UNDERSTANDING

Strategic Management

A Self-study Module

(For CA-IPCC, MBA and other Professional Courses)

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Chapter Outline

Every chapter contains a chapter outline that provides an overview of the chapter with important topics covered.

Syllabi Mapping

The text has been mapped with the latest CA-IPCC syllabus issued by the ICAI.

Annotation

These are the shortest way to explain the meaning of particular concept. Margin notes, along with the text, provide material that is complementary to the matter contained in the text.

Examples

Each chapter includes examples illustrating the concepts you need to know and the techniques you need to learn.
Paper 7B—Strategic Management (50 marks)

Objectives:
(a) To develop an understanding of the general and competitive business environment;
(b) To develop an understanding of strategic management concepts and techniques;
(c) To be able to solve simple cases.

Contents:

1. Business Environment
   General environment - demographic, socio-cultural, macro-economic, legal/political, technological, and global; competitive environment.

2. Business Policy and Strategic Management
   Meaning and nature; strategic management imperative; vision, mission and objectives; strategic levels in organizations.

3. Strategic Analyses
   Situational analysis – SWOT analysis, TOWS matrix, portfolio analysis - BCG matrix.

4. Strategic Planning
   Meaning, stages, alternatives, strategy formulation.

5. Formulation of Functional Strategy
   Marketing strategy, financial strategy, production strategy, logistics strategy, human resource strategy.

6. Strategy Implementation and Control
   Organizational structures; establishing strategic business units; establishing profit centers by business, product or service, market segment or customer; leadership and behavioural challenges.

7. Reaching Strategic Edge
   Business process re-engineering, benchmarking, total quality management, six sigma, and contemporary strategic issues.
Chapter 1 — Business Environment

**Business:** The term business refers to all economic activities pursued mainly to satisfy the material needs of the society, with the purpose of earning profits.

**Objectives of Business:** Survival, Stability, Efficiency, Growth and Profitability.

**Environment:** Our Environment is our surroundings. This includes living and non-living things around us.

**Business Environment:** A business environment represents all external forces, factors or conditions that exert some degree of impact on the business decisions, strategies and actions taken by the firm.

**Characteristics of Business Environment**

i. Environment is complex

ii. Environment is dynamic

iii. Environment is multi-faceted

iv. Environment has far reaching impact

**Environmental Analysis:** Environmental analysis is a systematic process that begins with the identification of environmental factors, assessing their nature and impact, auditing them to find their impact on the business, and making various profiles for positioning.

**Steps in Environmental Analysis**

Step 1: Monitoring or identifying environmental factors.

Step 2: Scanning and selecting the relevant factors and grouping them.

Step 3: Defining variables for analysis.

Step 4: Using different methods, tools, and techniques for analysis.

Step 5: Analyzing environmental factors and forecasting.

Step 6: Designing profiles.

Step 7: Strategic positioning and writing a report.

**Environmental Scanning:** Environmental scanning is the process of continually acquiring information on events occurring outside the organization to identify and interpret potential trends.

**Environmental Influence on Business**

[Figure 1.9—refer to page 10]

**Step I:** It is useful to take an initial view of the nature of the organization’s environment in terms of how uncertain it is.

**Step II:** The auditing of environmental influences is done to identify which of the many different environmental influences are likely to affect the organization's development or performance. This is done by considering the way in which political, economic, social and technological influences have a bearing on organizations.

**Step III:** The organization focuses more on an explicit consideration of its immediate environment - for example, the competitive arena in which the organization operates.

**Relationship between Organization and Its Environment**

i. Exchange of Information

ii. Exchange of resources

iii. Exchange of influence and power

**Organization’s Response to Its Environment**

i. Administrative Response

ii. Competitive Response

iii. Collective Response

**Organization’s Strategic Response to Its Environment**

i. Conservative Approach - Least resistance approach

ii. Cautious Approach - Proceed with caution approach

iii. Dynamic Response - Confident approach

**Components of Business Environment**

[Figure 1.11—refer to page 14]

**Internal Environment:** Internal environment is the conditions, people, events and factors within an organization that influence its activities and choices.

**External Environment:** The external environment comprises of all the entities that exist outside the boundaries of a business, but have significant influence on its growth and survival.

**Micro Environment:** Micro-Environment is the immediate environment which has a direct impact on the business operations and their success.

**Macro Environment:** Macro environment is the major external and uncontrollable factors that influence an organization’s decision making, and affect its performance and strategies.

**Demographics:** Demographics describe a population according to selected characteristics such as age, gender, ethnicity, income, and occupation.

**Demographic factors of interest to a business**

i. Population Size

ii. Geographic Distribution

iii. Ethnic Mix

iv. Income Distribution

**Economic environment:** Economic environment refers to the nature and direction of the economy in which a company competes or may compete. The economic environment includes general economic situation in the region and the nation, conditions in resource markets.

**Political Environment:** Political environment includes political conditions such as general stability and peace in the country and specific attitudes that elected government representatives hold towards business.

**Legal Environment:** Legal environment includes various legislations passed by the Government administrative orders issued by government authorities, court judgments as well as the decisions rendered by various commissions and agencies at every level of the government— centre, state or local.

**Social Environment:** Social environment of business includes the social forces like customs and traditions, values, social trends, society’s expectations from business, etc.

**Factors and influences operating in socio-cultural environment**

- Social concerns
- Family structure
- Role of women in society
- Educational levels

**Technological environment:** It includes forces relating to scientific improvements and innovations which provide new ways of producing goods and services and new methods and techniques of operating a business.
Global Environment: Global environment represents the process of liberalisation.

Globalization: Globalization refers to the linkage between markets that exist across national borders. These linkages may be economic, financial, social or political.

The reasons why companies go global:
  i. Domestic markets are no longer enough to absorb whatever is produced.
  ii. Foreign markets have grown enough to justify foreign investment.
  iii. Availability of cheaper and reliable resources in other countries.
  iv. Reduction in transportation cost for export to remote countries.
  v. Rapid shrinking of time and distance across the globe due to faster communication, quicker transportation, growing financial flows and rapid technological changes.

Factors that influence globalization
  ▪ Sports Meets
  ▪ Natural Disasters
  ▪ The culture and attributes towards change

Importance of Globalization
  a. Proper use of Resources
  b. Multiple choices
  c. Foreign Exchange
  d. Creates Employment
  e. Government incentives
  f. Technology
  g. Spreading of Risk of Loss

Competitive environment: The immediate economic factors—customers, competitors, suppliers, buyers, and potential substitutes—of direct relevance to a firm in a given industry (also known as industry environment).

How to Deal with Competition?
  i. Who are the competitors?
  ii. What are their product and services?
  iii. What are their market shares?
  iv. What are their financial positions?
  v. What gives them cost and price advantage?
  vi. What are they likely to do next?
  vii. How strong is their distribution network?
  viii. What are their manpower strengths?

Cooperation in a Competitive Environment

Collusion: Collusion is an agreement between two or more persons to limit open competition by deceiving, misleading, or defrauding others of their legal rights, or to obtain an objective forbidden by law typically by defrauding or gaining an unfair advantage.

Cartel: A cartel is a formal agreement among competing firms. The aim of such collusion (also called the cartel agreement) is to increase individual members’ profits by reducing competition.

Keiretsu: It is a complex arrangement in which firms take equity stakes in one another as a long standing strategic alliance.

Conglomerate: It is a strategy that expands the firm’s operations into industries and markets that are not similar or related to firm’s initial base.

Consortium: A consortium is an association of two or more individuals, companies, organizations or governments (or any combination of these entities) with the objective of participating in a common activity or pooling their resources for achieving a common goal.

Porter’s Five Forces Model of Industry Attractiveness
  i. Threat of new entrants
  ii. Bargaining power of customers
  iii. Bargaining power of suppliers
  iv. Rivalry among current players
  v. Threat from substitutes

Chapter 2 — Business Policy and Strategic Management

Business Policy: Business Policy tends to emphasise on the rational-analytical aspect of strategic management. It presents a framework for understanding strategic decision making. Such a framework enables a person to make preparations for handling general management responsibilities.

Strategy: Strategy is the overall plan of a firm deploying its resources to establish a favourable position and compete successfully against its rivals. Strategy describes a framework for charting a course of action.

Strategic Levels in Organisations
  ▪ Corporate Level
  ▪ Business Level
  ▪ Functional Level

Levels of Strategy
  ▪ Corporate Level Strategy
  ▪ Business Level Strategy
  ▪ Functional Level Strategy

Corporate Strategy: Corporate strategy is the growth design of the firm as it spells out the growth objective – the direction, extent, pace and timing of the firm’s growth.

Business Strategy: Plans and actions that firms devise to compete in a given product/market scope or setting; addresses the question— ”How do we compete within an industry?”

Functional Strategy: Functional strategy deals with relatively restricted plan providing objectives for specific function, allocation of resources among different operations within that functional area and coordination among them for optimal contribution to the achievement of the SBU and corporate-level objectives.

Competitive Strategy: The competitive strategy evolves out of consideration of several factors that are external to the firm. The external environment affects the internal environment of the firm. The economic and technical components of the external environment are considered as major factors leading to new opportunities for the organization and also as closing threats.

Strategy is partly proactive and partly reactive

Proactive Strategy
  ▪ It is an approach where organization takes the initiative or acts as first mover.
  ▪ It is an approach to a business situation that involves anticipating market and competition changes in advance of their actual occurrence and making appropriate organizational shifts in response.
  ▪ Many high technology business operators need to take a more proactive strategy to deal with the rapidly changing marketplace for their company’s products.

Example: Steve Job’s initiative to develop smart phones in Apple.

Reactive Strategy
  ▪ It is an approach where organizations react to their competitor’s actions.
It is a slow response to changes in a firm’s environment and undertaken only when a management is forced to take rear guard action.

Example: Samsung/Sony/Nokia’s smart phones developed in reaction to Steve Job’s initiative to develop smart phones in Apple.

Strategic Management: Strategic management is a process to determine mission, vision, values, goals, objectives, roles and responsibilities, timelines, etc.

Objectives of strategic management

- To create competitive advantage.
- To guide the company successfully through all changes in the environment.

Strategic Management Framework

Stage One – (Planning and Analysis) Where are we Now?
Stage Two – (Strategy Formulation) Where do we Want to Be?
Stage Three - (Alternative Selection) How Might we Get There?
Stage Four - (Evaluation) Which Way is the Best?
Stage Five - (Implementation and Control) How Can we Ensure Arrival?

Strategic Decision Making

Strategic decision making, or strategic planning, describes the process of creating a company’s mission and objectives and choosing the course of action a company should pursue to achieve those goals.

Strategic Management Model

Strategic planning is part of the strategic management process. Strategic management entails both strategic planning and implementation, and is the process of identifying and executing the organization’s strategic plan, by matching the company’s capabilities with the demands of its environment.

Figure 3.11—refer to page 58

Strategic Management Process: The strategic management process begins with careful analysis of a firm's internal strengths and weakness and external opportunities and threats.

- Analysis
- Formulation
- Implementation
- Evaluation

Vision, Mission, Objectives and Goals

Strategic Vision: Strategic vision is a road map of a company’s future – providing specifics about technology and customer focus, the geographic and product markets to be pursued, the capabilities it plans to develop, and the kind of company that management is trying to create.

How to develop a strategic vision

- To think creatively about how to prepare a company for the future.
- Forming a strategic vision is an exercise in intelligent entrepreneurship.
- Organizations need to change direction not in order to survive but in order to maintain their success.
- Creates enthusiasm for the course that the management has charted and engages members of the organization.
- The best-worded vision statement clearly and crisply illuminates the direction in which organization is headed.

Mission Statement: A company’s Mission statement is typically focused on its present business scope – “who we are and what we do”; mission statements broadly describe an organization's present capabilities, customer focus, activities, and business makeup.

Components of a mission statement

- Customers
- Products or Services
- Markets
- Technology
- Concern for survival, growth and profitability
- Philosophy
- Self-concept
- Concern for public image
- Concern for employees

Objectives: Objectives are organizations’ performance targets – the results and outcomes it wants to achieve. They function as a yardstick for tracking an organization’s performance and progress.

Chapter 3 — Strategic Analysis

Strategic Analysis: Strategic analysis seeks to determine alternative course of action that could best enable the firm to achieve its mission and objectives.

Strategic analysis tries to find out the answers to three basic questions:

a. How effective has the present strategy been?
b. How effective will that strategy be in the future?
c. How effective will the selected alternative strategy be in the future?

Issues to be Considered for Strategic Analysis

- Strategy evolves over a period of time
- Balance between the internal and external factors
- Analyzing risk involved and consequences thereon

Classification of Strategic Risks

Figure 3.2—refer to page 71

Situational Analysis: This is an extremely complex process, which demands a systematic approach for identifying and analyzing macro-environmental factors external to the organization and matching them with the firm’s capabilities.

Important factors to be taken into account while doing a situation analysis:

- Product situation
- Competitive situation
- Distribution situation
- Environmental factors
- Opportunity and issue analysis

Strategic Analysis Framework

Figure 3.4—refer to page 73

The Methods of Industry and Competitive Analysis

Figure 3.5—refer to page 74

SWOT Analysis

Shorthand for strengths, weaknesses, opportunities, and threats: a fundamental step in assessing the firm’s external environment; required as a first step of strategy formulation and typically carried out at the business level of the firm.

Strength: Strength is an inherent capability of the organization which it can use to gain strategic advantage over its competitors.

Weakness: A weakness is an inherent limitation or constraint of the organization which creates strategic disadvantage to it.

Opportunity: An opportunity is a favourable condition in the organisation’s environment which enables it to strengthen its position.

Threat: A threat is an unfavourable condition in the organisation’s environment which causes a risk for, or damage to, the organisation’s position.

Significance of SWOT Analysis

- It provides a Logical Framework
- It presents a Comparative Analysis
- It guides the strategist in Strategy Identification
TOWS Matrix

Figure 3.9—refer to page 81

Business Portfolio: A business portfolio is a collection of businesses and products that make up the company.

Portfolio Analysis: A set of techniques that help strategists in taking strategic decisions with regard to individual products or businesses in a firm's portfolio.

Strategic Business Unit (SBU): A Strategic Business Unit (SBU) is a profit center which focuses on product offering and market segment. An SBU may be a business unit within a larger corporation, or it may be a business unto itself.

Experience curve: Experience curve shows the relationship between production cost and cumulative production quantity.

Product Life Cycle: PLC is an S-shaped curve which shows the relationship of sales with respect of time for a product that passes through the four successive stages of introduction (slow sales growth), growth (rapid market acceptance) maturity (slow-down in growth rate) and decline (sharp downward drift).

Boston Consulting Group (BCG) Matrix: This is the simplest way to portray a corporation's portfolio of investments in the form of different types of products classified as stars, wildcats, cows and dogs on the basis of their market growth rate and relative market share.

Ansoff’s Product Market Growth Matrix: It is a portfolio analysis technique representing several strategies available to firms in the form of 2*2 matrix with products shown horizontally and markets vertically both scaled as existing and new.

ADL Matrix: The ADL Matrix is a two dimensional 4*5 matrix stating several strategies for a firm, based on stage of industry maturity and firm's competitive position.

GE Matrix: GE Matrix is a two dimensional matrix stating several strategies like invest, protect, harvest and divest to choose from on the basis of firm's business position and market attractiveness.

The criteria used to rate market attractiveness and business position are assigned in different ways because some criteria are more important than others. Then each SBU is rated with respect to all criteria. Finally, overall rating for both factors is calculated for each SBU. Based on these ratings, each SBU is labelled as high, medium or low with respect to (a) market attractiveness, and (b) business position.

Chapter 4 — Strategic Planning

Planning: it is a systematic activity which determines when, how and who is going to perform a specific job.

Strategic Planning: Strategic planning is a disciplined process of making key decisions and agreeing on actions that will shape and guide what an organisation is, what it does, and why it does it.

Approaches for Strategic Planning
i. Top down
ii. Bottom up

Strategic Uncertainty: The strategic uncertainty is represented by a future trend or event that has inherent unpredictability.

The Stages of Corporate Strategy Formulation Implementation Process
Stage I: Developing a strategic vision
Stage II: Setting objectives
Stage III: Crafting a strategy to achieve the objectives and vision
Stage IV: Implementing and executing the strategy
Stage V: Monitoring developments, evaluating performance and making corrective adjustments

Glueck and Jauch Generic Strategic Alternative
- Stability Strategies
- Expansion Strategies
- Retrenchment and Strategies
- Combinations Strategies
Michael Porter’s Generic Strategies

**Generic Business Strategy:** A generic business strategy is one that can be adopted by any firm, regardless of the product or industry involved, to achieve a competitive advantage.

**Porter’s Strategy:** According to Porter, strategies allow organizations to gain competitive advantage from three different bases:
- Cost leadership,
- Differentiation, and
- Focus.

**Cost Leadership Strategy:** It is a strategy which emphasizes on being a cost leader by producing standardised products at a very low per-unit cost for the consumers who are price sensitive.

**Differentiation Strategies:** A differentiation strategy calls for the development of a product or service that offers unique attributes that are valued by customers to be better than or different from the products of the competition.

**Focus Strategies:** Competitive strategies based on targeting a specific niche within an industry. Focus strategies can occur in two forms: cost-based focus and differentiation-based focus.

**Best-Cost Provider Strategy**
It offers more value for the money to the customer by either lower prices than rival brands with comparable features or matches the price of rivals and provides better features.

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**Figure 4.3—refer to page 104**

In this framework the **columns** and **rows** identify the four fundamental alternatives firms can use in seeking competitive advantage:

<table>
<thead>
<tr>
<th>i. Low cost provider</th>
<th>ii. Broad Differentiation</th>
</tr>
</thead>
<tbody>
<tr>
<td>iii. Focussed low cost</td>
<td>iv. Focussed Differentiation</td>
</tr>
</tbody>
</table>

**Grand Strategies/Directional Strategies**

**Stability Strategy**
In stability strategy, the firm -
- Stays with its current businesses and product-market, postures and functions
- Maintains the existing level of effort, and
- Remains satisfied with incremental growth.

**Expansion Strategy:** It is one in which we are growing significantly faster than the market or market segment is growing overall. It implies that the company is willing to take on competitors in order to take market share from them, in addition to absorbing the growth in the market place itself.

**Expansion through Intensification**
- a. Market Penetration
- b. Market Development
- c. Product Development

**Expansion through Diversification**
- i. Innovation
- ii. Capacity Utilisation
- iii. Synergy

**Related and Unrelated Diversification**

**Types of Related Diversification**

- a. **Vertical Integration Diversification:** The expansion of the firm’s value chain to include activities performed by suppliers and buyers; the degree of control that a firm exerts over the supply of its inputs and the purchase of its outputs. Vertical integration strategies and decisions enlarge the scope of the firm’s activities in one industry.

**Forward Integration:** It is a strategy that moves the firm downstream into an activity currently performed by a buyer.

**Backward Integration:** It is a strategy that moves the firm upstream into an activity currently conducted by a supplier.

- b. **Horizontal Integration Diversification:** This involves addition or acquisition of one or more similar businesses at the same stage of the production marketing chain.

- c. **Concentric Diversification:** It is a strategy that expands the firm’s operation into similar industries and markets; extends the firm’s distinctive competence to the other lines of business that are similar to the firm’s initial base.

- d. **Conglomerate Diversification:** It is a strategy that expands the firm’s operation into industries and markets that are not similar or related to the firm’s initial base; does not involve sharing the firm’s distinctive competence across different lines of business.

**Expansion through Mergers and Acquisitions:** Expansion through Mergers and Acquisitions (i.e. takeover/absorption/amalgamation) is an attractive method of Diversification.

**Retrenchment Strategy:** A strategy used by corporations to reduce the diversity or the overall size of the operations of the company. This strategy is often used in order to cut expenses with the goal of becoming a more financially stable business. Typically the strategy involves withdrawing from certain markets or the discontinuation of selling certain products or service in order to make a beneficial turnaround.

**Turnaround Strategy:** The financial recovery of a company that has been performing poorly for an extended time. It is a rapid change of corporate strategy that is needed to deal with issues such as falling profitability, lower return on investment or loss of market share.

**Divestment Strategy:** Divestment Strategy involves the sale or liquidation of a portion of business, or a major division, profit centre or SBU.

**Liquidation Strategy:** A liquidation strategy involves closing down a firm and selling off all its assets and paying off its liabilities.

**Combination Strategy:** Here, we adopt different strategies for different units or products of an organization.

**Combination = Stability + Expansion + Retrenchment**

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Chapter 5 — Formulation of Functional Strategy

**Functional Strategy:** It relates to a single functional operation and the activities related therein. In terms of the levels of strategy formulation, functional strategies operate below the SBU or business-level strategies.

**Roles of Functional Strategy**

- i. They provide support to the overall business strategy.
- ii. They spell out how functional managers will work so as to ensure better performance in their respective functional areas.

**Marketing:** Marketing is a societal process by which individuals and groups obtain what they need and want through creating, offering, and freely exchanging products and services of value with others.

**Marketing Strategy:** Marketing strategy refers to actions for developing, pricing, distributing, and promoting products that meet the needs of specific customer groups.

**Marketing Strategy Issues**

- a. Distribution network
- b. Advertising
- c. Customers
- d. Pricing
- e. Warranty
- f. Remuneration and incentives
**Delivering Value to Customers:** Understanding your customers’ values will lead you to develop products and services that can provide high profit-potential for your business.

**Value delivery network**

![Figure 5.3—refer to page 123](image)

**The Marketing Process**

Market Segmentation, Market Targeting & Market Positioning

**Marketing Mix:** A mixture of several ideas and plans followed by a marketing representative to promote a particular product or brand is called marketing mix. It is also known as the 4 P’s of Marketing, is the combination of product, price, place (distribution), and promotion.

![Figure 5.5—refer to page 124](image)

**Expanded Marketing Mix**

- People
- Process

**Marketing Analysis**

- Marketing Planning
- Marketing Control

**Marketing Planning:** Marketing planning involves decisions on marketing strategies that will help the company attain its overall strategic objectives.

**Marketing Plan:** A marketing plan is a roadmap for how to promote a business. It can increase brand awareness, generate revenue, build lead generation or retain customers.

**Components of a Marketing Plan**

- Executive Summary and Table of Contents
- Mission Statement
- Summary of Performance Till Date
- Summary of Financial Projections
- Market Overview
- SWOT Analysis for Major SBUs
- Portfolio Summary of all the SBUs
- Market Assumptions
- Marketing Objectives and Goals
- Financial Projections for at least Three Years
- Marketing Strategy

**Marketing Strategy Techniques**

- Social Marketing Augmented Marketing
- Direct Marketing Relationship Marketing
- Services Marketing
- Person Marketing
- Organisation Marketing
- Place Marketing: Differential Marketing
- Synchro Marketing
- Concentrated Marketing
- De-marketing

**Financial Strategy:** The strategies related to several financial aspects of a business like acquiring capital, sources of fund, developing projected financial statements/budgets, management and usage of funds and evaluating the worth of a business etc. are called financial strategies.

**Evaluating the Worth of a Business**

- Net Worth Method
- Capitalisation of Earnings
- Market Price Method

**Production Strategy Formulation:** The strategies related to various aspects of production system, operational planning and control are called Production strategy.

**Logistics Strategy:** Logistics is a process which integrates the flow of supplies into, through and out of an organisation to achieve a level of service which ensures that the right materials are available at the right place, at the right time, of the right quality, and at the right cost.

**Research and Development Strategy:** Research and development (R&D) strategies are the strategies related to development of new products and processes and improvement of old ones. R&D people perform tasks like simplifying technology, changing processes and raw materials, adapting products/processes to local markets, and altering products to particular tastes and specifications.

**Three Major R&D Approaches**

- Market New Technological Products
- Imitate others
- Cost Leadership

**Human Resource Strategy Formulation:** Human Resource Strategies are related to areas like assessing the staffing needs, their recruitment, selection, training, development, compensation, motivation, employees’ healthcare etc.

**Prominent Areas where the Human Resource Manager can play Strategic Role in Managing Human Resources**

- Providing purposeful direction
- Creating competitive atmosphere
- Facilitation of change
- Diversity of workforce
- Empowerment of human resources
- Building core competency
- Development of work ethics and culture

**Chapter 6 — Strategy Implementation and Control**

**Strategic management** entails both strategic planning and implementation, and is “the process of identifying and executing the organization’s strategic plan, by matching the company’s capabilities with the demands of its environment.”

**The basic elements of strategic management**

- Strategic Analysis
- Strategic Formulation
- Strategic Choice
- Strategic Implementation
- Strategic Evaluation

**Strategy Formulation and Implementation Matrix**

**Steps in the process of Strategy Implementation**

- Formulation of plans, programmes and projects.
- Design of appropriate organisational structure.
- Installation of suitable systems.
- Determination of functional policies.
- Decision making on resource allocation.
- Providing various behavioural inputs, so that the plans work.

**Issues in Strategy Implementation**

- Project implementation
- Procedural implementation
- Resource allocation
- Structural implementation
- Functional implementation
- Behavioural implementation
Organization Structure

Organisational Structure: Organisational structure is typically hierarchical arrangement of lines of authority, communications, rights and duties of an organization.

Types of Organizational Structure

- Functional Structure: The organization is divided into various specific departments; e.g. human resource, marketing, finance and operations etc.
- Divisional Structure: It is composed of divisions. Each one represents a separate business to which the top corporate office delegates responsibilities for performance and day-to-day operations to division managers. By such delegating the corporate office is responsible for formulating and implementing strategies for division and their control.

A divisional structure may consist of the following divisions:

i. Divisional by geographic area
ii. Divisional by product
iii. Divisional by customer
iv. Divisional by process

Strategic Business Unit (SBU): SBU Structure groups similar divisions into strategic business units and delegates authority and responsibility for each unit to a head senior executive, who reports directly to the top management/CEO.

Matrix Structure: This is another type of structure which aims at combining the advantages of vertical and horizontal flows of authority and communication.

The Value Chain Framework of Porter (1990)

Core Competencies: Core Competencies are created by superior integration of technological, physical and human resources. They represent distinctive skills as well as intangible, invisible, intellectual assets and cultural capabilities. It also refers to the strengths of an organization that provide competitive advantage and value to it.

Identification Test
Leverage Test, Value Enhancement Test, Imitability Test

Value Chain Analysis (VCA) and Core Competencies

a. Validate core competencies in current businesses
b. Export or leverage core competencies to the Value Chains of other existing businesses
c. Use Core Competencies to reconfigure the Value Chains of existing businesses
d. Use core competencies to create new Value Chains

Strategic leaders: Strategic leaders are those at the top of the company (in particular, the CEO), but other commonly recognized strategic leaders include members of the board of directors, the top management team, and division general managers.

Responsibilities of Strategic Leader

a. Managing human capital (perhaps the most critical of the strategy’s skills), effectively managing the company’s operations.

b. Sustaining high performance over time.
c. Being willing to make candid, courageous, yet pragmatic, decisions.
d. Seeking feedback through face-to-face communications.
e. Having decision-making responsibilities that cannot be delegated.

Leadership Roles to be Played by Managers

a. Staying on top of what is happening, closely monitoring progress, ferreting out issues, and learning what obstacles lie in the path of good execution.
b. Promoting a culture and esprit de corps that mobilizes and energizes organizational members to execute strategy in a competent fashion and perform at a high level.
c. Keeping the organization responsive to changing conditions, alert for new opportunities, bubbling with innovative ideas, and ahead of rivals in developing competitively valuable competencies and capabilities.
d. Exercising ethics leadership and insisting that the company conduct its affairs like a model corporate citizen.
e. Pushing corrective actions to improve strategy execution and overall strategic performance.

Leadership Style

- Transformational Leadership Style
- Transactional Leadership Style

Strategic change: Strategic change is a complex process and it involves a corporate strategy focused on new markets, products, services and new ways of doing business.

Steps to Initiate Strategic Change

Step-I: Recognize the need for change:
Step-II: Create a shared vision to manage change
Step-III: Institutionalize the change

Strategic Control

The control function involves monitoring the activity and measuring results against pre-established standards, analyzing and correcting deviations as necessary and maintaining/adapting the system.

Strategic Control

“Strategic control focuses on the dual questions of whether:

i. the strategy is being implemented as planned; and
ii. the results produced by the strategy are those intended.”

Types of Strategic Control

- Premise control
- Strategic surveillance
- Special alert control
- Implementation control

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

How Culture can promote better strategy execution of culture?

i. Identify the supportive and non-supportive elements of the culture.
ii. Hold candid discussions with all concerned about those aspects of the culture that have to be changed.
iii. Communicate to employees the basis for cultural change and its benefits to all concerned.
iv. Altering incentive compensation (to reward the desired cultural behaviour), visibly praising and recognizing people who display the new cultural traits.
v. Recruiting and hiring new managers and employees who have the desired cultural values.
Chapter 7 — Reaching Strategic Edge

Business Process Reengineering

Business Process: Business process is a set of steps of the process or activities that you and the personnel providing services perform to complete the transaction.

Reengineering: The complete rethinking, reinventing and redesigning of how a business or set of activities operate.

BPR: Business Process Reengineering (BPR) involves fundamental rethinking and radical redesigning of a business process so that a company can create best value for the customer by eliminating barriers that create distance between employees and customers.

Business processes of a firm that need redesigning

i. Processes pertaining to development and delivery of product(s) and/or services
ii. Process involving interface(s) with customers
iii. Process comprising management activities

Steps Involved in Implementing Business Process Reengineering (BPR)

Step 1: Determining objectives and framework of the organization.
Step 2: Identify customers- their profile, their steps in acquiring, using and disposing a product and determine their needs.
Step 3: Develop a flowchart of the existing total business processes.
Step 4: Try to simplify the process by eliminating tasks and steps where possible.
Step 5: Determine which parts of the process can be automated through introduction of advanced technologies.
Step 6: Evaluate each activity in the process to determine whether it is strategically critical or not.
Step 7: Design a new structure for performing the activities and reorganize the personnel who perform these activities into the new structure.
Step 8: Implement the redesign.

The Role of Information Technology in BPR

The impact of IT -systems on BPR can be identified with respect to following:

a. Operational speed, drastic reduction in time,
b. Global village, i.e. overcoming restrictions of geography and/or distance,
c. Restructuring of relationships,
d. Information systems that provide timely, reliable and accurate information, and
e. Business Values - IT-initiatives, thus, provide business values in three distinct areas:
   - Efficiency – by way of increased productivity,
   - Effectiveness – by way of better management,
   - Innovation – by way of improved products and services.

Benchmark: A “benchmark” is a reference or measurement standard used for comparison. Dictionary defines a benchmark as a standard or a point of reference against which things may be compared and by which something can be measured and judged.

Benchmarking: In simple words, benchmarking is an approach of setting goals and measuring productivity based on best industry practices.

The Benchmarking Process

i. Identifying the need for benchmarking and planning
ii. Understanding existing business processes
iii. Identifying best processes
iv. Comparing own processes and performance with that of others
v. Preparing a report and Implementing the steps necessary to close the performance gap
vi. Evaluation

What is TQM?

Total Quality Management (TQM) is a people-focused management system that aims at continual increase in customer satisfaction at continually lower real cost.

Principles Guiding TQM

a. Commitment
b. Culture
c. Continuous Improvement
d. Co-operation
   i. Employee Involvement
   ii. Employee Empowerment
e. Customer focus
f. Control
g. Cross-functional
h. Cause Analysis
i. Change
j. Concept of Teams

Operational Principles of TQM

a. Universal Quality Responsibility
b. Quality Measurement
c. Inventory Reduction
d. Value Improvement
e. Supplier Teaming
f. Training

What is Six Sigma?

Six Sigma is a business strategy developed by Motorola in 1986 to achieve process improvement. Six Sigma is a highly disciplined process that helps us focus on developing and delivering near-perfect products and services.

Six Sigma Methodology

Six Sigma Implementation Methodologies

Improvements in existing products, processes or services

DMAIC
Define, Measure, Analyze, Improve, Control

Designing new products, processes or services

DMADV
Define, Measure, Analyze, Design, Verify

What’s Makes Six Sigma Different?

i. Six Sigma is customer focused
ii. Six Sigma projects produce major returns on investments
iii. Six Sigma changes how management operates

Six Themes of Six Sigma

Theme I: Genuine Focus on the Customer
Theme II: Data and Fact Driven Management
Theme III: Process Focus, Management, and Improvement
Theme IV: Proactive Management
Theme V: Boundary-less Collaboration
Theme VI: Drive for Perfection; Tolerance for Failure