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STRATEGIC MANAGEMENT

Super Revision Chart Book

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1 Introduction to Strategic Management

Definition of Strategic Management

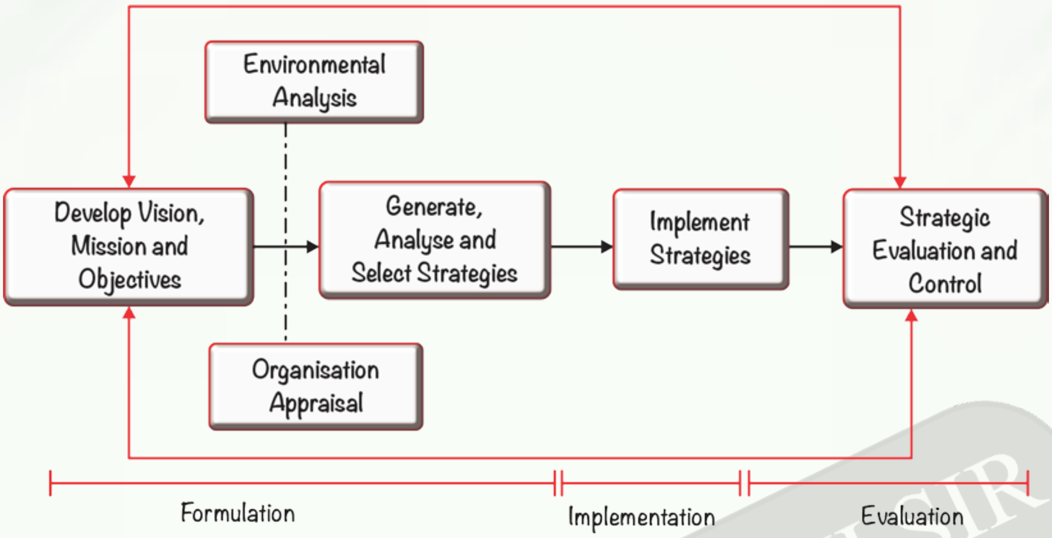


Figure: Strategic Management Model (Fred R (David)

Def-1 :- Set of activities that firm managers undertake to put their firms in best possible position to compete successfully in market place

Def-2 :- Dynamic process of formulation, implementation, evaluation and control of strategies to release the organization's strategic intent

Strategic Management

→ Strategy
→ Management

Management as Key-Group

- Key group in a organisation
- chief organ entrusted with task of making organisation a purposeful and productive entity
- Integrating the disorganised resources of
  - Manpower
  - Money
  - Material
  - Technology

  } Which are completed in functional whole
- Systematically mobilises and utilizes diverse resource efficiently & effectively
- Facilitate organizational change and adoption for effective interaction with the environment

Management as a Process

- Set of inter-related functions & process

Functions Include

Planning Organising Staffing Direction Control

Wide Range of Management Function

- Determination of goal
- Design of the organisation
- Mobilization & acquistion of resources
- Installation of control system
- Allocation of tasks & resource

Influcing process Backed by

Power Competence Knowledge Resource

Concept of Strategy

Comes from Greek word strategies

Stratos — Army

Agos — Leader

Strategy

Context to business :– Respond to dynamic and often hostile external forces while pursuing their vision, mission and ultimate objectives

Idea of Business :– Unravel complexity and to reduce uncertainty caused by changes int the environment

Game Plan : Game Plan that management of business uses

- To take market position
- Conduct it's operations
- Attract and satisfy customers
- Complete successfully
- Achieve Organisation Objectives

Blue Print

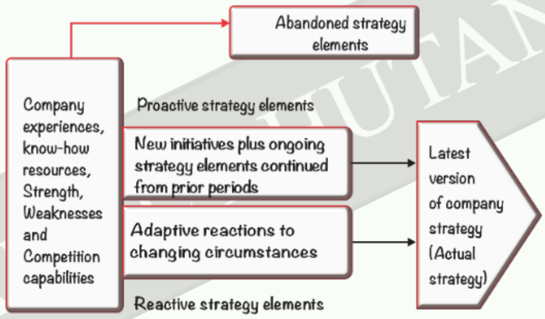
As a long range blueprint of an organisation

- Desired Image (What it wants to be)
- Direction (What it wants to do, how it wants to do things)
- Destination (Where it wants to go)

Strategy Precides integral Framework to

Evaluate & exploit Beneficial opportunities	Perceive and Heel Potential threat & crisis	Make full use of resources & strengths	Offset corporate weakness
Opportunities	Threats	Strength	Strength

- **Strategy is partly Proactive & Partly reactive**
  - **Proactive :** Part of managers to improve company's market position and financial performance
  - **Reactive :–** Unanticipated development & fresh market conditions in dynamic business environment



Stick together
- Proactive based on prior experience
- Reactive based on circumstance surrounding

- Strategy helps unravel complexity reduce uncertainty caused by change in the environment.

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

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

Importance of strategic Management

Limitation of Strategic Management


Complex and Turbulent Environment


Time-consuming Process


Costly Process


Difficult to estimate competitor's response

Strategic Intent (Vision, Mission, Goals, Objectives and Values)

Strategic -Intent → Why they wont to do ?

- Clarity in strategic Intent is extremely important for future success & growth
- Philosphical base of Strategic Management
- Purpose which an organization endeavour to achieve
- Perspective– which leads the organisation, reach its vision in the long reason

What is strategy Intent?

- Framework within which firm would adopt a predetermine direction and would operate to achieve strategic objectives
- Indicates the long term designed market position
- Could be in form of vision & mission at corporate level
- Business definition & Business market at business level

Vision

- Blueprint of company's future position
- Describle where organisation wants to land
- Organisation Aspirations
- Every sub-system required to follows org.vision

Mission

- Describe firm's business goals & way to reach the goals
- Reason for the existence
- Purpose of the firm
- What business the firm undertakes
- Define present capabilities, activities customer focus & role in Society

Goals & Objectives

End results which are to be attained with help of overall plan over the particular period

- End results which companies want to achieve
- Time based measurable targets, which helps in accomplement of goals

Value

- Deep routed principles which guide oranisation's decision and action
- Can never be compromised either for Convinience or short-term economic gain
- By HP way- Source of company's Distinctivements and must be maintained al all costs
- By Collins Porras:- Briefly define core value as being inherent and sacrosanct (to be not in interfered)

Vision

- **Top management view** about company's Direction and product customer- market technology focus
- **Panoramic View**– "where we are to go"
- Convincing rationale why this business makes good sense reasons
- Communicates Management Aspirations
- Points out a particular Direction

Essential of Vision

- Think Creatively about how to prepare a company for the future.
- It is an exercise in intelligent entrepreneurship.
- Create Enthusiasm among members of the organization.
- Clearly illuminates the direction in which the organization is headed.

Mission

"What business are we in" and "What we do

Describes an organisation

Present capability | Customer focus | Activities | Business Makeup

Business Definition outlines the scope and boundaries by identifying:

Identifying:

- Who Its serves (Customers)
- What it offers (Products/Services)
- how it competes (Competencies)

Why should an organization have a Mission?

- Unanimity of Purpose
- Standard for allocating organization's resources
- General tone of organization climate
- **Focal Point** to identify Purpose & Direction
- Specifies organizational purpose
- Translation of goals & objectives in such a way to save **cost, time, and performance parameters**

Useful Points While Writing a Mission Statement

- Give the organization its own typical sets that apart it from other similar companies
- Identify which customers and groups it is targeting
- Define the technologies & competencies it uses and the activities it performs
- Ensure the statement is precise, clear, feasible, distinctive, and motivating

What is our mission? And what business are we in?

The well-known management experts, Peter Drucker and Theodore Levitt were among the first to agitate this issue through their writings. They emphasised that as the first step in the business planning endeavour, every business firm must clarify the corporate mission and define accurately the business the firm is engaged in the firm should raise and answer certain basic questions concerning its business, such as:

- What is our mission?
- What is our ultimate purpose?
- What do we want to become?
- What kind of growth do we seek?
- What business are we in?
- Do we understand our business correctly and define it accurately in its broadest connotation?
- Whom do we intend to serve?
- What human need do we intend to serve through our offer?
- What brings us to this particular business?
- What would be the nature of this business in the future?
- In what business would we like to be in, in the future?

Goals and Objectives

- Goals are open-ended attributes that denote the future state of outcome.
- Objectives are closed-ended attributes which are precise and expressed in specific terms.
- Objectives are more specific and translate the goals into both:
  - Long-term perspective
  - Short-term perspective
- Goals and objectives are sometimes used as synonymous.

Objectives

- Organisation Performance Targets
- Yardstick for tracking an organisation's performance and progress
- Pursuit of Objectives is an unending process
- Provide meaning & sense of direction
- Activities are designed and resources are allocated around the objectives
- Benchmark for guiding organisational activity
- Evaluating how an organisation is performing
- Objectives with Strategic Focus

Strengthen overall business position	Competitive vitality

Objectives, to be meaningful to serve the intended role, must possess the following characteristics:

- Define the organisation's relationship with its environment.
- Facilitative towards achievement of mission and purpose.
- Provide the basis for strategic decision-making.
- Provide standards for performance appraisal.
- Concrete and specific.
- Related to a time frame.
- Measurable and controllable.
- Challenging.
- Different objectives should correlate with each other.

Long-term objectives:

To achieve long-term prosperity, strategic planners commonly establish long-term objectives in seven areas.

1. Profitability
2. Productivity
3. Competitive Position
4. Employee Development
5. Employee Relations
6. Technological Leadership
7. Public Responsibility
8. Time Frame two to five year

Short term objectives

- Identical to long range if already performing at targeted long-term level.
- Differ from long-term objectives when managers are trying to **elevate org. performance** & cannot reach **long-range target** in just one year.
- Steps towards achieving long-term objectives.

Note: - Clearly established objectives offer many benefits. They provide direction, allow synergy, aid in evaluation, establish priorities, reduce uncertainty, minimize conflicts, stimulate exertion, and aid in both the allocation of resources and the design of jobs.

Values

Values

- Integrity
- Trust
- Accountability
- Humility
- Innovation
- Diversity

Why Are Values So Important?

- Sets the tone - how people of the organization think and behave
- Sense of shared purpose
- Focus on longevity of company's success
- Employees work where value resonates
- Consumers prefer companies that reflect their own value system

Value of HDFC Banks

Values

Intent,
Vision,
Mission,
Goals & Objectives

HDFC Bank is committed to maintaining the highest level of ethical standards, professional integrity, corporate governance, and regulatory compliance. HDFC Bank's business philosophy is based on five core values: Operational Excellence, Customer Focus, Product Leadership, People, and Sustainability. (Source: HDFC website)

Strategic Level in Organisations

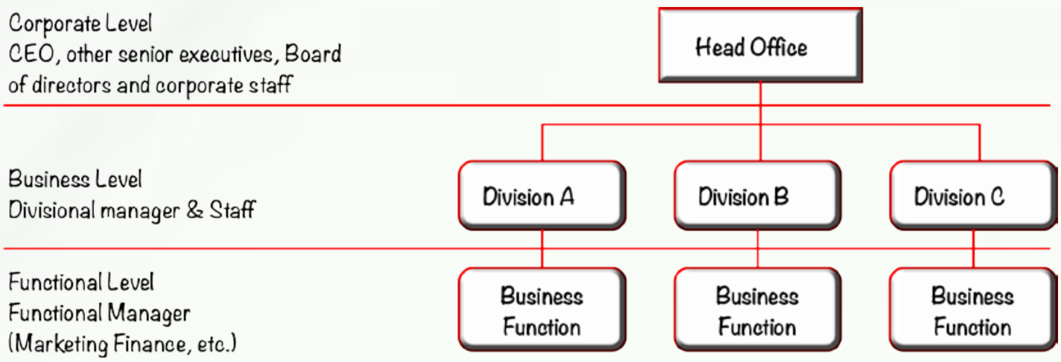
- Large organization is a multi-divisional org that is in several different businesses.

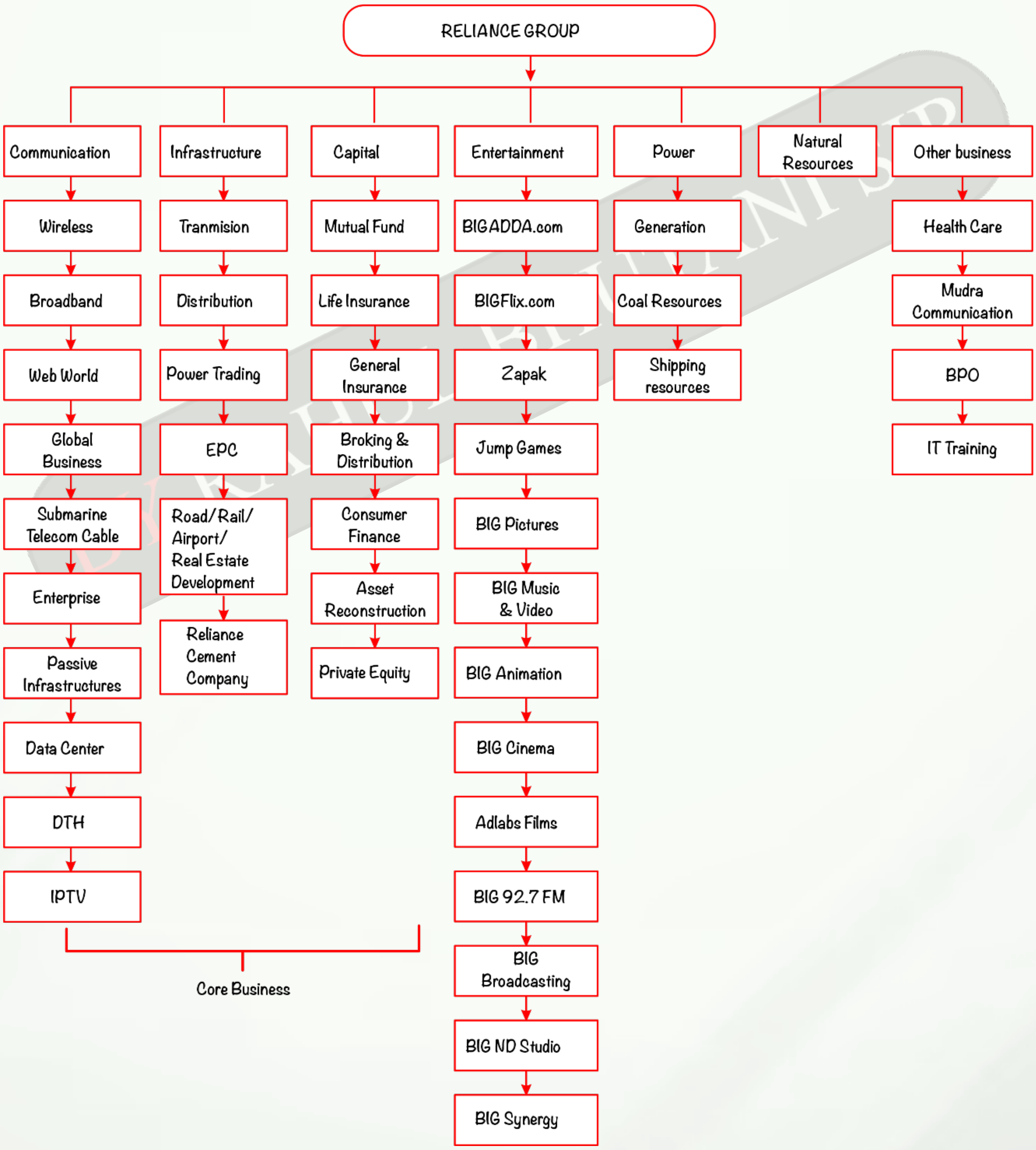
Main Levels of Management

- Corporate Level
- Business Level
- Functional Level

General Managers are found here.

Their strategic roles differ depending on their sphere of responsibility.





What is Strategic Business Unit (SBU)

An organization is divided into a number of segments that work together to bring a particular product or service to the market. If a company provides several and/or different kinds of products or services, it often duplicates these functions and creates a series of self-contained divisions (each of which contain its own set of functions) to manage each different product or service. Such divisions are called Strategic Business Units (SBUs).

- The general managers of these divisions then become responsible for their particular product line.
- The overriding concern of the divisional managers is healthy growth of their divisions.
- They are responsible for deciding how to create a competitive advantage and achieve higher profitability with the resources and capital they have at their disposal.

Corporate Level Management

- CEO & other senior business executives, Board of Directors & Corporate Staff.
- Oversees the development of strategies for the whole organization

Role of Corporate Level Management

- Defining the mission and goals.
- Determining what business, it should be in.
- Allocating resources.
- Formulating & implementing strategies.
- Providing leadership to the whole organization.
- Link between those who oversee strategic development of a firm & shareholders.
- Guardian of shareholders' welfare.

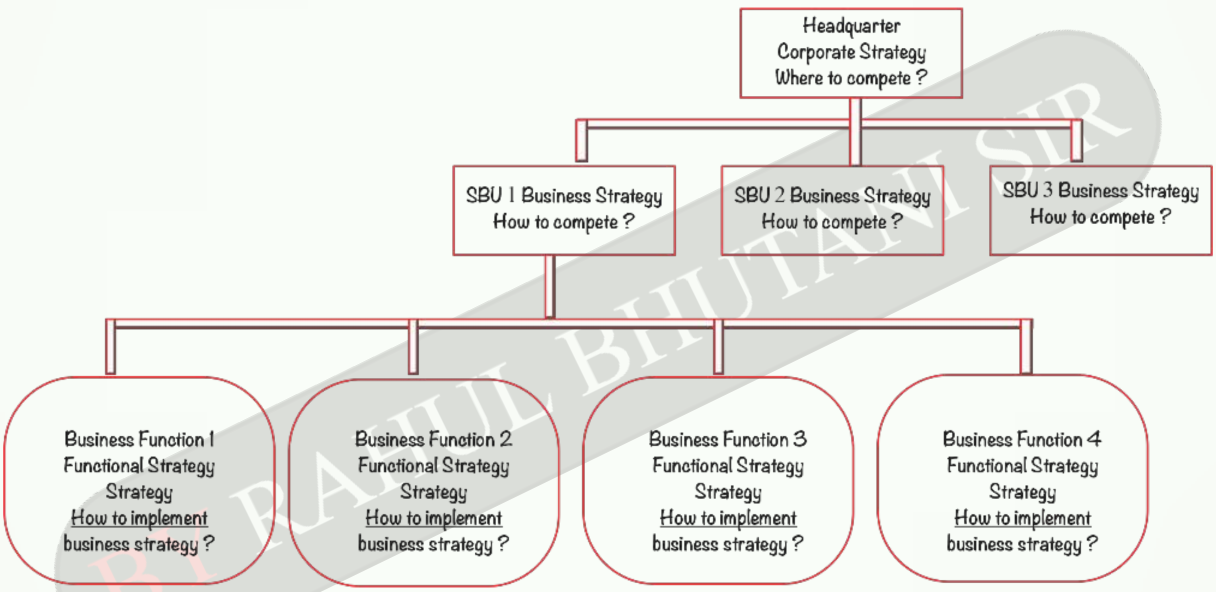
Business Level Managers

- The strategic role of these managers is to translate the general statements of direction and intent that come from the corporate level into concrete strategies for individual businesses.
- Responsibility to develop strategies for competing in the individual business areas, such as financial services.
- Corporate level managers provide an organization-level view of strategy only and what they want to achieve, but it is on the business level managers to ensure that for their particular business, the one they are responsible for.

Functional Level Managers

Functional-level managers are responsible for the specific business functions or operations (human resources, purchasing, product development, customer service, and so on) that constitute a company or one of its divisions.

- Functional manager's sphere of responsibility is confined to one organizational activity.
- They are not responsible for the overall performance of the organization, functional managers nevertheless have a major strategic role: to develop functional strategies in their area that help fulfil the strategic objectives set by business- and corporate-level general managers.
- Functional managers provide most of the information that makes it possible for business and corporate-level general managers to formulate realistic and attainable strategies. Because they are closer to the customer.
- Functional managers themselves may generate important ideas that subsequently may become major strategies for the company. It is important for general managers to listen closely to the ideas of their functional managers.
- An equally great responsibility for managers at the operational level is strategy implementation: the execution of corporate and business-level plans.



Which is better- Top Down Approach or Bottom-Up Approach?

The best approach, whether top-down or bottom-up, depends on the situation and the organization's needs. Here are some things to consider:

Team size: A top-down approach is better for larger teams or organizations with many employees. A bottom-up approach is better for smaller teams or organizations that need to collaborate closely and make decisions quickly.

Project complexity: A top-down approach is better for projects with multiple sub-teams or many different parts. A bottom-up approach is better for projects that involve determining an innovative solution to a problem.

Decision-making: A top-down approach is more efficient for decision-making and execution. A bottom-up approach can take more time because of collaborative decision-making.

Team engagement: A bottom-up approach can lead to higher team engagement and motivation.

Program needs: A bottom-up approach can ensure that programs meet the needs of the staff.

Project management: A top-down approach can be more suitable for developing a structured and uniform project management WBS.

Network or Relationship between three levels

There are 3 major types of networks of relationship between the levels and also amongst the same levels of a business;

- **Functional and Divisional Relationship:**
  - It is an independent relationship, where each function or a division is run independently headed by the function/division head, who is a business level manager, reporting directly to the business head, who is a corporate level manager.
  - Functions maybe like Finance, Human Resources, Marketing, etc. while Divisions may depend on the products like for a toys manufacturer - kids toys, teenager toys, etc. could be divisions.

Horizontal Relationship:

- All positions, from top management to staff-level employees, are in the same hierarchical position.
- It is a flat structure where everyone is considered at same level.
- This leads to openness and transparency in work culture and focused more on idea sharing and innovation.
- This type of relationship between levels is more suitable for startups where the need to share ideas with speed is more desirable.

Matrix Relationship:

- It features a grid-like structure of levels in an organisation, with teams formed with people from various departments that are built for temporary task-based projects.
- This relationship helps manage huge conglomerates with ease where it is nearly impossible to track and manage every single team independently.
- In Matrix relationship - there are more than one business level managers for each functional level teams.
- It is complex for smaller organisations, but extremely useful for large organisations.

2 Strategic Analysis-External Environment

Strategic Analysis:

Importance of Business Environment

Evaluation of Current:

- Vision
- Mission
- Goals
- Strategies

External Analysis → Identify Opportunities, Threats

Analysis

Internal Analysis → Identify Strengths, Weaknesses

Issues to Consider for Strategic Analysis:

Strategy Evolves Over a Period of Time:

- Outcome of everyday decisions
- Influenced by experience
- Updated when results become clear
- Evolves with time

Balance of External and Internal Factors:

- Opportunity
- Influence
- Constraints: kind, degree, volume & significance of impact
- Some are under control, and some are beyond current capabiliti

Risk:

- Balance reduces with the complexity and intermingling of variables
- Identify potential imbalances, risks
- Assess their consequences

Strategic Risks	Time: Short Time	Time: Long Time
External	Errors in interpreting the environment cause strategic failure	Changes in the environment lead to obsolescence of strategy.
Internal	Organizational capacity is unable to cope up with strategic demand.	Inconsistencies with the strategy are developed on account of charges in internal capacities and preferences

Figure : Strategic Risk

Business Environment (External Environment)

- It refers to all:
  - External factors
  - Influences
  - Situations that affect
    - ✓ Business Decisions
    - ✓ Plans
    - ✓ Operations
- Highly dynamic and continuously evolving
- Close and continuous interaction between business and its environment
- Achieve Competitive Advantage
- High performance for survival and growth

Importance of Business Environment

- Determine opportunities and threats
- Given direction of growth
- Continuous Learnings
- Image Building
- Meeting competition

Types of External Environment

Micro Environment

- related to small area or immediate periphery
- Influences organization regularly and directly
- Specific to business
- Affect working on regular and direct basis
- Made up of: suppliers, consumers, competitors, etc.

Macro Environment

- Consist of economic, socio-cultural, technological, political and legal factors
- Classification into components helps organization to cope with its complicity, comprehend the different influences.
- made up of: individuals, teams organization, agencies, etc.

Issues we need to address in micro environment

- Employees of the firm, their characteristics and how they are organised
- Existing customer base on which firm relies for business
- ways in which firm can raise finance
- who are firm's suppliers and how are the links b/w the two?
- The local community within which the firm operates.
- Direct competition and their comparative performance

Elements of Macro Environment

- Demographic Environment
- Technological Environment
- Socio-Culture Environment
- Economic Environment
- Political-Legal Environment

PESTLE Analysis

It encourages mgt. Into proactive and strucured thinking in its decision making

- **Political Factors**: It defines how & to what extent, govt. intervenes in the economy
- **Economic Factors**: It have major impacts on how businesses operate and make decisions
- **Social Factors**: Affects demand for a company's product
- **Technological Factors**: Determine Barriers to entry, minimum efficient production level & influence outsourcing decisions
- **Legal Factors**: Affects, how company. Operates, its costs and demand for its products, case of business.
- **Environmental Factors**: growing awareness to climate change is affecting how companies operate and the products they offer.

Internationalization of Business

- It enables business to enter new markets
- It enables business to achieve greater economies of scale. & extend the lifespan of its products

Characteristics
- Conglomerate of multiple units
- Multiple units draw on a pool of resources.
- Units respond to some common strategy.

Steps:
- Evaluate global opportunities and threats and rate them
- Describe the scope of the firm
- Create firm's objectives
- Develop distinct corporate Strategies.

Why do Businesses Go Global?

- Need to grow
- Rapid shrinking of Time and distance
- Domestic market are no longer adequate.
- Need for cheaper source
- Reduce higher transportation cost
- Generate higher sales & Better cashflow
- Rise of service sector
- Collapse of International Trade Barrier.
- forming Strategic Alliances.

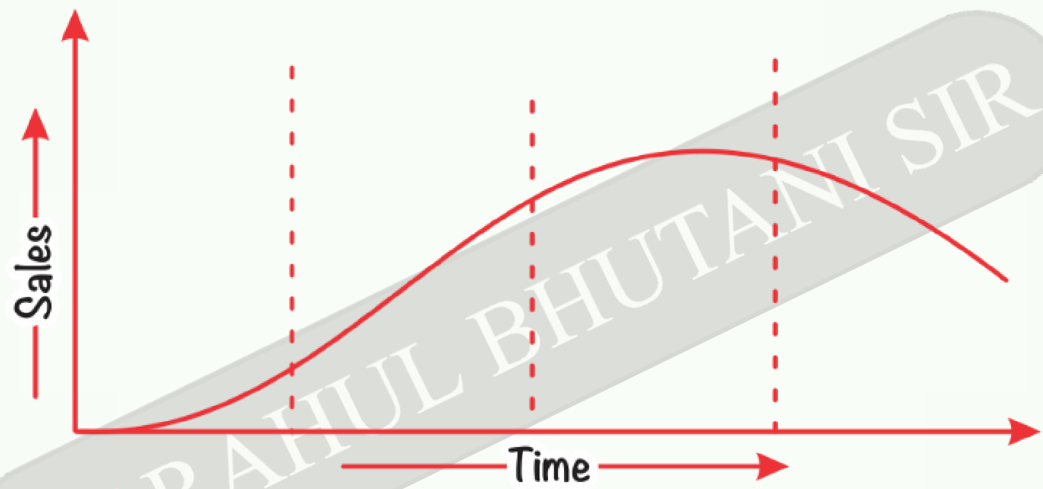
Analysis of International Environment:

- Multinational Environmental analysis.
- Country. Environmental analysis.
- Regional Environmental Analysis.

Understanding Business Products:

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

Product life cycle (PLC)



Introduction

- Competition- negligible
- Markets - Limited
- Prices - relatively high
- Demand- Low

Growth

competition increases
Market - expands
prices- fall
Demand-expands

Maturity

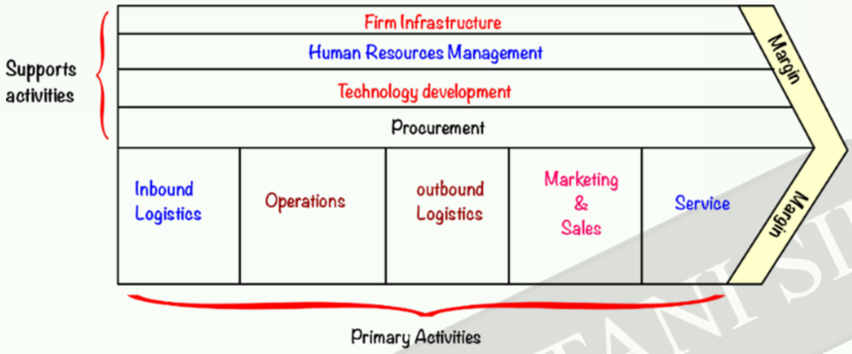
Competition-tough/Stiff
Market - Stabilizes
Prices - comes down
Demand - Stable
↓
To stay in market, maintain Stability

Decline

Competition - intense
Market - saturation
Prices - Lowered
Demand-decreasing
↓
To stay in market, Combinations of Strategies can be implemented like Retirement or Divestment

Value chain Analysis

1. Value creation is an **activity or performance by the firm to create value that increases the worth** of goods, services, business processes or even the whole business system.
2. Ultimately, **this concept gives business a competitive advantage** in the industry and helps them earn above average profits/rectums.
3. Competitive advantage leads to superior profitability. At the most basic level, how profitable a company becomes depends on three factors:
   - The **value customers place** on the company's products;
   - **The price that a company charges** for its products; and
   - The **costs of creating those products**
4. The value customers place on a product reflects the utility they get from a product—the happiness or satisfaction gained from consuming or owning the product.



value chain (michael porter's)

Porter's Five forces Model

Definition: -

- It is a simple but efficient way for determining key sources of competition.
- Basic unit of analysis of understanding is a group of competitors.

Steps to determine what competition is like in a given industry:

- Identify the pressure
- How strong the pressure comprising of each force
- Collective strength of 5 forces is conductive to earn attractive

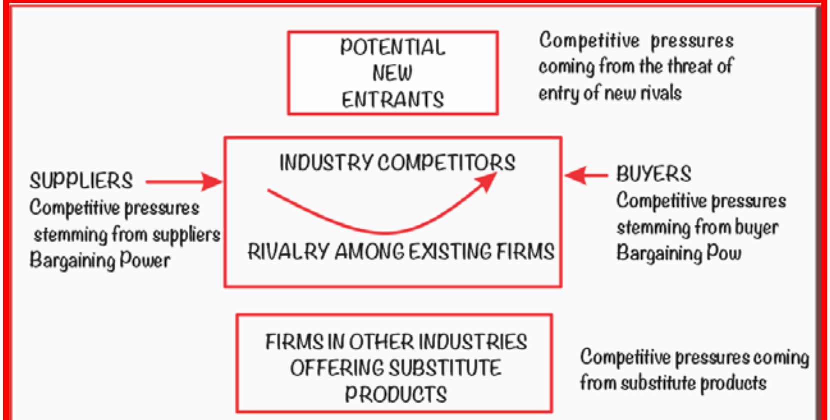


Figure: Porter's Five Force Model of Competition

Five Forces:

Threat of New Extrants

- Can reduce industry's profitability
- Profitability tends to be higher when other forms are blocked from entry.
- Barriers to Entry by
  - Capital Requirement → E.g : -Car Mfg
  - Economies of Scale → D mart Selling Cheaper
  - Products differentiation → Phone industry, Microchips
  - Switching costs → Lifetime License, Training, etc
  - Brand Identity → LG/ Sony
  - Access to distribution Channels → Coca-Cola, maggi
  - Possibility. of aggressive Retalisation → Deccan airline, (sarfira) → akshay Kumar

Bargaining Power of customers

- Large no. of sellers E.g sarjoni Market
- Buyers forming cartels groups
- Can influence prices as well as services

Evident only when:

- full knowledge of sources
- spend lot of money ie. Big Buyers
- Buyers are more concentrated than Suppliers

Bargaining Power of suppliers

- More concentrated than the buyers
- More features in product/Services
- Crucial to buyer's substitute is not
- Secret high switching costs

Rivalry in the Industry

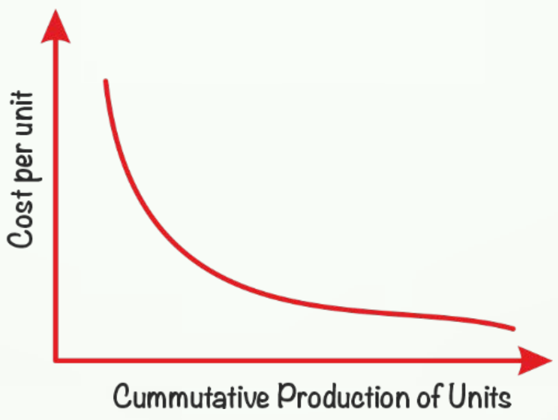
- Impact is more at functional level
- Move intense rivalry, less attractive Industry
- Cut throat and Low profitability when:
  - **Industry Leader** discourage price wars, create discipline
  - **No. of Competitors** Leader impact decreases
  - **Fixed Costs** Higher FC, Low Industry Profit
  - **Exit Barriers** Difficult to exit
  - **Product Differentiation** Insulation from price wars
  - **Slow Growth** Reduce profitability

Threat of Substitutes

- Substitute price advantages
- Performance improvement
- Happens because of substantial investment in R & D
- firm must search for products with similar functions

Experience Curve

- Increased efficiency through repeating productive Work
- Unit cost decline as firm accumulates experience
- Learning effects. Economies of Scale Product Redesign & Technological Improvements
- - Following features
  - As org. grow they gain exp.
  - Advantage over competition
  - key Barrier to entry Successful org. posses stronger experience curve effects



Value Creation

The concept of value creation was introduced primarily for providing products and services to the customers with more worth. Value is measured by a product's features, quality, availability, durability, performance and by its services for which customers are willing to pay.

- Activity or performance that increases worth
- Provide competitive advantage that helps to earn more
- Profitability due to
  - Price that company charges
  - Cost of creating those products
  - Values customer places
  - Happiness & satisfaction gained by consuming or owning
- Excess amount over the price which customer pays is value creation

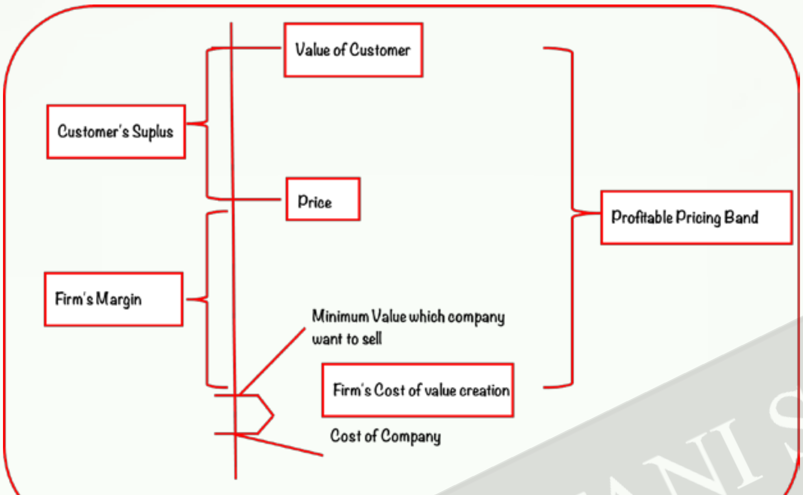


Figure: Valuer Creation

Market

- Where Items & services can be exchanged for a price
- Might be physical or may be virtual
- Group of individuals trying to buy specific commodity or service in a specific place

Marketing

- Wide range of operations, including research, designing, pricing, promotion, transportation & distribution
- Four P s - Product Place, Pricing & Promotion
- Different Dimensions
  - Product Orientation
    - => Buyers choose that have best quality (performance, design & features)
    - => Customers choose low-price products
  - Sales Orientation
    - => Spend enough money on advertisement & promotion
  - Customer or Market Oriented
    - => Continuously learns from its customers' needs & market dynamics

Customer Analysis

Customers vs Consumers
- ⇒ Consumers - consumes or utilizes the product and services
- ⇒ Consumers are the purchasers

Categorized on Demographics
- ⇒ Age, Race, Gender, Ethnicity, Economic Level & Geogrphic Region
- ⇒ Assist in developing profiles

Essential MarketingComponent
- ⇒ Identify target client
- ⇒ Determine their wants
- ⇒ Define how product meets those needs

Using the facts generated
- ⇒ Effective profile of customers may be established

Essential Marketing Component
- ⇒ Administration of customer survey
- ⇒ Evaluation of Market Positioning Strategies
- ⇒ Development of Customer Profiles
- ⇒ Selection of Best Market Segmentation

Customer Behavior

How they Purchase ?
- ⇒ Shopping frequency
- ⇒ Product Preferences
- ⇒ Perception of your marketing
- ⇒ Sales & Service Offering

Enables businesses to establish effective marketing and advertising campaign

Influenced by:

External Influence
- Advertisement
- Peer Recommendationl
- Numerous Environmental Elements or Social Norms

Internal Influence
- Psychological Factors internal to customer

Decision Making
- Problem recognition
- Search for desirable alternatives
- Weighing their pros & cons
- Make a final choice

Post-Decision Process
- After decisional purchasing, evaluating outcome
- Happy customers repurchase, recommend
- Customers with dissonance will not buy

Competitive Landscape

Identifying & Understanding the Competitors

Permits comprehension of their vision, mission, core values, niche, strengths, and weaknesses.

Important in building upon a competitive advantage

Steps to Understand:
1. Identify the competitor
2. Understanding the competitor
3. Determine their strengths
4. Determine their weaknesses
5. Put all the information together

Which gives answers to questions:
- What will the business do with this information?
- What improvement does the firm need to make?
- How can the firm exploit weaknesses of competitors?

Key Factors of Competitive Success

KSFs → Key Success Factors

1. An industry's Key Success Factors (KSFs) are those **things that most affect industry members' ability to prosper in the marketplace** – the particular strategy elements, product attributes, resources, competencies, competitive capabilities, and business outcomes that spell the difference between profit and loss and, ultimately, between competitive success or failure.
2. KSFs by their very nature are so important that all firms in the industry must pay close attention to them.
3. Determining the industry's key success factors, given prevailing and anticipated industry and competitive conditions, is a top-priority analytical consideration. At the very least, **managers need to understand the industry situation well enough to know what is more important to competitive success and what is less important.**
4. Key success factors **vary from industry to industry and even from time to time within the same industry** as driving forces and competitive conditions change.
5. The answers to three questions help identify an industry's key success factors:
    - On what basis do customers choose between the competing brands of sellers? What product attributes are crucial to sales?
    - What resources and competitive capabilities does a seller need to have to be competitively successful, better human capital, quality of product or quantity of product, cost of service, etc.?
    - What does it take for sellers to achieve a sustainable competitive advantage, something that can be sustained for the long term?

3 Strategic Analysis-Internal Environment

Internal Environment

Internal Environment

- **Sum total of people**
  - Individuals & groups
  - Stakeholders
  - Process Input - Throughput -output
- **physical infrastructure**
  - Space
  - Equipment
  - Physical condition of work
- **Administrative Approaches**
  - Line of authority & power
  - Responsibility
  - Coordination
  - Org Culture
- **Intangible Aspects:**
  - Relationships
  - Philosophy
  - Values
  - Ethics

Why It's Important to Understand

- Specific to each Organizational
- Based on Structure & business model
- Includes all stakeholders
  - Top management
  - Investors
  - Employees
  - Board of directors
- Involves understanding of:
  - Ethics
  - Work environment
  - Employee friendliness
  - Confidence of insurer
  - Others philosophical aspect

Understanding Key Stakeholders

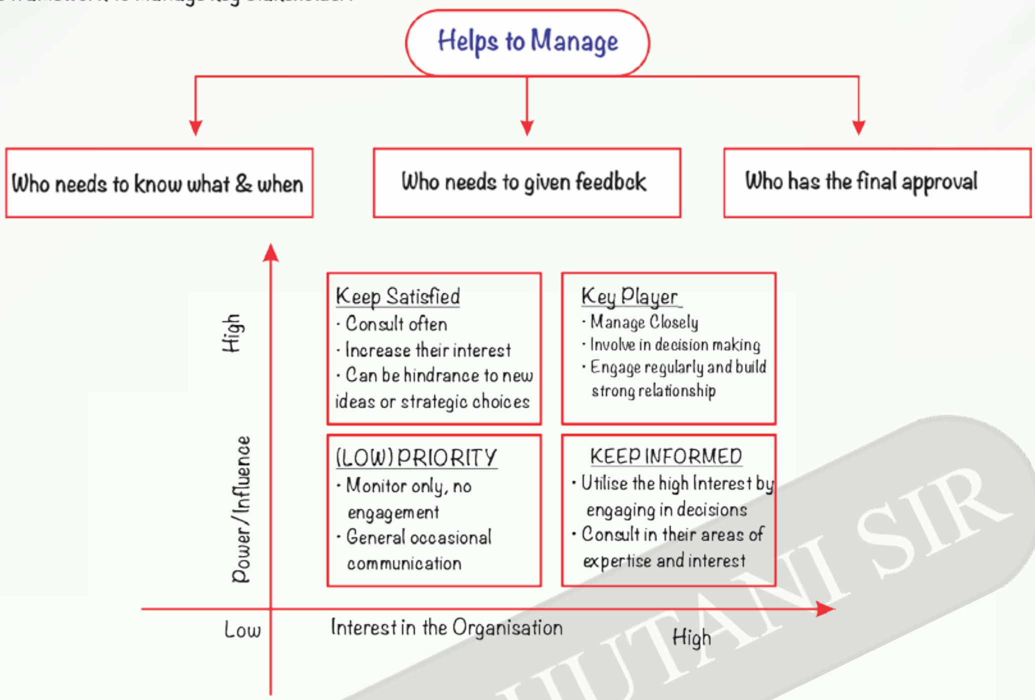
- All those Individuals and entities that have a stake in its success
- Stakeholders-Shareholders Employees, Investors, Suppliers Customers, Regulators & so on Government, Labour Union & Local groups
- View of firm is in contrast To earlier view

Clash of objectives may have unfavourable consequences.

Stakeholders	Requirements
Shareholders:	◆ Innovation and continuous creative content ◆ Total shareholder return (RoI) ◆ Corporate social responsibility ◆ Top rankings of the organisation ◆ Highest market share
CEO and Board of Directors:	◆ Prestige ◆ Market share ◆ Revenue and profit growth ◆ Market rankings
Major Vendors (Production Houses):	◆ Growth ◆ Stability of ordering ◆ Stable margins
Consumers (Viewers):	◆ New content - Innovation ◆ Better deals - Pricing Benefits ◆ Value for money ◆ Continuous supply
Employees:	◆ Wages and benefits ◆ Stability of employment ◆ Pride of working for a reputed organisatio

Mendelow's Matrix (Also Known as Stakeholder Analysis Matrix)

Simple framework to manage key stakeholder.



In the above figure, we see categorisation of stakeholders into four groups by Mendelow's;

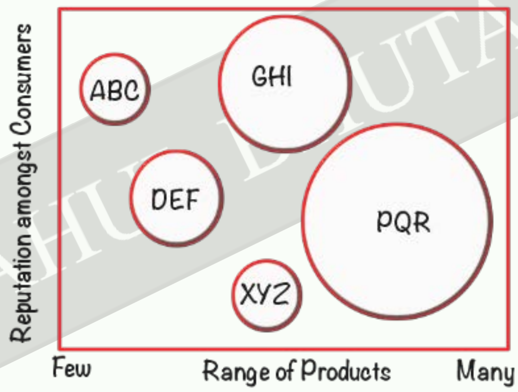
- **KEEP SATISFIED Stakeholders:** High power, less interested people - Organisation should put in enough work with these people to keep them satisfied with their intended information on a regular basis. For example, banks, government, customers, etc.
- **KEY PLAYERS Stakeholders:** High power, highly interested people - Organisation's aim should be to fully engage this group of stakeholders, making the greatest efforts to satisfy them, take their advice, build actions and keep them informed with all information on a regular basis. For example, Shareholders, CEO, Board of Directors, etc.
- **LOW PRIORITY Stakeholders:** Low power, less interested people - Organisation should only monitor them with no actions to satisfy their expectations. Strategically, minimal efforts should be spent on this group of stakeholders while keeping an eye to check if their levels of interest or power change. For example, business magazines, media houses, etc.
- **KEEP INFORMED Stakeholders:** Low power, highly interested people- Organisation should adequately inform this group of people and communicate with them to ensure that no major issues arise. These audiences can also help with real time feedback and areas of improvement for an organisation. For example, employees, vendors, suppliers, legal experts, etc.

NOTE :- Environment is highly dynamic & certain things might happen that can cause stakeholders to move between quadrants?

Strategic Group Mapping

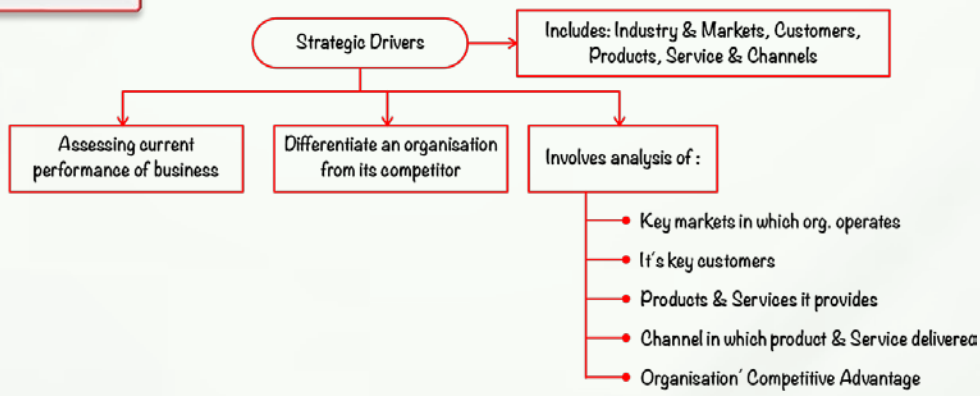
- A strategic group consists of those rival firms which have similar competitive approaches and positions in the market.
- Companies in the same strategic group can resemble one another in any of the several ways:
  - They may have comparable product-line breadth,
  - Sell in the same price/quality range, emphasize the same distribution channels,
  - Use essentially the same product attributes to appeal to similar types of buyers,
  - Depend on identical technological approaches,
  - Offer buyers similar services and technical assistance.
- Identify the competitive characteristics that
  - differentiate firms in the industry typical variables are price/quality range (high, medium, low);
  - geographic coverage (local, regional, national, global);
  - degree of vertical integration (none, partial, full);
  - product-line breadth (wide, narrow);
  - use of distribution channels (one, some, all);
  - degree of service offered (no-frills, limited, full)
- Plot the firms on a two-variable map using pairs of these differentiating characteristics.
- Assign firms that fall in about the same strategy space to the same strategic group.
- Draw circles around each strategic group making the circles proportional to the size of the group's respective share of total industry sales revenues.

Strategic Group Mapping



Explanation of Diagram (Strategic Group Mapping)

Strategic Drivers



Some are interlinked, such as markets & product/services and channels & key customer In each channel
Different management matrices to assess: Profit Driven, Purpose Driven or any other

Industry & Markets

Industry

Grouping that is based on primary product that company makes or sells.
E.g.: Automotive Industry, Apparels Industry

Markets

- Sum total of buyers and sellers in \ area or region under consideration
- Value, cost and price of items traded are as per forces of supply & demand
- Market may be physical entity or virtual
- May be local or global

Customers

Customers

1. First steps in deciding the product/ services
2. Different customer, different needs & req. different sales channel
3. Often responsible for generation of profits
4. Collect & display data of customers to show trends & profitability
5. Target area of growth can be pursued as per issues with customer
6. Important for understanding from pricing perspective value creation & design usability

Products/Services

- Closely linked interrelated with the markets
- Answer general question: What business are we in & What should be done to win over competition
- Stands for combination of goods & services

Strategic needed for

- Managing existing product over time
- Adding new ones
- Dropping failed products
- Regarding branding, packaging & warranties etc.

Product are classified as:

- Industrial or consumer
- Essential or Luxury
- Durables or Perishable

Dynamics

- Wide range of quality & workmanship which changes over time
- Dynamics can be captured by set of policies & strategies

Differentiation of Products

- Some have consistent demand & some have short life spans
- On basis of size, colour, packaging, brand names, after-sales services & so on
- Psychological rather than physical
- Can be real or imaginary
- Through brand names
- Reinforced with legal sanctions & protections
- Advertising & promotion

For a new product, pricing strategies for entering a market need to be designed and for that matter at least three objectives must be kept in mind:

- Have a customer-centric approach while making a product.
- Produce sufficient returns through a reasonable margin over cost.
- Increasing market share.

Products and services need heavy investment in reaching out to customers. Over the years, a number of marketing strategies have been evolved, which are given to handle marketing strategically and fight the competition in the market.

- **Social Marketing:** It refers to the design, implementation, and control of programs seeking to increase the acceptability of a social idea, cause, or practice among a target group to bring in social change.
- **Augmented Marketing:** This type of marketing includes additional customer services and benefits that a product can offer besides the core and actual product that is being offered.
- **Direct Marketing:** Marketing through various advertising media that interact directly with consumers, generally calling for the consumer to make a direct response.
- Relationship Marketing: The process of creating, maintaining, and enhancing strong, value-laden relationships with customers and other stakeholders.
- **Services Marketing:** It is applying the concepts, tools, and techniques of marketing to services. Services is any activity or benefit that one party can offer to another that is essentially intangible.
- **Person Marketing:** People can also be marketed. Person marketing consists of activities undertaken to create, maintain or change attitudes and behavior towards a particular person.
- **Organization Marketing:** It consists of activities undertaken to create, maintain, or change attitudes and behavior of target audiences towards an organization.
- **Place Marketing:** Place marketing involves activities undertaken to create, maintain, or change attitudes and behaviour towards particular places, say, marketing of business sites, tourism marketing.
- **Enlightened Marketing:** It is a marketing philosophy holding that a company's marketing should support the best long-run performance of the marketing system that is beyond the prevailing mindset; its five principles include customer-oriented marketing, innovative marketing, value marketing, sense-of-mission marketing, and societal marketing.
- **Differential Marketing:** It is a market-coverage strategy in which a firm decides to target several market segments and designs separate offers for each.
- **Synchro-marketing:** When the demand for a product is irregular due to ausing idle of demand through flexible pricing, promotion, and other
- **Concentrated Marketing:** It is a market-coverage strategy in which a firm goes after a large share of one or few sub-markets. It can also take the form of Niche marketing.
- **Demarketing:** It includes marketing strategies to reduce demand temporarily or permanently. The aim is not to destroy demand, but only to reduce or shift it. This happens when there is overfull demand.

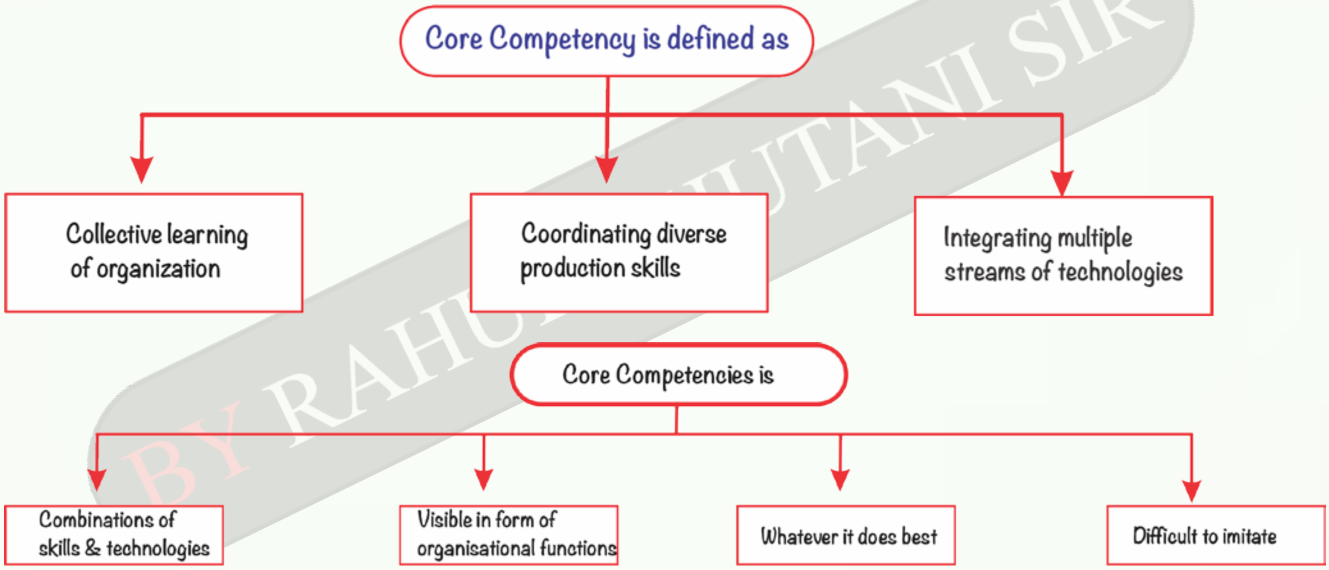
Channels

1. Channels are the distribution system by which an organization distributes its product or provides its service.
2. The wider and stronger the channel the better position a business has to fight and win over competition. Also, having robust channels of business distribution helps keep new players away from entering the industry, thus acting as barriers to entry.
3. There are typically three channels that should be considered:
   - The sales channel : These are the intermediaries involved in selling the product through each channel and ultimately to the end user.
   - The product channel : The product channel focuses on the series of intermediaries who physically handle the product on its path from its producer to the end user.
   - The service channel : The service channel refers to the entities that provide necessary services to support the product, as it moves through the sales channel and after purchase by the end user.

Building Core Competency:

As per C.K. Prahalad and Gary Hamel,

- Core competency is collective learning in the organization, especially coordinating diverse production skills & integrating multiple streams of technologies.



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

Competitor Differentiation

1. Competitor differentiation can provide a company with an edge compared to Competitors
2. It allows the company to provide better products or services to market with no fear that competitors can copy it.

Customer Value

1. Product or service has to deliver a fundamental benefit for the end customer in order to be a core competence
2. It will include all the skills needed to provide fundamental benefits.
3. The service or the product has to have a real impact on the customer as the reason to choose to purchase them

Application to Other Markets

1. Core competence must be applicable to the whole organization;
2. It cannot be only one particular skill or specified area of expertise.
3. Therefore, some special capability would be essential or crucial, it will not be considered as core competence if it is not fundamental from the whole organization's point of view.

Criteria for Building Core Competencies (CC)?

1. **Valuable**
   - Valuable capabilities are the ones that **allow the firm to exploit opportunities or avert the threats** in its external environment.
   - A firm created value for customers by effectively using capabilities to exploit opportunities.
2. **Rare**
   - Core competencies are **very rare capabilities and very few of the competitors possess these.**
   - Competitive advantage results only when firms develop and exploit valuable capabilities that differ from those shared with competitors.
3. **Costly to imitate**
   - Costly to imitate **means such capabilities that competing firms are unable to develop easily.**
4. **Non-substitutable**
   - **Capabilities that do not have strategic equivalents are called non-substitutable capabilities.**
   - This final criterion for a capability to be a source of competitive advantage is that there must be no strategically equivalent valuable resources that are themselves either not rare or imitable.

Competitive Advantage

Achieved advantage over rivals when a company's profitability is greater than average profitability of firms in its industry.

Competitive Advantage is achieved when

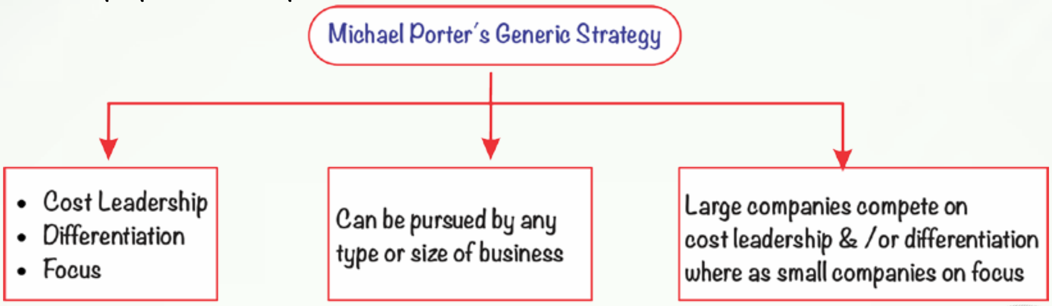
- value Creation is done
- Other firms Can't duplicate
- (too costly to) or (imitation fails)

Sustainability of Competitive Advantage Depends on these major characteristics

1. **Durability**
   - The period over which a competitive advantage is sustained depends in part on the rate at which a firm's resources and capabilities deteriorate.
   - In industries where the rate of product innovation is fast, product patents are quite likely to become obsolete.
   - Similarly, capabilities which are the result of the management expertise of the CEO are also vulnerable to his or her retirement.
2. **Transferability**
   - The easier it is to transfer resources and capabilities between companies, the less sustainable will be the competitive advantage which is based on them.
3. **Instability**
   - If resources and capabilities cannot be purchased by a would-be imitator, then they must be built from scratch.
   - How easily and quickly can the competitors build the resources and capabilities on which a firm's competitive advantage is based? This is the true test of instability.

4. Appropriability

- Appropriability refers to the ability of the firm's owners to appropriate the returns on its resource base.
- Even where resources and capabilities are capable of offering sustainable advantage, there is an issue as to who receives the returns on these resources.
- This means that rewards are directed to from where the funds were invested, rather than creating an advantage with no actual reward to people to invest capital.



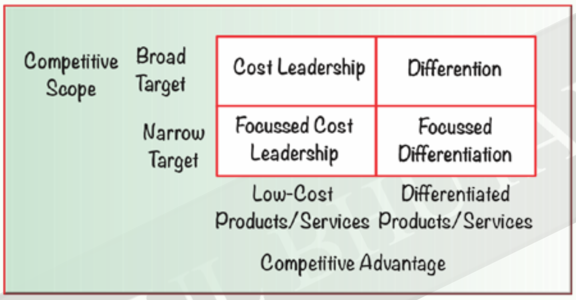


Figure : Michael Porter's Generic Strategies

Cost Leadership Strategy

1. Low-cost competitive strategy that aims at a broad mass market.
2. Requires vigorous pursuit of cost reduction in the areas of procurement, production, storage and distribution of product or service and also economies in overhead costs.
3. The cost leader is able to charge a lower price for its products and still earn satisfactory profits.
4. The internal strategy of sharing resources to build a competitive advantage is called synergy benefit.
5. Usually permeates the entire firm, as evidenced by high efficiency, low overheads, limited perks, intolerance of waste, intensive screening of budget requests, wide span of controls, rewards linked to cost containment, and broad employee participation in cost control efforts
6. Can especially be effective when:
   - The market is composed of many price-sensitive buyers
   - There are few ways to achieve product differentiation.

How to achieve cost leadership?

- Prompt forecasting of demand
- Optimum utilization of resources
- Achieving economies of scale
- Standardization of products
- Investment in cost saving technologies
- Resistance to differentiation

Risk of Pursuing Cost Leadership

- Competitors may imitate strategy
- Technology breakthrough in the industry
- Buyers interest may swing to other differentiation features besides price

Advantage of Cost Leadership

- **Rivalry** - Competitors are likely to avoid a price war,
- **Buyers** - Powerful buyers/customers would not be able to exploit the cost leader firm
- **Suppliers** - Cost leaders are able to absorb greater price increases from suppliers
- **Entrants** - Low-cost leaders create barriers to market entry
- **Substitutes** - Low-cost leaders are more likely to lower the costs to induce existing customers to stay with their products, invest in developing substitutes, and even purchase patents.

Disadvantages of Cost Leadership

- May not last long as competitors imitate
- Succeed if firm achieves higher sales volume
- Approach can be expensive in the long run as they minimize cost of advertisement, market research etc.
- Technological advancement is a great threat

Differentiation Strategy

1. This strategy is aimed at a broad mass market and involves the creation of a product or service that is perceived by the customers as unique. The uniqueness can be associated with product design, brand image, features, technology, dealer network or customer service.
2. Because of differentiation, the business can charge a premium for its product.
3. Differentiation does not guarantee competitive advantage,
4. Successful differentiation can mean greater product flexibility, greater compatibility, lower costs, improved service, less maintenance, greater convenience, or more features.
5. Differentiation strategy should be pursued only after a careful study of buyers' needs and preferences.
6. A successful differentiation strategy allows a firm to charge a higher price for its product and to gain customer loyalty

Bases of Differentiation

- **Product**
  Innovative products that meet customer needs can be an area where a company has an advantage over competitors.
- **Pricing**
  Companies that differentiate based on product price can either determine to offer the lowest price or can attempt to establish superiority through higher prices.
- **Organisation**
  Organisational differentiation is yet another form of differentiation. Location advantage, name recognition and customer loyalty can all provide additional ways for a company to differentiate itself from the competition.

How to achieve Differentiation?

- Offer utility to the customers
- Elevate/Improve performance of the product.
- Offer the high-quality product/service for buyer satisfaction.
- Rapid product innovation to keep up with the dynamic environment.
- Taking steps for enhancing brand image and brand value.
- Fixing product prices based on the unique features.

Advantages of Differentiation Strategy:

- **Rivalry** – Brand loyalty acts as a safeguard against competitors.
- **Buyers** – They do not negotiate for price as they get special features.
- **Suppliers** – Because differentiators charge a premium price, they can afford to absorb higher costs of supplies.
- **Entrants** – New entrants generally avoid these features because it is tough for them to provide the same product with special features at a comparable price.
- **Substitutes** – Substitute products can't replace differentiated products which have high brand value and enjoy customer loyalty.

Disadvantages of Differentation Strategy:

- In the long term, uniqueness is difficult to sustain.
- Charging too high a price for differentiated features may cause the customer to switch-off to another alternative.
- Differentiation fails to work if its basis is something that is not valued by the customers.

Focus Strategy

1. A successful focus strategy depends on an industry segment that is of sufficient size, has good growth potential, and is not crucial to the success of other major competitors.
2. Focus strategies are most effective when consumers have distinctive preferences or requirements, and when the rival firms are not attempting to specialize in the same target segment.
3. An organization using a focus strategy may concentrate on a particular group of customers, geographic markets, or on particular product-line segments in order to serve a well-defined but narrow market.
4. Focused cost leadership:
   - Requires competing based on price to target a narrow market.
   - It charges low prices relative to other firms that compete within the target market.
   - Compete based on price and target a narrow market
5. Focused differentiation:
   - Requires offering unique features that fulfil the demands of a narrow market.
   - Narrow markets are defined in different ways in different settings.
   - Some firms using a focused differentiation strategy concentrate their efforts on a particular sales channel, such as selling over the internet only. Others target particular demographic groups.
   - Compete based on uniqueness and target a narrow market

Advantages of Focused Strategy:

- Premium prices can be charged by the organisations for their focused product/services.
- Due to the tremendous expertise in the goods and services that the organisations following focus strategy offer, rivals and new entrants may find it difficult to compete.

Disadvantages of Focused Strategy:

- The firms lacking in distinctive competencies may not be able to pursue focus strategy.
- Due to the limited demand of product/services, costs are high, which can cause problems.
- In the long run, the niche could disappear or be taken over by larger competitors

Best Cost Leadership Strategy

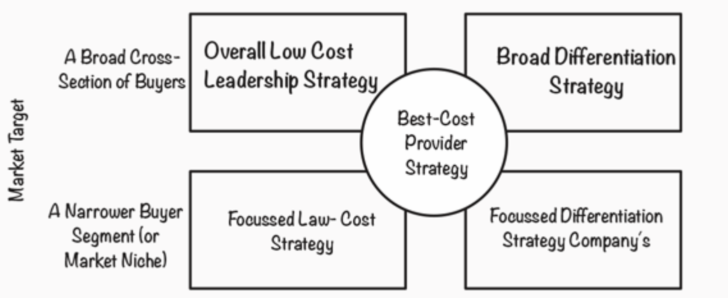


Figure: The Five Generic Competitive Strategies

1. The objective is to keep costs and prices lower than those of other sellers of "comparable products".
2. Best-cost provider strategy involves providing customers more value for the money by emphasizing lower cost and better-quality differences. It can be done through:
   - offering products at lower price than what is being offered by rivals for products with comparable quality and features

     Or
   - charging similar prices as by the rivals for products with much higher quality and better features.

4 STRATEGIC CHOICES

Corporate Level Strategy

- **Stability Strategy**
  - Current Business & Product Markets
- **Growth/Expansion Strategy**
  - Entering new related Business
    Entering new unrelated Business
- **Retrenchment Strategy**
  - Turnaround
  - Divestment
  - Liquidation
- **Combination Strategy**
  - Combine different strategies

Stability Strategy

Important Goals

- Safeguard its existing interests & strengths
- Pursue well-established & tested objectives
- Continue in chosen business paths
- Maintain operational efficiency
- Consolidate commanding position
- Optimise returns

Pursued in Company

- Same or Similar Business
- Product Reached Maturity Stage
- Retain the sufficient market share
- It's not Do nothing Strategy
- Small Org. may also follow to consolidate the market position & prepare for launch of growth strategies

Characteristics

- Same
  - Business
  - Product-market posture (positioning)
  - Effort as at present
- Enhance functional efficiency in incremental way
  - (Better deployment & utilization of resources)
- Does not involve redefinition of business
- Maintain status quo
- Does not warrant fresh investment
- Less Risky & Modest Growth objective
- Building of core competencies

Major Reasons to Pursue

- Product reached maturity stage
- Staff feels comfortable with status quo (Less changes & Less Risk)
- Environment is relatively stable
- Not advisable to expand
- After rapid expansion, firm wants to stabilize & consolidate

Growth

Growth Strategy

- Redefining Business
  - Enlarging scope
  - Substantial increase in investment
- Dynamism, Vigour, Promise & Success
- Reformulation of goals & directions
  - New product
  - New technology
  - New market
  - Innovation
- Relatively unknown & risky paths
- Full of promises & pitfalls

Intensification

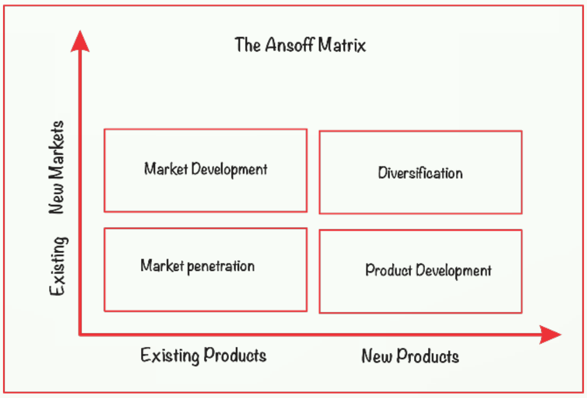
Diversification

Characteristics

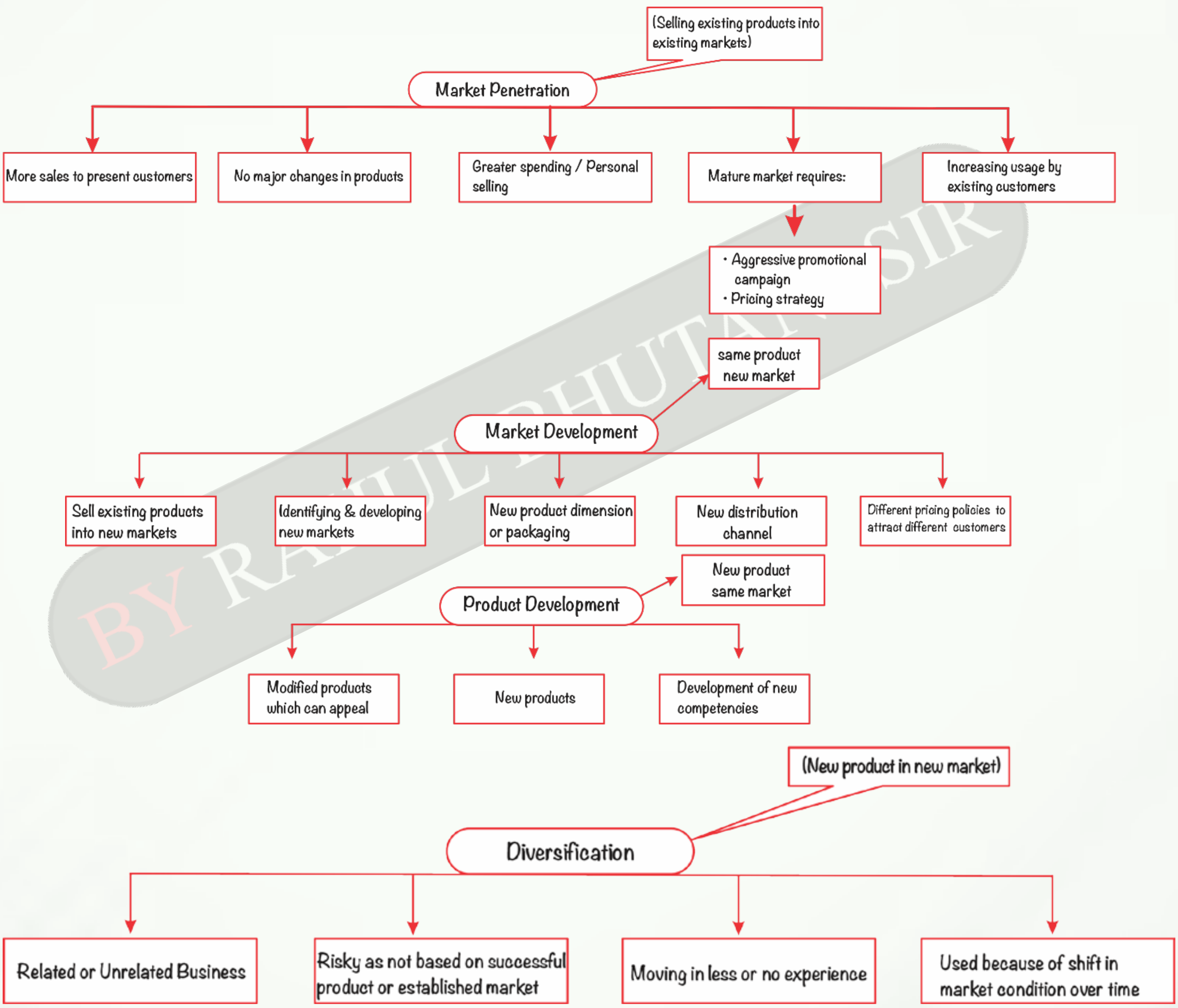
- Redefinition of Business
  - Fresh investment
  - New business/products/markets
- Risk & rewards are high
- Meets the mammoth growth ambition
- Highly volatile strategy
- Altering propositions regarding:
  - Products
  - Markets
  - Funding
  - Pick best alternatives

Reasons for Growth Strategy

- Increase in pace of activity
- Chief executives take pride
- May lead to greater control over market
- Advantage from experience curve & scale of operation



Market Penetration	Product Development
Increase market share. E.g.- Coca Cola, iPhone etc	Add product features, product refinement. E.g. iPhone pro, iPhone X
Increase product usage. E.g. - Country Delight. Time Zone, Credit Card companies	Develop product, a new-generation Eg. LCD-QLED- OLED. Xev-9E, BE 6
Increase the frequency used. E.g. - Zomato, Zepto	Develop new product for the same market. E.g. Air pods, Smartwatch, iPad, Maruti Ignis, Fronx
Increase the quantity used. E.g. Desi Ghee, Handwash	
Find new application for current users. E.g. Dairy Milk Celebration, Sketchers etc.	
Market Development	**Diversification involving products and new markets**
Expand geographically Target new segments. Same product, new type of customer	Related / Unrelated. E.g. ITC in FMCG to Hotels Reliance from textile to jio communication



Growth Through Diversification:

- Entering into ⟶ New products or product lines & New services or new markets.
- Involving substantially ⟶ skill ⟶ technology ⟶ knowledge.

- Means of utilizing existing facilities and capacities in more efficient manner.
- To improve the sales & profits of existing markets by adding suitably related or new products i.e. creating synergy

Related Diversification	Unrelated Diversification
• Exchange or share assets or competencies by exploiting • Brand name • Marketing skills • Sales and distribution capacity. • Manufacturing skills. • R&D and new product capability. • Economies of scale.	• Investment in new portfolios. • Employment technologies of new age. • Focus on multiple products. • Reduce risk by operating in multiple product markets. • Defend against takeover bids. • Provide exclusive interest.

Diversification

Concentric Diversification: - Related Business

- New business is linked to existing through → process → technology → Marketing.
- Spin off from the existing facilities and products process.
- Understood in two directions
  - Vertical integration
  - Horizontal integration

Vertical Integrated Diversification

1. Moves forward or back ward in the chain.
2. Enter specific products/process steps with intention of making new business of firm.
3. firm remains vertically linked in product - process chain

(A) Forward Integration

- Moving forward in the value chain.
- Entering business lines that use existing products.
- When entering into business of distribution. E.g. Coffee bean manufacturing started café coffee day.

(B) Backward Integration

- Creation of effective supply.
- Entering business of input provider
- To expand profit.
- Gain greater control over production/supply.
- Lessen cost of production

Horizontal Integrated Diversification

- Moving into one or more similar businesses
- Integrating with company in complementary product or by-product

Conglomerate Diversification

No linkage → Market
No linkage → Product
No linkage → Technology

- Disjoint from existing in every way.
- Unrelated
- No common thread with present position.

Expansion Through Innovation

- Upgrading of existing product lines or
  - Market share
  - Revenues
  - Profitability
  - Customer satisfaction
- Helps to solve complex problems: -
  - Existing problem of the society
  - Customer centric sustainable solution.
- Increase Productivity: -
  - Leads to simplification
  - Through automating respective tasks.
  - Simplifying long chain of process
- Gives competitive advantages
  - Faster a business innovates, further it goes from its competitive reach.
  - Innovative products need less marketing
  - Added satisfaction to customers.
  - Retain existing customer and add one with ease

External Growth Strategies

Merger and Acquisitions

Difference between Merger and Acquisitions

Merger	Acquisitions
• Companies come together to expand. • Friendly terms (profit is shared) • Increases financial gain and strength. • Braking trade barriers.	• Financially strong company acquire the weaker one. • Combined operations run under the name of powerful organization. • Often happen during recession or decline in profit margins. • Unfriendly terms (forced association)

- Combining two or more organizations together.
- Instant means of achieving the expansion.
- Circumvents the time, risks and skills involved in screening internal growth opportunities.
- Done in systematic manner, the mutually beneficial.
- Measure of synergy between parent and acquired enterprise.
- Synergy results from
  - Physical facilities
  - Technical and Managerial skills
  - Distribution channel
  - General management
  - R & D etc.
- Positive effects of merged resources are greater than the effect of individual resources.

Types of Merger and Acquisitions

Horizontal Marger

Same Industry → Direct competitors
Objective to achieve economics of scales.

- Shedding duplication of installations and functions.
- Widening the line of products & services.
- Decrease in working capital & fixed assets.
- Getting rid of competition and seen.

Cogeneric Merger: Merging related org.

- Product Process
- Business Market
- Basic Req. Technologic

- Opportunities to diversify around a common set of resources & strategic requirements.
- Include: Extensions of products line.
- Acquiring components for daily operations.

Vertical Marger

- Same industry → Diff, stages.
- Synergy with merging firms.
- Many operating & financial economics.
- Restricting the supply of inputs to other players.

Backward →Takeover supplier/Producer of Raw material.

Forward → Takeover buyer organization/Distribution channel.

Conglomerate Merger

No Linkage → Customer group, Customer functions, Technology.

No Linkage → Production, Marketing, R & D, Technology

Expansion Through Strategic Alliances:

Definition: Relationship b/w two or more business that enables each to achieve certain strategic objectives which neither would be able to achieve on its own.

- Maintain their status as independent & separate entities.
- Share the benefits and control over partnership.
- Make contribution until alliance terminated.
- Often formed in Global Market Place.

ADVANTAGE OF ALLIANCE

Organizational
- Helps to learn necessary skills.
- Obtain certain capabilities.
- Enhance productive capacity.
- Provide a distribution system
- External supply chain.
- Complementing goods & services.
- Alliance with well known add legitimacy & credibility.

Strategic
- Rivals joins to cooperate. Instead of competing
- Vertical integration possibilities.
- Pooling of resources & skills
- May help in: Future business in opportunities Development of new products & technologies.
- Access to new technologies.
- Pursue Joint R&D

Political
- Formed with local Foreign business to gain entry into foreign market. Done for legal barriers.
- Alliance with political influential partners.

Economics
- Reduction in cost risk.
- Greater economies of scale.
- Advantage of co-specification.
- Creating adding value.

Disadvantages
- Sharing of resources & profits
- Sharing of knowledge & skills which is problematic if there are trade secrets
- When ally becomes opponent it create problems

Strategic Exits

- Attempt to find out the problem .
- Diagnose the cause of problem.
- Steps are taken to solve problems.

Retrenchment Strategic

Turn around: Ways & means to reverse the process of decline.
Divestment: Cut off the loss-making units, Divisions or SBV's. Curtails its products line, or reduce functions performed.
Liquidation: Abandon the activities totally.

Turnaround Strategy

- Internal retrenchment – Laid on improving initial efficiency.
- Danger signals painting need of turnaround.
- Persistent negative cash flow from business (es)
- Uncompetitive products and services.
- Declining market share
- Deterioration in physical facilities.
- Over staffing, high turnover of employees and low morals
- Mismanagement.

Action Plan

Stage-1:

Assessment of current problems
- Assess the current problem.
- Get to root cause & extent of drainage.
- Once problem is identified.
- Efficient works on repairing any immediate issue.

Stage-2:

Analyze the situation & develop & strategic plan
- Determine the changes of business survival.
- Develop a preliminary action plan.
- Look for viable core business.
- Look for Adequate bridge financing & available resources.
- Strength and weakness with respect to competition.
- Develop strategic plan with specified goals and detailed functional plans.

Stage-3:

Implementing an emergency action plan
- Stop bleeding & enable organic action to survive.
- Positive operating cash flow must be established as soon as possible.
- Restructure: Debts, improve working capital reduce cost imp. budgeting through human resources, finance & marketing & operation actions.
- Assess your Product lines & accumulate high potential products.

Stage-4:

Restructuring the Business
- Immediate attention on core products.
- Improve financial slate of core business if damaged.
- Prepare cash forecast.
- Analyze assets and debts
- Product mix' may be changed.
- Leans organization practices.
- Target products towards different.
- Morals building & Rewards systems to employees.

Stage-5:

Return to Normal
- Sign of heritability
- Enhancing economic value added.
- Carefully adding new products & services.
- Improving customers services.
- Creating alliance.
- Increasing market share.

Important Element of Turnaround Strategy are :

- Changes in the top management.
- Initial credibility – building actions
- Neutralizing external pressures.
- Identifying quick payoff activities.
- Quick cost reductions.
- Revenue generation.
- Assets liquidation for generating cash.
- Better internal coordination.

Divestment Strategy

- Sale or liquidation of portion.
- Part of rehabilitation or restructuring plan
- Attempts when turnaround is unsuccessful.
- Sometimes divestment is only assured, turnaround not possible

Reason to Adopt

- Acquired proves to mismatch & cannot integrate.
- Persistent negative cash flow from particular business.
- Not able to cope up severity of competition.
- Not able to technically upgrade as per required.
- Better alternative for investment.

Divestment Strategy	Liquidation Strategy
• It involves the sale or liquidation of a portion of business or a major division, profit centre or SBU. • Divestment is usually apart of rehabilitation or restructuring plan and is adopting when a turnaround has proved to unsuccessful. Option of a turnaround may even be ignored if it is obvious that divestment is the only answer. • Efforts are made for the survival of organization. • Survival of organization helps in retaining pronormal, at least to some extent.	• It involves closing down a firm and selling its assets. • Liquidation becomes only option in case of sever and critical conditions where either turnaround and divestment are not seen as solution or have been attempted but failed. • Liquidation as a form of retrenchment strategy is considered as the most extreme and unattractive. • There is loss of employment with stigma of failure.

ADL Matrix :-

Portfolio analysis technique based on product life cycle

Two-Dimensional Matrix

Based on → **Stage of industry maturity** (Environmental Assessment)

→ **Competitive Position** (Business Strength Assessment)

Stage of industry maturity - Arthur D. Little (ADL) Matrix				
Competitive position	**Embryonic**	**Growth**	**Mature**	**Ageing**
Dominant	• Fast grow • Build barriers • Act offensively	• Fast grow • Attend cost • leadership • Renew • Defend position • Act offensively	• Defend position • Attend cost • leadership • Renew • Fast grow • Act offensively	• Defend position • Renew • Focus • Consider withdrawal
Strong	• Differentiate • Fast grow	• Differentiate • Lower cost • Attack small • Firms	• Lower cost • Focus • Differentiate • Grow with • Industry	• Find niche • Hold niche • Harvest
Favorable	• Differentiate • Focus • Fast grow	• Focus • Differentiate • Defend	• Focus • Differentiate • Harvest • Find niche • Hold niche • Turnaround • Grow with industry • Hit smaller firms	• Harvest • Turnaround
Tenable	• Grow with industry • Focus	• Hold niche • Turnaround • Focus • Grow with industry • Withdraw	• Turnaround • Hold niche • Retrench	• Divest • Retrench
Weak	• Find niche • - Catch-up • Grow with industry	• Tumaround • Retrench • Niche or withdraw	• Withdraw • Divest	• Withdraw

Figure: Arthur D. Little Strategic Condition Matrix

The competitive position of a firm is based on an assessment of the following criteria:

Dominant: This is a comparatively rare position and in many cases is attributable either to a monopoly or a strong and protected technological leadership.

Strong: By virtue of this position, 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 competitions.

Favourable: This position, which generally comes about when the industry is fragmented and no one competitor stands out clearly, results in the market leaders a reasonable degree of freedom.

Tenable: Although the firms within this category are able to perform satisfactorily and can justify staying in the industry, they are generally vulnerable in the face of increased competition from stronger and more proactive companies in the market.

Weak: The performance of firms in this category is generally unsatisfactory although the opportunities for improvement do exist.

Boston Consultant Group (BCG) Growth-Share Matrix

- *Growth Share matrix known for Cow-Dog Metaphors*
- *Popularly used in Resource Allocation of Diversified Company.*

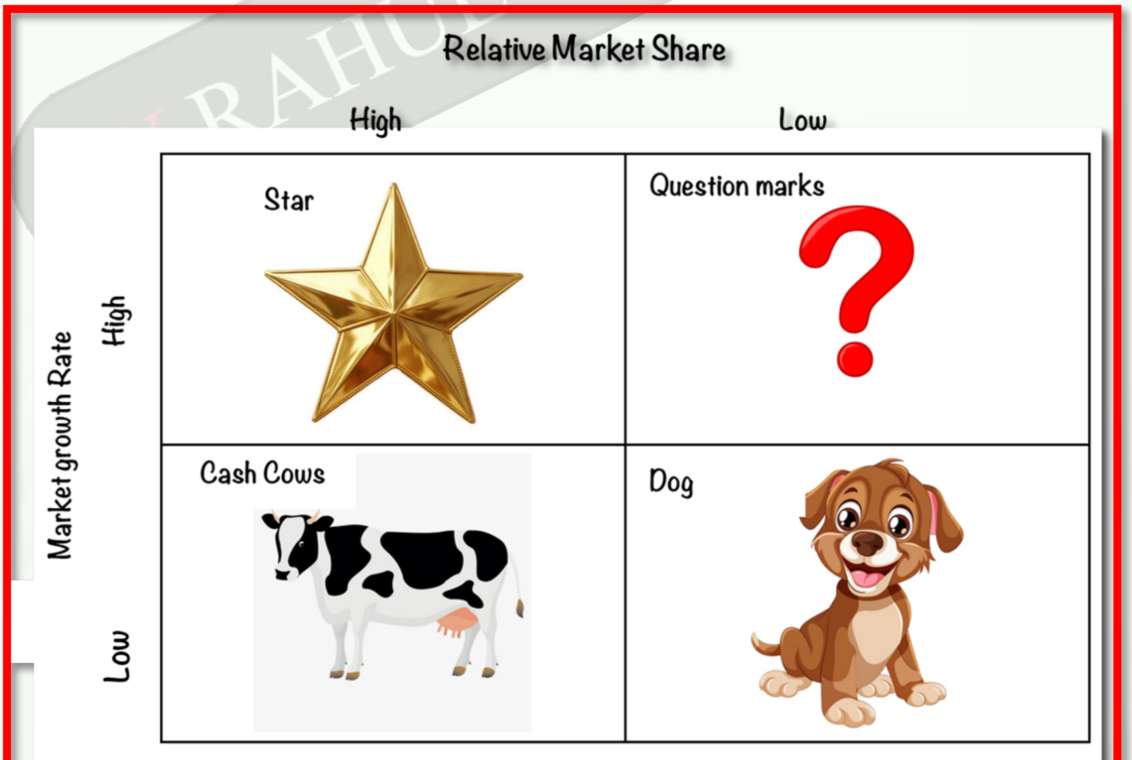


Figure: BCG Growth-Share Matrix

Company classifies its different business on two-dimensional

Vertical Axis
- Market Growth Rate
- Provides Measure of Market Attractiveness

Horizontal Axis
- Relative Market Share
- Measure of Company Strength in the Market

Stars

- *Product or SBU's growing rapidly*
- *Need heavy investment to maintain their position*
- *Best opportunity for expansion*

Question Marks:

- *Problem children or wild cat*
- *Low market share in high growth markets*
- *Need lot of cash to hold their share*
- *If left unattended becomes cash trap*
- *Since growth rate is high, increasing it should be relatively easier*
- *Turn them stars & then to cash*

Cash Cows:

- *Low growth – High market share*
- *Generate cash and have low cost*
- *Already established & settled*
- *Need less investment to maintain market share*
- *Star becomes cash cows in long run*

Dogs:

- *Low growth – Low share business/products*
- *May generate enough cash to maintain*
- *Do not have much future*
- *Minimized by divestment or liquidation*

Is BCG Matrix really helpful?

Is BCG Matrix really helpful?

- The growth-share matrix has done much to help strategic planning; however, there are some problems and limitations with the technique.
- BCG matrix can be difficult, time-consuming, and costly to implement.
- Management may find it difficult to define SBUs and measure market share and growth.
- It also focuses on classifying current businesses but provide little advice for future planning.
- They can lead the company to placing too much emphasis on market-share growth or growth through entry into attractive new markets.
- This can cause unwise expansion into hot, new, risky ventures or divesting established units too quickly.

General Electric Matrix ("Stop Light" Strategy Model)

Business Strength

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

- *Developed by GE with assistance of McKinsey & Company*
- *Also known as Business Planning Matrix / GE Nine Cell Matrix / GE Model*

The market attractiveness is measured by a number of factors like:

Size oi the market.

- Market growth rate.
- Industry profitability.
- Competitive intensity.
- Availability of Technology.
- Pricing trends.
- Overall risk of returns in the industry.
- Opportunity for differentiation of products and services.
- Demand variability.
- Segmentation.
- Distribution structure (e.g. direct marketing, retail, wholesale) etc.

Business strength is measured by considering the typical drivers like:

- Market share.
- Market share growth rate.
- Profit margin.
- Distribution efficiency.
- Brand image.
- Ability to compete on price and quality.
- Customer loyalty.
- Production capacity.
- Technological capability.
- Relative cost position.
- Management caliber, etc.

❑❑❑

5 Strategic Implementation and Evaluation

STAGES in STRATEGIC MANAGEMENT:

First Stage:

Vision Mission → Define
↓
Strategic Management → Define
↓
Objective Formation → Goals
↓
Purpose of Objective

Second Stage

External Environment → Kya hota hai?
↓
Analysis of external Environment → Opportunities and Threats
↓
Review of Organization → Strengths and weakness
↓
Analysis of Internal Environment

Third Stage:

Different Strategic Alternatives →
- Strategy
- Growth
- Diversification
- Retrenchment

↓
Deep analysis of Alternative and Choose most suitable for you

Fourth Stage:

Implementation of Strategy:

- Operation oriented activity
- For shaping performance of core business activities
- In strategic-supportive manner

Principle Aspect:

- Developing budget
- Staffing the Organization
- Ensuring the policies & operating procedure facilitate
- Use the best known practices to perform core business activities.
- Installing info & Operating system

- Motivate people → to improve effectiveness.
- Company culture & work environment must be good
- Exerting the internal leadership
- Mgt addresses and rectify stumbling blocks & Weakness.

Fifth Stage:

- Evaluating company processes
- Assessing changes due to new external developments
- Making correction adjustments
- Periodically assessing
- Vigilant searching to continuously improve.

- Working Well
- Normal
- Imporvement

Strategic Formulation

Planning → Operational → Middle and Lower Management Level

How resources are used effectively to achieve goals

Planning → Strategic → Senior Management Level

- Evaluate the org. → Strength & weakness
- Environment → Threats & opportunities
- Gather & allocate resources to achieve organisation.

Corporate Strategy

Strategic Planning (Characteristics)

- Shapes the org. and its resources
- Assess the impact of environmental variables
- Takes a holistic view of the organisation
- Develops overall objectives and strategies.
- Is concerned by the long-term success of the organisation.
- Is a senior mgt. responsibility.

Operational Planning (Characteristics)

- Deals with current deployment of resources.
- Develops tactics rather than strategy
- Projects current operations into future
- Makes modifications to the business function but not fundamental changes.
- Is the responsibility of functional managers

Strategic Planning

Decision Making

- Interacting and Overlapping decision for effective strategic planning

Objective

- Attained required resources.
- Formation of policies
- Govern the acquisition
- Use and dispose resource

Planning

- Organisation wide
- Major function
- Division

Future Planning

- Where organisation is going
- What are the ways

Stratgic Uncertainity

- Unpredictable future events and challenges that can impact organisation's strategy and goals.

Uncertainity
- Market
- Technology
- Competition
- Regulation
- Other external factor

Dealing With Uncertainty

Flexibility, Resilient, Agility to quick response ⟶ minimise the impact..

- **Flexibility:** To quickly adopt Change
- **Diversification:** Diversify in product portfolio, markets & Customer base
- **Monitoring and scenario planning:** Monitor key indicators of change and conduct scenario planning.
- **Building Resilience:** Strengthening process, including financial flexibility improve risk management capabilities.
- **Collaboration and Partnership:** Collaborate with other organisation, suppliers and customers & partners to pool resources, Share risk & gain, access to new market & technology.

Impact of Uncertainity:

- Impact on present, proposed & potential business
- Depends upon Importance of SBU. Indicated by associated sales, profits & Loss also supplemented for potential growth

Strategy Implementation
- Managerial exercise
  - Supervise ongoing pursuit of strategy
  - Making it work
  - Improving competence
  - Measurable progress to achieve goals
- Adopt organisational structure to new activities
- Allocation of resources
- Training personnel
- Inventing Devising appropriate systems

Strategy formulation and Implementation Matrix :

Strategy formulation	Weak	Excellent
Sound	A	B
Flawed	C	D

Strategic Implementation

- **Square A:** Situation where a company has formulated a very competitive strategy but is showing difficulties in implementing it successfully.

In this situation, Company will aim at moving from Square A to square B, given they realise their implementation difficulties.

- **Square B:** IDEAL SITUATION, where a company has succeeded in designing a sound and competitive Strategy and has been successful in Implementing it.
- **Square C:** Situation where a company strategy formulation is flawed, but the company is showing excellent implementation skills. When a company finds itself in Square C the first thing they have to do, is to redesign their strategy before readjusting their implementation skills.
- **Square D:** it is denoted for companies that haven't succeeded in coming up with a sound strategy formulation and in addition are bad at implementing their flawed strategic model. Their path to success also goes through business model redesign and implementation/execution readjustment

Principal Combination of Effectiveness and Efficiency Matrix.

	Strategy formulation → Effective	Ineffective
Operational mgt. Effective	1 Thrive	2 Die Slowly
Operational mgt. Ineffective	3 Survive	4 Die Quickly

- An organisation that finds itself in cell 1 is well placed and thrives. Since, it is achieving what it aspires to achieve with an efficient output/ input ratio.
- An organisation in cell 2 or 4 is doomed, unless it can establish decision.
- Cell 2 is the worse place to be than cell 3, since, the latter, the strategic direction is present to ensure input is effectiveness even if being used too much input is being used to generate outputs.
- In crude terms, to be effective to do the right thing. While to be efficient is to do the right thing.

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

Linkage in Strategy Implementation

1. **Forward Linkage:** with the formulation of new strategies
   OR
   Reformulation of existing strategies, many changes have to be affected within the organisation
2. **Backward Linkages:** Formulation process is also affected by factors related to implementation. while dealing with Strategic choice, remember that past strategic actions also determine the choice of strategy.

Issues in Strategy Implementation:

- Strategies, by themselves, do not lead to action. They are, in a sense, a Statement of Intent. Implementation tasks are meant to realise the intent.
- Strategies should lead to formulation of different kinds of programmes. A programme is a broad term, which includes goals, policies, rules and steps to be taken in putting a plan into action.
- Programmes lead to the formulation of projects. A project is a highly specific perogramme for which the time schedule and costs are predetermined. It requires allocation of funds based on capital budgeting by organizations. Research and development programmes may consist of several projects, intended to achieve a specific and limited Objective, requires seperate allocation of funds, and is to be completed within a set time schedule.
- Issue in strategy implementation (sequence):
  - Project implementation → whole project
  - Procedural implementation → ways to do
  - Resource allocation → funds, Human resource, etc.
  - Structural implementation → Team, management, etc.
  - functional implementation →Task implementation
  - Behavioural implementation → work culture/ Lack of motivation

Strategic Changes:

- It is a complex process that involves a corporate strategy focused on new markets, products, services and new ways of doing business.

For initiating strategic change three steps

→ Recognize the need for change:
(means, going for environmental scanning)

→ Create a shared vision to manager change
(Objective of both individual and org. should coincide. Possible only if mgt & members of org. follow a shared vision).

→ Institutionalize the change
(an action stage, which required implementation of changed strategy)

To make change long lasting, Kare Lewin's three phases of change process for moving the org. form

- **Unfreezing the situation**
  (makes individuals aware of necessity for change and prepares them for such a change).
- **Changing to the new situation**
  After first phase, members of org. recognize need for change and be fully prepared for such, their behavior patterns need to be redefined. Three methods by H.C. Keleman for reassigning new patterns for behavior:
  Compliance, Identification and Internalisation.
- **Refreezing**
  When new behaviour becomes a normal way of life. New behaviour must replace former behaviour completely for successful and permanent change.

How does Change Management Work?

(1) Mgt. Change by
- Process or set of goals
- Best Practices

(2) Make change in
- Safe and regular manner
- Reducing possibilities of detrimental effect

(3) Applicable for
- Companies
- Organisation
- Government Bodies
- Families etc.

(4) Common key
- Clear vision for change
- Including Shareholder
- Plan to put change in action
- Keeping eye on result

(5) Difficult and complicated but for digital transformation.

How does Digital Transformation work?

By Using Digital Technology → To
- Make
- Fresh
- Improved
- New

} Procedure Product or Services

Change Management Helps in
- Planning
- Preparing
- Carry out

} Change through digital transformation

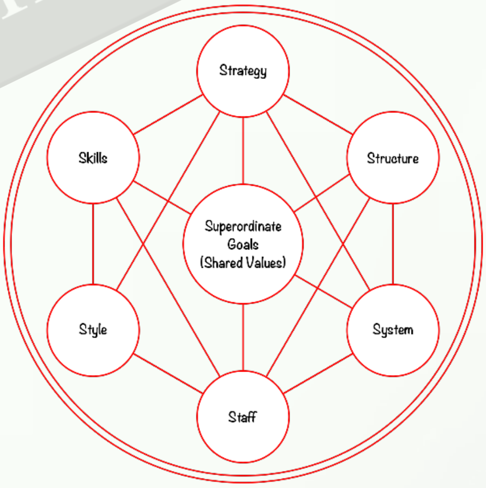
Change mgt. in digital transition consist of four essential elements
- Defining goals and objectives of transformation
- Assessing the current state of org. & identifying gaps
- Creating a roadmap for change that outlines the step needed to reach the desired state.
- Implementing & Managing the change at every level of the organisation..

Change Management Strategies for Digital Transformation:

- **Begin at the top:** a focused, invested, united leadership that is on the same page about the company's future is reflected Change that begins at the top.
- **Ensure that the change is both necessary and desired:** 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.
- **Reduce disruption:** It is possible to reduce workplace disruption by:
  - getting the word out early and preparing for some interruption.
  - giving staff members the knowledge and tools, they need to adjust to change.
  - creating an environment that encourages transformation or change.
  - Empowering change agents to provide context and clarity for changes, such as project managers or team leaders.
  - ensuring that the IT department is informed of changes in technology or infrastructure and is prepared to support them.
- **Encourage Communication:** Create Channels so that workers may contact You with queries or complaints. Communication promotes efficiency and has power to influence culture, just like your vision.
- **Recognise that Change is the norm, not the exception:** In order to keep up with the customers, businesses must also adapt their operations. They must prepare for change in advance and expect them. It may run into difficulties because change is not a project but rather an ongoing process.

  In conclusion, effective completion of the massive project known as Digital transformation depends on meticulous planning and change management.

Mckinsey 7S Model



1. Organisation Design → To check effectiveness of org.
2. Hard Element → Strategy, Structure, System

   Mgt. defines & takes control

   Interrelated

   Soft element → Staff, skills, style & Shared Value

   Govern by work culture and difficulties to define.

Hard elements: (directly controlled by the management)

- **Strategy:** direction of the organisation, a blueprint to build on and achieve a core competency and achieve competitive advantage to drive margins and lead the industry.
- **Structure:** depending on the availability of resources and the degree of centralisation or decentralisation that the magt. desires, it choses from the available alternatives of organisational structures.
- **Systems:** The development of daily tasks, operations and teams to execute the goals and objectives in the most efficient and effective manner.

Soft Elements: (more governed by the culture)

They are equally important in determining an organisation's success as well as growth in the industry

- **Shared values:** the core values which gets reflected within the Organisational culture or influence the code of ethics of the mgt.

- **Style:** It depicts the leadership style and how it influences the strategic decisions of the org. It also revolves around people motivation and organisational delivery of goods.
- **Staff:** The talent pool of the organisation.
- **Skills:** The Core competences or the key skills of the employees play a vital role in defining the organisational success.

Limitations of Mckinsey 7 S

- External environment not considered.
- Oganisational effectiveness does not get clearly explained
- Real gaps are missed out
- More static, less flexible

Organisational Structures

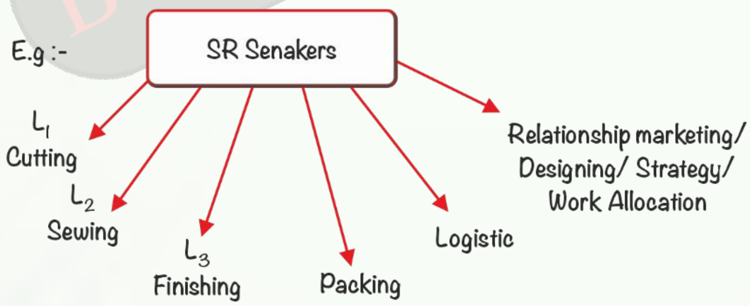
Formal Configuration of

Intended roles | Procedures | Govt, mechanism | Authority | Decission making process

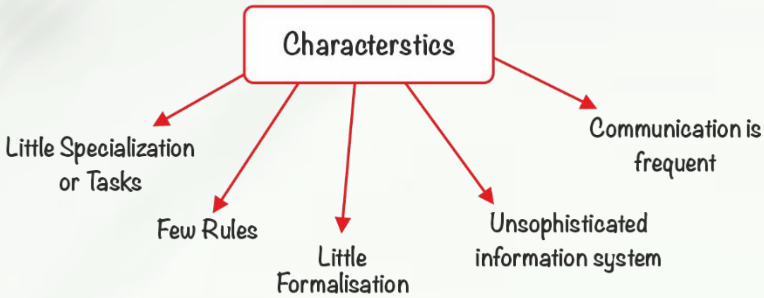
- Must be congruent with or fit with company's strategy.
- Organisational structure influenced by it's size and age.
- Framework reflecting manager's determination.
- Change in strategy required change in Organisational structure

Structure dictates how objectives and policies are established | How resources will be evaluated?

Simple Structure

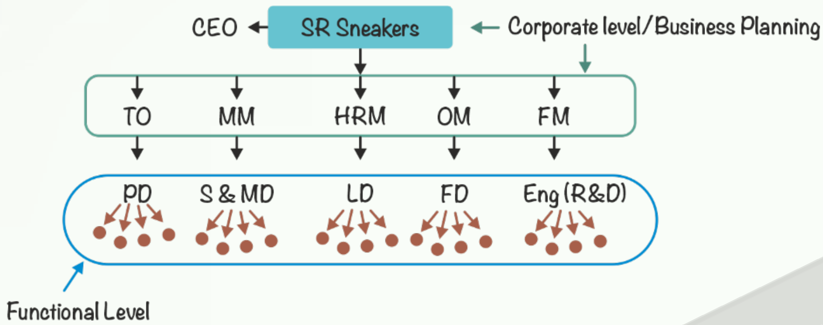


- Appropriate for single business strategies business.
- Owner- manager makes all the decisions.
- Beneficial for focus cost leadership and focus differentiation.



- New products to be introduced in market quickly.
- Pressure of too much complicated process & information on owner-manager.
- Incumbent of owner-manager to recognize the inefficient & ineffectiveness of simple structure.

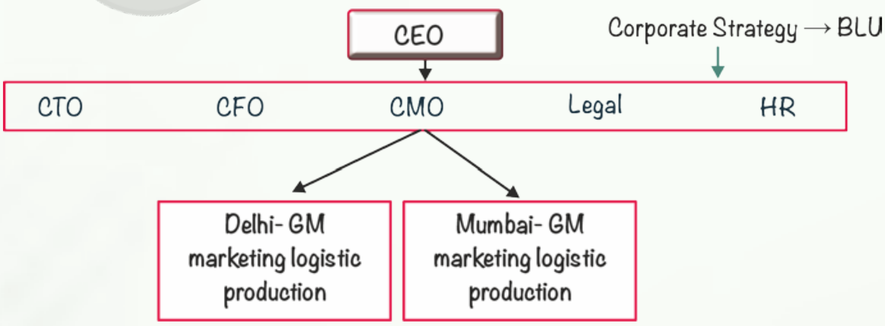
Functional Structure



- It groups tasks and activities by business functions, such as production/operation, marketing, financial/accounting, R & D and mgt. information systems.
- Besides being simple and in expensive, this structure also promotes specialisation of labour encourage efficiency, minimizes the need for an elaborate control system and allow rapid decision making
- It consists of a CEO or a managing director and supported by corporate staff with functional line managers in dominant functions
- This structure enables the company to overcome the growth related constraints of simple structure, enabling or faciliating communication and coordination

Divisional Structure

Functional activities are both centrally and, in each division, separately (Business level planning)



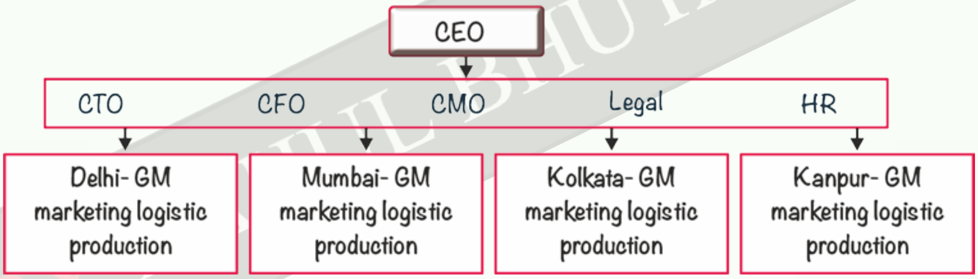
- **Advantages**
  - Clear accountability
  - Higher employer moral
  - Career development opportunities for managers
  - Allow new business and products to be added easily
- **Limitations**

- It requires functional specialization (GM's) who must be paid
- Duplication of work
- Elaborate headquater driven system.
- Managers must be well qualified and better qualified individuals require higher salaries.
- It maybe difficult to maintain consistency.
- Certain region, product or customers may sometimes receive special treatment.

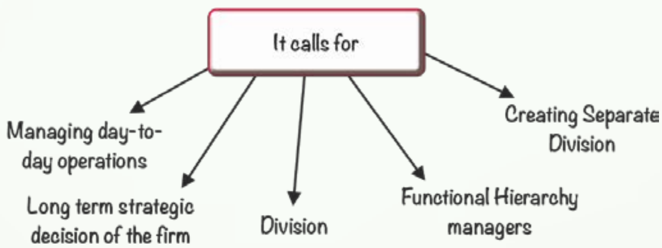
- **Divisional Structure is organized in:**
  - **Geographic Area :** It is appropriate for org. whose strategies are formulate to fit the particular needs and characteristics of customers in diff. geographic areas.
  - **Product or Servies :** It is widely used when an org. offers only a few products on service, organization's products or services differ substantially.
  - **Customers:** It is used when a few major customers are paramount importance and many different services are provided to these customers
  - **Process :** Activities are organized according to the way, work is actually performed similar to functional structure. Key diff. b/w these two designs is that functional dept. are not accountable for profits or revenues, whereas divisional process dept are evaluated on these criteria.

Multi-Divisional Structure

- Composed of operating divisions where each division represents a separate business to which the top corporate officer, delegates responsibility for day-to day operations and business unit strategy to division managers.



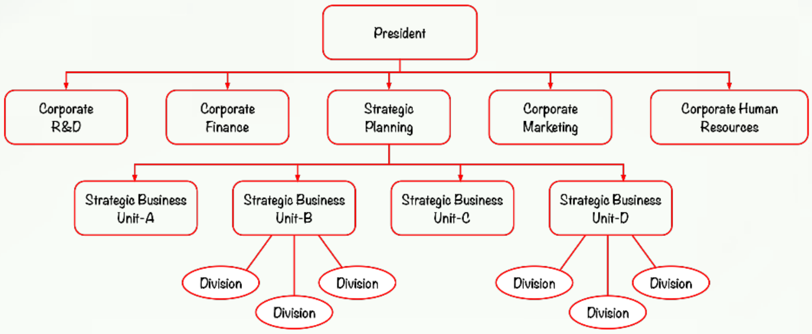
- Corporate office is responsible for formulating and implementing overall corporate strategy & manages divisions through strategic and financial controls.
- Functional dept. often had difficulty dealing with distinct product lines and markets, especially in coordinating conflicts priorities among the products.



- **Advantages**
  - Firm will monitor the performance of individual business
  - Simplifying control problems.
  - Facilitate comparisons b/w divisions
  - Improving the allocation of resources

- An increase in diversifications strains corporate officers' abilities to understand. The operations of all of its business units and divisions are then managed by financial controls, which enables corporate officers to manage the cash flow of the divisions through budgets and an emphasis on profits form distinct businesses.

Strategic Business Unit (SBU) Structure



SBU – Collection of Related Business

Definition - Provide effective strategic planning to each parallel/services/business.

Characteristics

- Scope of Independent planning
- Different set of competition
- **Separate mangers (CEO)** → Strategic Planning
  → Profit Performance
  → Profit Influence Factor
- **SBU includes** → Operating division
  → day to day activities
  → Business unit strategic planning

SBU Structures:
Corporate Level
↓
SBU Level
↓
Divisional Level

Characteristics of SBUs:

- Scientific method for grouping Business in multi- business corporation.
- Improvement over territorial (geographical) grouping business
- Particular SBU Strategic planning is distinct from rest of business.
- Same strategic planning treatment & priorities for all products/services.
- Unrelated product/services are separated from group.
- Each SBU has separate strategic planning standpoint
  - Vision
  - Mission, etc.
- Each SBU will have distinct set of strategy & competitors
- Each SBU will have CEO
  - o Profit influence factor
  - o Profit Planning
  - o Strategic Planning

Advantages of SBUs:

- Establishing coordination between division having common strategic interests.
- Facilitates SM and control on large and diverse org.
- Fixes accountabilities at the level of distinct business units.
- Allow strategic planning to done at the most relevant level within the total enterprise.
- Makes the task of strategic review by top executives more objective and more effective.
- Helps allocate corporate resources to areas with greatest growth opportunities.

Matrix Structure

Top Management

Horizontal & Vertical	Manufacturing	Sales	Finance	Personnel
Project A	Manufacturing Unit	Sales Unit	Finance Unit	Personnel Unit
Project B	Manufacturing Unit	Sales Unit	Finance Unit	Personnel Unit
Project C	Manufacturing Unit	Sales Unit	Finance Unit	Personnel Unit
Project D	Manufacturing Unit	Sales Unit	Finance Unit	Personnel Unit

- Appropriate when neither function nor divisional form is better.
- Complex structure, communication, and control both flows horizontal & vertical.
- Higher overheads because of more managers.
- Need for extensive communication system.

Dual
→ Line of budget authority
→ Line of reward and punishment
→ Reporting channel and shared authority

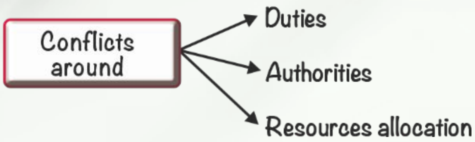
- Need for extensive communication system.

Matrix Structure is used when
→ Ideas need to be cross fertilized
→ Resource are scarce
→ Ability to process info and make decision needs to be improved

Benefits

- Combine stability of function structure with flexibility of product form
- Useful when external environment is complex and changeable.

Demerits



- Goals achieved are vague
- Technology used is poorly understood
- Battle for power

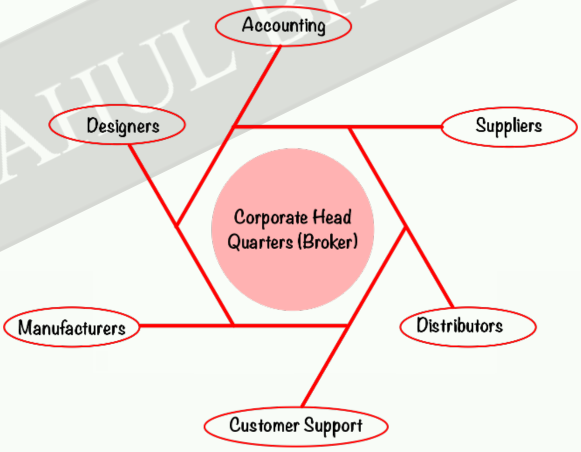
Linked by constantly changing non-hierarchical coburb line network.

Three distinct phases proposed by Davis and Lawrance for development of matrix structure:

- **Cross Functional task forces:** initially used when a new product line being introduced. Project manager is in charge as the key horizontal line.
- **Product / brand management:** If cross functional task forces become more permanent, project manager become product/brand manager and second phases begins. In this arrangement, function is skill the primary organization structure, but product or brand managers act as the integrators of semi-permanent product or brands.
- **Mature matrix:** it involves dual-authority structure. Both the functional and product structures are permanent. All employes are connected to both a vertical functional superior and a horizontal product manager.

Network structure

- Series of independent firms linked together common system (virtual organization)
- Many activities are outsourced
- Series of projects groups or collaborate : linked by constantly changing non hierarchal cobweb like network



Used When

- Environment is unstable and will remain so.
- Strong need of innovation
- Contract with people for specific project for limited period.
- Increase flexibility and adaptability with rapid technology change.
- Long term service contract with manufacture and suppliers, etc. for vertical integration.

Problem/Serious Implications

- Each worker has to be self-motivated, continuous learner.
- Employ lack motivation to learn.

- Employees demand for more interaction form internal and external stakeholders → Create a stress for many employees.

Hourglass Structure

Definition

- Consists of three layers, with a constricted middle layer.
- The structure has a short and narrow middle-mgt level.
- Information technology links the top and bottom levels in the org. taking away many tasks that are performed by the middle level managers.

Need

- Middle layer coordinates diverse lower level activities. Contrary to traditional middle level managers who are often specialists. Managers in this structure are generalize and perform variety of tasks.

Benefits

- Obvious benefits of reduce costs.
- Helps in enhancing responsiveness by simplifying decision making.

Demerits

- With the reduce size of middle mgt. the promotion opportunities for the lower level diminish significantly.
- Continuity at the same level may bring monotony and lack of interest and it becomes difficult to keep the motivation level high.

To Overcome Demerits

- By assigning challenging tasks
- Transferring laterally.
- Having a system of proper rewards for performance.

Strategic Leadership

- Developing and communicating vision of the future
- Formulating strategies in light of
  - Internal Environment
  - External Environment
- Bringing change to implement strategies
- Inspiring staff to contribute to strategy execution.
- Change agent to organisation.
- A manager as a strategic leadrs has to play many leadership roles:
  Visionary, chief administrator, culture builder, resource acquirer and allocator, process integration, spokesperson, negotiator, motivator, policy maker, policy enforcer, head cheerleader etc.
- A manager have five leadership roles to play in pushing for good strategy execution
  (a) Work / Staying on top of what is happening, closely monitoring progress, solving issues, and learning what obstacles lie in the path of good execution.
  (b) With Team- Promoting a culture of spirit de corps. (Team spirit)

(c) Changing Environment – Keeping the organization responsive to changing conditions.
(d) Ethics – Exercising ethical leadership.
(e) Correction – Pushing correction actions to improve strategy execution and overall strategic performance.

Responsibilities

- Making strategic decisions

  Formulate → Policies → Action Plans

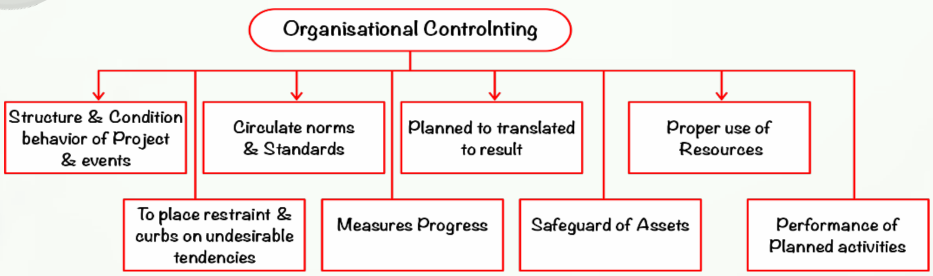
  Manage → Human Capital → Change in organization
- Sustaining and Creating
- Sustaining high performance over time. → Strong corporate culture.

Two basic Approaches of Leadership Style:

Transformation Leadership Style	Transactional Leadership Style

• This style uses charisma and enthusiasm to inspire people to exert them.
• This style may be appropriate in turerulent environment.
• Such Leadership
  • Motivates follows to do more than originally affected to do by stretching their activities.
  • Increases their self confidence
  • Promote innovation throughout the organization.
	• Focuses more on designing system and controlling the organization's activities and is more likely to be associated with improving the current situation.
	• Try to build on the existing culture and enhance current practices.
	• They prefer a more formalize approach to motivation, setting clear goals with explicit rewards or penalties for achievement or non-achievement.

Organisational Control



Organisational control Elements:

- Mechanism for monitoring
- Comparing the actual results
- Detecting deviation from standards
- Learning new insights on standards
- For feeding back corrective and adaptive information.

Operational Control

On individual tasks or transaction.

- The thrust of operational control is one individual tasks or transactions.
- There should be a clear cut and somewhat measurable relationship between inputs and outputs which could be predetermined or estimated with least uncertainty.
- Regulating the process within certain 'tolerances', irrespective of the effect of external conditions on the formulated standard, polices & instructions.
- Examples, stock control, production control, quality control, cost control, predentary control.

Management Control

- More inclusive & mor aggregative as in complete department, division or entire organization.
- Basic purpose to achieve enterprise goals (Short range & long range) in effective & efficient ways.
- This term is defined by Robert Anthony as the process by which managers assure the resources are obtained and used effectively and efficiently in the accomplishment of the organization's objectives.

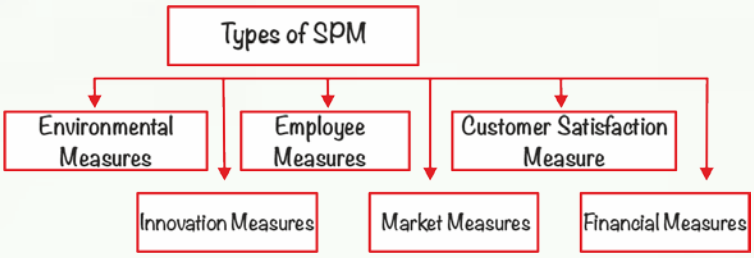
Strategic Control

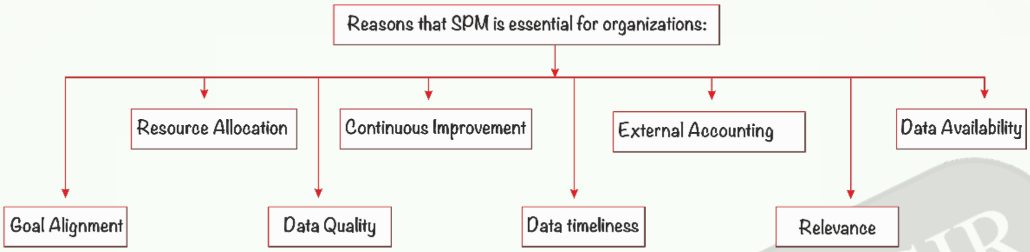
- According to Schendel and Hofer, "Strategic control focuses on the dual question of whether" :
  (a)The strategic is being implemented as planned, and
  (b) The results produced by the strategy are those intended.
- It is process of evaluating strategy as it is formulated and implemented.
- It is directed towards identifying problems and changes in premises and making necessary adjustments.
- Four types of Strategic Control.
  - **Premise Control :** Tool for a systematic and continuous monitoring of the environment.
    (a) Environmental Factor – (Internal env. (macro)) e.g. economic, technology, social and legal-regulatory.,
    (b) Industry factors – (Internal env. (micro)) Competiors, suppliers, substitutes.
  - **Strategic Surveillance :** Involves general monitoring
  - **Special Alert Control :** The organisation form crises mgt. teams to handle the situation.
  - **Implementation Control :** Directed towards assessing the need for changes in the overall strategy. Unfolding events and results associated with incremental steps and action. Not replacement to operational control.
    (a) Environmental Factor – Based on market trends /Customer needs/Technologies development.
    It helps mangers to determine whether the overall strategy is progressing as desired or whether there is need for readjustments.
    (b) Industry factors – All key activities necessary to implement strategy are segregated in terms of time events or major resources allocation it normally involves a complete reassessment of the strategy. It also assesses the need to continue or refocus the direction of an organisation.

Strategic Performance Measure (SPM)

- Understanding of an organisation's strategic goals. A continuous system for tracking progress towards these objectives using clear-cut performance measurements.
- Helps to eliminate silos (pit) by establishing a common language among all divisions of all organisation so they may communicate openly and productively.
- Key indicators that organisation use to track the effectiveness of their strategies and make informed decision about resources allocation.

- Key performance measure and indicators must be created, selected, combined into reports and acted upon so that strategy implementation can have tangible outcomes.
- Clear cause and effect relationship between the indicators and strategic outcomes.
- Carefully chosen because they will influence the behaviour of people within the organisation.





Thank you

From

Rahul Sir