INTRODUCTION TO STRATEGIC MANAGMENT

→ Father of Managment is Peter F. Drucker
→ Getting things done through others
→ optimum utilization of resources of Strategic Managment
- Men
- Machine
- Material
- Money
- Methods.

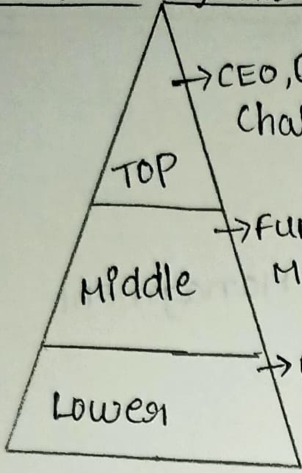
→ Managment is both science & Art.
→ functions of Managment [POSDCO]
- Planning
- organizing
- staffing
- Directing
- co-ordination
- Reporting
- Budgeting
- communication
- control.

Planning:- Defining future course of Action.

⇒ Strategy :- plan [eg: Defeating competitors].
* ways to win over enemy.
* Long Range blue print of an organization.
* Game plan.
* Achieveing Goals.
* competitive Advantage
* customer satisfaction.

Frame work of Strategic Managment (FWSM) :-
→ Strategic Analysis
→ Strategic planning
→ Strategic Formation
→ Strategic Implementation
→ strategic control.

Hirarcy of organization:-



→ CEO, CFO, BOD, MD, Chairman, ...

→ Functional Managers

→ Executives.

Top - Down communication

orders & Instruction

Bottom - up flow of comm.

Reports & Feedback.

Crosswise

Lateral

Same level.

Competative Advantage:-

→ one of the objective of strategic Managment.

→ Gaining Advantage over the competitors

→ It can be gained by developing core competences by the firm.

↓

→ uniqui stregths of the company that cannot be shared with others.

→ It can be achieved by two ways

(a) To be a low cost provider

(b) To be unique in the market.

01. INTRODUCTION TO STRATEGIC MANAGMENT :

Topics covered/teached in this chapter:-

1) Business policy
2) Meaning of strategy
3) • Meaning of SM
   • objectives of SM
4) Advantages & Disadvantages of SM
5) Strategic levels
6) vision
7) Mission
8) objective.

Business policy

- **History**
  - → 1911, Havard B. School
  - → course for MGMT Students
- **Meaning**
  - → Roles & Responsibilities of senior MGMT
  - → It deals with crucial Problems
  - → Provides Directions to the firm
- **Importance**

Strategy

- **Pro-active**
  - → Planned Strategy
  - → predetermined manner
- **Re-Active**
  - → Adopting to change in conditions

Partly pro-active & Partly Re-active

Strategic levels

- **Corporate level**
  - → CEO, CFO, BOD, etc.,
  - → Setting Goals
  - → policy creation
  - → procurment & allocation of resources
  - → Developing vision, Mission
  - → Deciding what bussiness companies have to do
  - → Scope of operations
  - • For whole organization
- **Business level**
  - → General Managers
  - → Particular business unit
  - → To make corporate level strategies practically feasable.
- **Functional level**
  - → Functional Mangers
  - → particular department only
  - → To make corporate & Business level strategies practically feasable for every department

Strategic Managment :-

process

Develop vision & Mision → Setting objectives → Crafting a strategy → Implementing & Evaluating the straterogy → Taking corrective adjustments

- Vision → Goal
- Mision → Existence / purpose
- Setting objectives → Target

• It is a manegerical process of developing vision & Mission, setting objectives, crafting the strategy, Implementing & Evaluating straterogy, and then taking corrective adjustments which are deemed appropriate over period of time.

• **Objective of SM:-**

1) To create competative advantage over the competitor to dominate the Market.
2) To guide the company through all changes in the environment.

Advantages of SM:-

→ It provides directions to the firm
→ It helps the firm to be proactive rathan then being reactive.
→ It provides frame work for decision making.
→ It acts as a pathfinder.
→ It acts as a corporate defensive mechanism agamist mistakes & pitfalls.
→ It helps to enhance logevity of the business.
→ It helps to develop competative advantage & core competencies.

Limitations of SM:

→ Enivornment is complex.
→ It is a time consuming process
→ It is a costly process.
→ uncertainty

Strategic Inten

Vision | Mission | objective | Value system.

→ It refers to the process of what organization strives for
→ It gives an idea what organisation desire to attein in future
→ It provides a frame work within which organization adopt a predetermined direction.

For corporate level → vision & Mission

For Business Level → Business defination &
→ Business Model.

Elements of Intent:

1) vission
2) Mission
3) objective
4) value system

Vision :- Road Map of companies future

It provides specifics about Technology, customer focus, Geography & product markets to pursued, and kind of company managment is trying to create.

Mission: present Business scope of company:

(i) who weare?
(ii) what we do?

It also describes activities, capabilities, customer focus & Business make up.

Objectives: Performanee targets i.e, the resuts & out comes company wants to acheive. They act as Yardstick to measure performance & process.
↳ Measuring stool

characteristics of objective:

→ They shoulde define organizations Relationship with its environment
→ They should facilitate acheviement of vision & Mission
→ They provide basis for decision making.
→ They provide basis for performence appraisal.
→ They should be concrete & specific
→ They should relates to a time frame
→ They should be measurable & controllable.
→ They should be challanging.
→ They should correlate with each other
→ They should be set within constrians.

2. STRATEGIC ANALYSIS - EXTERNAL ENVIRONMENT.

→ This is the first step in strategic Management.

→ This chapter contains

- Strategic Analysis
- Business Environment (Macro)
- Product & Industry
- Market & Customer
- Competitive Strategy

Business Environment

Internal Environment

→ within the organization;

- strengths
- weakness

External Environment

→ components that exists out side of organization;

- opportunities
- threats.

Micro

→ Immediate environment

→ Direct & Regular impact

→ To some extent controllable

→ Firm specific

Macro

→ Remote Environment

→ Indirect impact

→ Beyond the control

→ general environment

Components:-

→ customers/consumers

→ competitions

→ organizations

→ Market

→ Suppliers

→ Intermediaries

→ Demographic

→ Economic

→ political & legal

→ socio-cultural

→ Technological

→ Global

Global Environment:-

→ Gobalization:

Integrating the world into one single market. This integration calls for removal of Trade & Traffic barriers. Even, political & Geographysical barriers are irrelavent.

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Gobal company: operating in more than one country

Eg: MNC, TNC, etc.,

Charateristics of Gobal company:-

* conglamerate of multiple units but all linked through a common ownership.
* units share common pool of resources.
* units will respond to some common stralegies

Product life cycle (PLC):

Introduction:

→ At this stage sales are at lower end, due to lack of consumer awarness

→ prices are relatively high

→ competition is almost negliable and

→ Availibty of the product will be in limited markets.

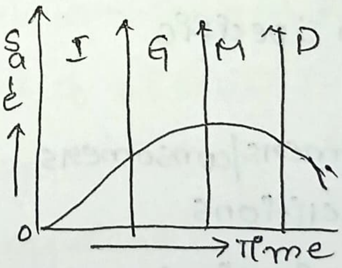
Growth:

→ At this stage sales have increased due to consumer awarness.

→ prices have decreased

→ competition strats

→ Markets will expand.



Maturity:

→ Due to intense competition profit margins will come dow & company prefers to main stability straterggy for its products.

Decline:

→ At this stage there is sharp fall of sales due to introduction of new products in the markets. Here company prefers to maintain retrenchment & Diversification strategies.

Value change Analysis:

SCM (supply change Managment):-

→ Point of origin to point of cunsumption.

VCA:

→ one of the key aspect of VCA is recognising that organizations are much more than random collection of resources. There is no use of these resources unless there are arranged into systems & rountines.

→ It also describes about activities that occur within & around of an organization.

Primary Activities

→ Inbound Logistics
- It includes collecting, storing & distributing the inputs

→ operations
- Involves conversion of inputs into outputs.

→ outbound Logistic
- collecting, Storing & Distribution of output.

→ Markeing & sales
- It is a means of creating awarness about products & services.

→ services
- It includes all post sale services [Installations, spares, warranty, etc]

Support Activities.

→ procurement
- It is a process of acquring resources for primary activities.

→ Technological Development
- All primary activities are connected to technology know how.

→ Human resource Managment
- It involves recruting, training & managing employees in the organization.

→ Firm infrastructure.
- It includes Planning, finance, quality control & information managment.

Experience curve:-

→ It is based on common experience that avg cost per unit declines as the firm increase volume of production

→ It is similar to learning curve which explains efficiency gained by workers through repetative productive work.

Competative landscape:

→ In depth investigation of competitors

→ It is a business analysis to study direct & indirect competitors.

→ It requires an application called competative intellegnce.

Steps :-

1) Identifying the competitors

who are the competitors ?

2) understanding the competitors

what are their product & services ?

3) Determine their strengths

→ what are their financial position ?

→ what gives them cost & price advantage ?

→ what are they likely to do next ?

→ How strong is there distribution network ?

→ what are the human resoures strength ?

4) Determine their weakness

where are they lacking

5) putting all information together.

Types of Mergers : (It need to be after conglomerate Diversification)

→ Horizontal Merger : Same industry → Direct competitor
Eg: Idea & Vodaphone

→ Vertical Merger : Same Industry → operating at different stages of Production & distrubiton system
Eg:-

→ Cogeneric Merger → Diferent instury → conneted to one & another in any way
Eg:- washing Machine & Detergent.

→ Conglomerate Merger → Different industry → No connection
Eg:- Tatasky