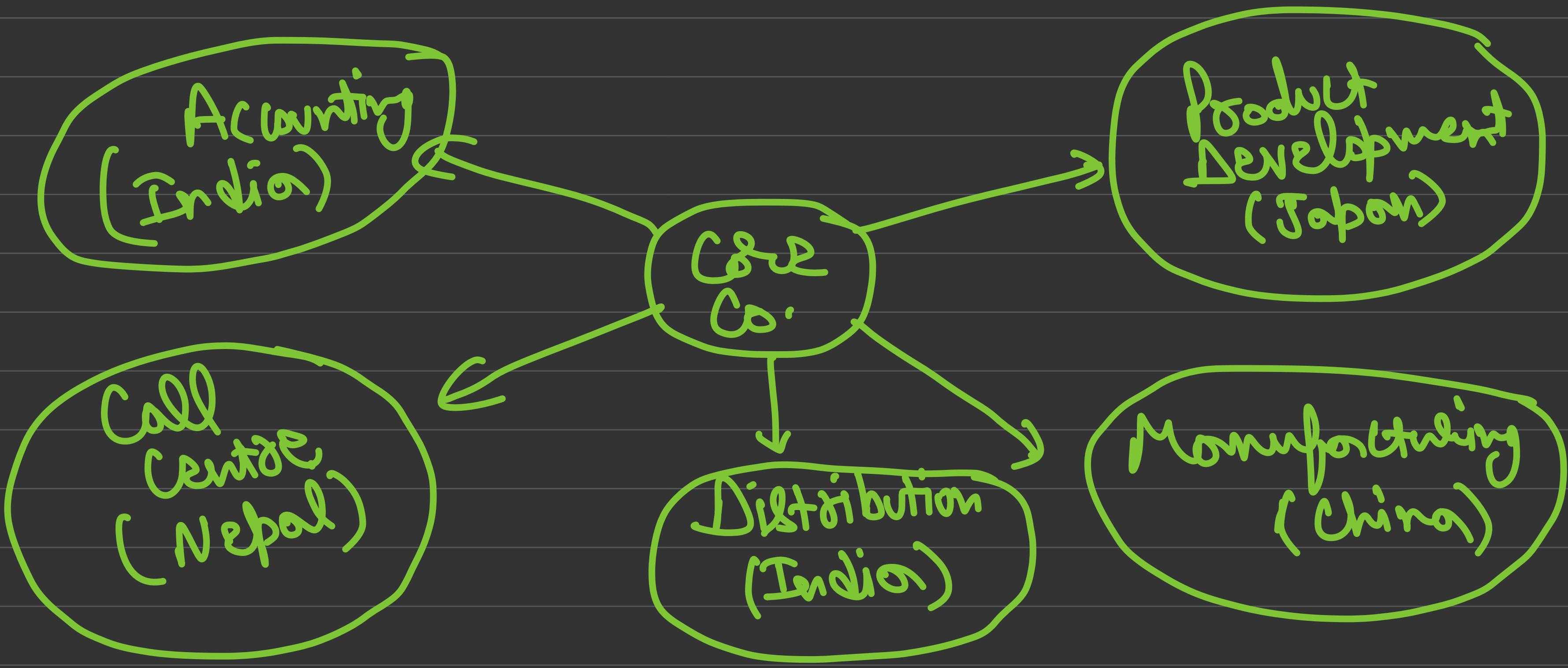
If the cross-functional task forces become more permanent, the project manager becomes a product or brand manager and a second phase begins. In this arrangement, function is still the primary organizational structure, but product or brand managers act as the integrators of semi-permanent products or brands.

For development of matrix structure Davis and Lawrence, have proposed three distinct phases:

3. Mature matrix:

The third and final phase of matrix development involves a true dual-authority structure. Both the functional and product structures are permanent. All employees are connected to both a vertical functional superior and a horizontal product manager. Functional and product managers have equal authority and must work well together to resolve disagreements over resources and priorities.

Network Structure

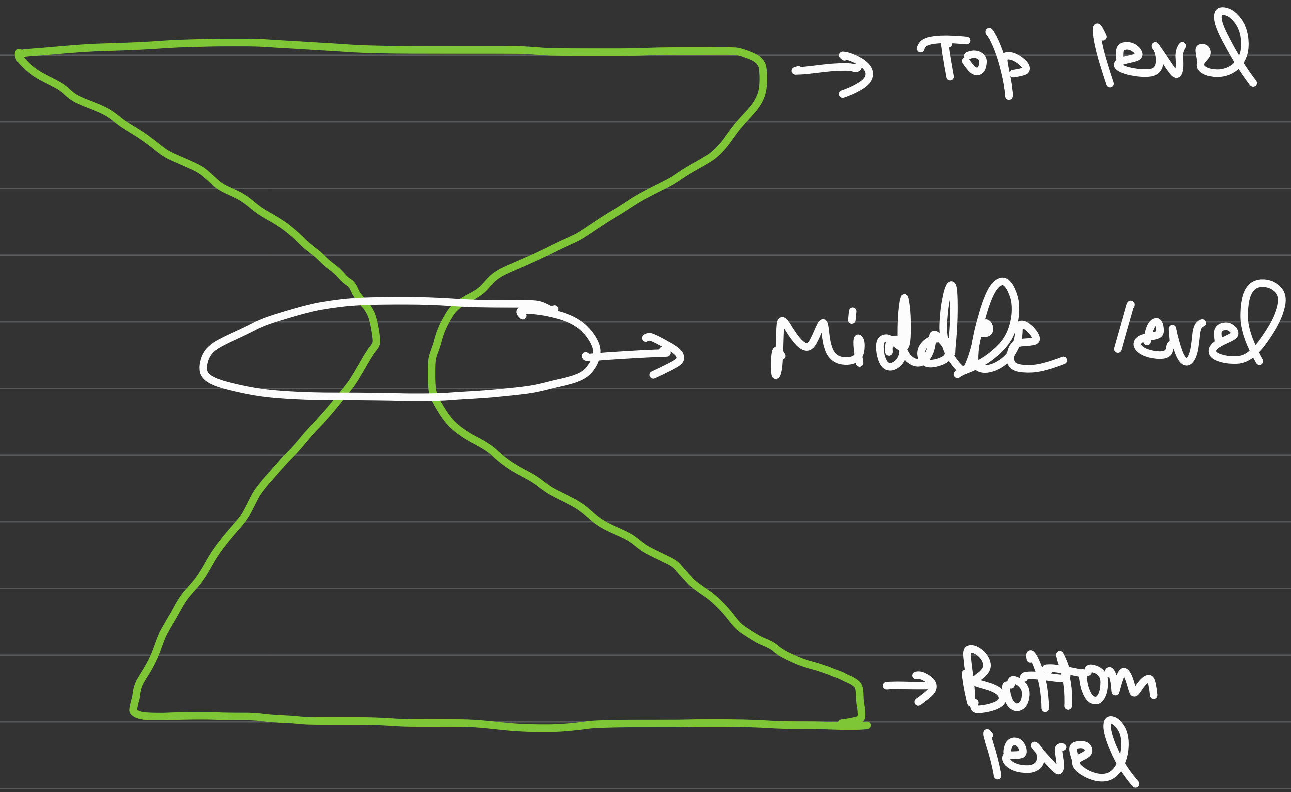


G. Network Structure

- ►A corporation organized in this manner is often called a virtual organization as many activities are outsourced.
- ► It is virtual elimination of inhouse business functions (non-structure).
- ►The network structure becomes most useful when the environment of a firm is unstable and is expected to remain so.
- ► In this there are less salaried employees, and majority are contract workers for specific project or time.
- ► The organization is, in effect, only a shell, with a small headquarters acting as a "broker", electronically connected to some completely owned divisions, partially owned subsidiaries, and other independent organisation.

Advantages	Disadvantages
►Allows a company to concentrate on its own competencies & outsourcing of other functions to experts in their field. ►It provides more flexibility and adaptability to meet/face rapid change in technology, taste and preferences. ►Most useful when environment of a Firm is unstable.	►Availability of numerous partners can be a source of trouble. ►Outsourcing of functions may keep the Firm away from discovering any synergies. ►If a Firm overspecializes in only few functions, there is a risk of choosing the wrong function and thus becoming non-competitive. ►Low employee morale.

Hour Glass Structure



Hourglass Structure

- ►The role played by middle management is diminishing as the tasks performed by them are increasingly being replaced by the technological tools.
- ►It consists of three layers with constricted middle layer. The structure has a short and narrow middle-management level.
- ►In this manager are handling cross functional issues like production, finance, marketing etc.

Advantages	Disadvantages
►Reduced cost due to reduction of middle level management posts. ►Enhanced responsiveness by simplifying decision making. ►Decision making authority is close to source of information, so it's faster.	a) Since size of middle management is reduced, promotion opportunity for lower-level managers is also reduced. b) Lower employee morale at lower level due to monotony.

Organization Culture

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

Where Does Corporate Culture Come From?

It is reflected or manifested comes from:

- Official policies and practices
- Ethical standards
- Management practices
- Dealing with stakeholders i.e, relationship with employees, shareholders, vendors, trade union, Government etc.
- Employee's attitude and behaviour
- Legends people repeat about in organization
- Peer pressure that exists in organization.

Culture: ally or obstacle to strategy execution?

An organization's culture is either an important contributor or an obstacle to successful strategy execution. The beliefs, vision, objectives, and business approaches and practices underpinning a company's strategy may or may not be compatible with its culture.

If compatible than it becomes valuable support and it in conflict than it becomes a blockage.

Role of culture in strategy execution

- Culture dictates not only the way managers behave within the organization but also decisions they take.
- A strong strategy-supportive culture nurtures and motivates people to do their jobs in ways conducive to effective strategy execution; it provides structure, standards, and a value system in which to operate; and it promotes strong employee identification with the company's vision, performance targets, and strategy.
- Employees are motivated to take challenging work to realize company's vision & do their work competently.

Changing a problem culture:

- Changing a problem culture is very difficult because of the heavy anchor of deeply held values and habits-people cling emotionally to the old and familiar.

- It takes combined management efforts over a point of time to replace unhealthy culture with healthy culture or remove unwanted aspects of problem culture and in still those which are more supportive.

- ***first step*** - Diagnose which facets of the present culture are strategy supportive and which are not.

- ***Second step*** - Managers have to talk openly and forthrightly to all concerned about those aspects of the culture that have to be changed.

- ***Third step*** - The talk has to be followed swiftly by visible aggressive action to identify and modify the culture to create right strategy-culture fit.

Strategic Leadership

Strategic leadership sets the firms direction by

- ✓ developing and communicating vision of future,
- ✓ formulate strategies in the light of internal and external environment,
- ✓ brings about changes required to implement strategies and
- ✓ inspire the staff to contribute to strategy execution.

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.

Five leadership roles to play in pushing for good strategy execution:

- Staying on top of what is happening, closely monitoring progress, solving out issues, and learning what obstacles lie in the path of good execution.
- Promoting a culture of esprit de corps (feeling of pride) that mobilizes and energizes organizational members to execute strategy in a competent fashion and perform at a high level.
- Keeping the Organization responsive to changing situation.
- Exercising ethical leadership and insisting that the company conduct its affairs like a model corporate citizen.
- Pushing corrective actions to improve strategy execution and performance.

Leadership role in implementation:

- The strategic leaders must be able to use the strategic management process effectively by guiding the company in ways that result in the formation of strategic intent and strategic mission, facilitating the development and implementation of appropriate strategic plans and providing guidance to the employees for achieving strategic goals.
- Effective strategic leaders must be able to deal with the diverse and cognitively complex competitive situations that are characteristic of today's competitive landscape.

A Strategic leader has several responsibilities, including the following:

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

Transformational leadership style Modi Ji	Transactional leadership style Hitler Ji
- It uses charisma and enthusiasm to inspire people to work for good of Organization. It is appropriate ► in turbulent/ unsafe environment or ► in industries at start or end of PLC or ► In poorly performing organization.	- It focuses on design system and controlling organisation activity. It is more appropriate ► in static environment, or ► in mature industry; or ► in organizations that are performing well.

Transformational leadership style	Transactional leadership style
- These leaders inspire employees by offering excitement, vision, intellectual stimulation and personal satisfaction. - They motivate followers to do more than expectation by increasing their self confidence.	- It uses the authority of its office to exchange reward and punishment. - They prefer a more formalized approach to motivation, setting clear goals with explicit rewards or penalties for achievement or non-achievement.

Strategic Control

- It involves monitoring the activity, measuring results against predefined standards, analysing & correcting deviation as necessary & adapting the system.

- It is a function intended to regulate & check and ensure that performance of planned activities achieve pre-determined goals.

Primarily there are three types of organizational control, viz., operational control, management control and strategic control.

Operational Control

- It is concerned with individual task or transaction as against total management functions.

- One of the ways to identify operational control area is there should be clear cut & measurable relationship between input & output.

- It ensures that processes are regulated within certain 'tolerances' limit.

- **Examples:** Stock control (maintaining stocks between set limits), Production control (manufacturing to set programmes), Quality control (keeping product quality between agreed limits), Cost control (maintaining expenditure as per standards), Budgetary control (keeping performance to budget)

Management Control

- It is concerned with integrated activities of a complete department, division or even organization.

- It is more aggregative & inclusive than operational control.

- It is a process by which management ensure that resources obtained are used effectively and efficiently to achieve objectives.

- **Example:** Inventory management

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."

- It is directed towards identifying problems and changes in premises and making necessary adjustments.

Thank You

UDESH REGULAR

FOR GROUP-2, MAY 2024

- Subject- Strategic Management
- Chapter- Strategic Implementation and Evaluation
- Lecture No.- 5

Recap of Previous Lecture

Topic: Doubts Solving

Topics to be Covered

Topic Concept & Questions

Strategic Control

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- One of the ways to identify operational control area is there should be clear cut & measurable relationship between input & output.

- It ensures that processes are regulated within certain 'tolerances' limit.

- **Examples:** Stock control (maintaining stocks between set limits), Production control (manufacturing to set programmes), Quality control (keeping product quality between agreed limits), Cost control (maintaining expenditure as per standards), Budgetary control (keeping performance to budget)

Management Control

- It is concerned with integrated activities of a complete department, division or even organization.

- It is more aggregative & inclusive than operational control.

- It is a process by which management ensure that resources obtained are used effectively and efficiently to achieve objectives.

- **Example:** Inventory management

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."

- It is directed towards identifying problems and changes in premises and making necessary adjustments.

Assumptions

Types of Strategic Control

A) Premise Control

- Strategies are based on certain assumptions or premises with related to environment in which they operate. Such premises may not remain valid over a period of time.

- It is a tool for 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:

(i) Environmental factors such as economic (inflation, liquidity, interest rates), technology, social and legal-regulatory.

(ii) Industry factors such as competitors, suppliers, substitutes.

- It is neither feasible nor desirable to control all types of premises in same manner.

B) Strategic ~~Control~~ Survellience

- It is unfocussed and involves general monitoring of environment & various sources of information like financial newspaper business magazines etc. to uncover unanticipated information which may affect the strategy. Known as loose form of strategic control.

- Strategic surveillance may be loose form of strategic control but is capable of uncovering information relevant to the strategy.

c) Special Alert Control

- Unexpected events like natural calamity, terrorist attack, change in government & other such events may force an organization to review & reconsider their strategy.
- To cope up with such crisis, organizations form a crisis team to handle the situation.

D Implementation Control

- It assesses need for change in overall strategy as per unfolding events & results of strategy.

- It is not replacement of operational controls.

- Unlike operational control, it continuously monitors the basic direction of the strategy.

The two basic forms of implementation control are:

(i) Monitoring strategic thrusts: Monitoring strategic thrusts helps managers to determine whether the overall strategy is progressing as desired or whether there is need for readjustments.

(ii) Milestone Reviews: All key activities necessary to implement strategy are segregated in terms of time, events or major resource allocation. It normally involves a complete reassessment of the strategy.

Strategic Performance Measures (SPMs)

- SPM is a method that increases line executives' understanding of an organization's strategic goals and offers a continuous system for tracking progress towards these objectives using clear-cut performance measurements.

- SPM helps to eliminate silos (communication gaps) by establishing a common language among all divisions of the organisation.

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

Strategic Performance Measures (SPMs)

- Key performance measures and indicators must be created, selected, combined into reports and acted upon so that strategy implementation can have tangible outcomes.
- Firstly, there needs to be a clear cause and effect relationship between the indicators and strategic outcomes.
- Secondly, KPIs (Key Performance Indicators) need to be carefully chosen because they will influence the behaviour of people within the organisation.

Type of Strategic Performance Measures (SPMs)

A) Financial Measures

- Such as revenue growth, return on investment (ROI), and profit margins, provide an understanding of the organization's financial performance and its ability to generate profit.

b) Customer Satisfaction Measures

- Such as customer satisfaction, customer retention, and customer loyalty, provide insight into the organization's ability to meet customer needs and provide high-quality products and services.

Type of Strategic Performance Measures (SPMs)

c) Market Measures

- Such as market share, customer acquisition, and customer referrals, provide information about the organization's competitiveness in the marketplace and its ability to attract and retain customers.

D) Employee Measures

- Such as employee satisfaction, turnover rate, and employee engagement, provide insight into the organization's ability to attract and retain talented employees and create a positive work environment.

Type of Strategic Performance Measures (SPMs)

E) Innovation Measures

- Such as research and development (R&D) spending, patent applications, and new product launches, provide insight into the organization's ability to innovate and create new products and services that meet customer needs.

F) Environmental Measures

- Such as energy consumption, waste reduction, and carbon emissions, provide insight into the organization's impact on the environment and its efforts to operate in a sustainable manner.

Importance of Strategic Performance Measures (SPMs)

A) Goal Alignment

- SPMs help organizations align their strategies with their goals and objectives, ensuring that they are on track to achieve their desired outcomes.

B) Resource Allocation

- SPMs provide organizations with the information they need to make informed decisions about resource allocation, enabling them to prioritize their efforts and allocate resources to the areas that will have the greatest impact on their performance.

Importance of Strategic Performance Measures (SPMs)

c) Continuous Improvement

- SPMs provide organizations with a framework for continuous improvement, enabling them to track their progress and make adjustments to improve their performance over time.

D) External Accountability

- SPMs help organizations demonstrate accountability to stakeholders, including shareholders, customers, and regulatory bodies, by providing a clear and transparent picture of their performance.

Choosing the right Strategic Performance Measures (SPMs)

A) Relevance

- The measure should be relevant to the organization's goals and objectives and provide information that is actionable and meaningful.

B) Data Availability

- The measure should be based on data that is readily available and can be collected and analysed in a timely manner.

Choosing the right Strategic Performance Measures (SPMs)

c) Data Quality

- The measure should be based on high-quality data that is accurate and reliable.

d) Data Timeliness

- The measure should be based on data that is current and up-to-date, enabling organizations to make informed decisions in a timely manner.

Thank You