UNIT-1
INTRODUCTION- CONCEPTS IN STRATEGICMANAGEMENT

1.1 : CONCEPTS IN STRATEGIC MANAGEMENT:-

1.1.1 : MEANING OF STRATEGIC MANAGEMENT:-

The term 'strategic management' includes two words – 'strategy' & 'management'. 'Strategy' means a plan of action designed to achieve a long term or overall aim. This is the means by which long-term objectives will be achieved; 'management' means the process of dealing with or controlling thingsor people.

Strategic management can be defined as the art and science of formatting, implementing, and evaluating cross-functional decisions that enable an organization to achieve its objectives. Strategic Management focuses on integrating management, marketing, finance/ accounting, production, operations, research and development, and information system to achieve organization success.

The term 'strategic Management' is used synonymously with term 'strategicplanning'. The purpose of Strategic management is to exploit and create new and different opportunities for tomorrow.

DEFINITION:-

"Strategic Management is concerned with making decision about organization's future direction and implementing those decisions".

\- **LIOYD L. BYARS.**

"Strategic Management is a strain of decisions and actions, which leads to the development of an effective strategy or strategies to help achieve corporate objectives."

\- **GLUECK.**

1.1.2. CHARACTERISTICS OF STRATEGIC MANAGEMENT:

Characteristics of strategic management include following;

Characteristics of Strategic management

- **Systematic phenomenon**
- **Multi disciplinary**
- **Hierarchical**
- **Dynamic**
- **Multi dimensional**

I. STRATEGY IS A SYSTEMATIC PHENOMENON:

- Strategy involves a series of action plans, no way contradictory to each other because a common theme runs across them.
- It is not merely a good idea; it is making that idea happen too.
- Strategy is a unified, comprehensive and integrated plan of action.

II. IT IS MULTIDISCIPLINARY:

- Strategy involves marketing, finance, human resource and operations to formulate and implement strategy.
- Strategy takes a holistic view. It is multidisciplinary as a new strategy influences all the functional areas, i.e. marketing financial human resource and operations.

III. IT IS HIERARCHICAL:

- On the top come corporate strategies, then come business unit strategies, and finally functional strategies.
- Corporate strategies are decided by the top management, Business Unit level strategies by the top people of individual strategic business units, and the functional strategies are decided by the functional heads.

IV. IT IS DYNAMIC:

- Strategy is to create a fit between the environment and the organization's actions.
- As environment itself is subject to fast change, the strategy too has to be dynamic to move in accordance to the environment.

- Success of Microsoft appears to be very simple as far as software for personal computers are concerned, but Microsoft strategy required continuous decisions in a turbulent and dynamic environment to remain leader.

V. IT IS MULTIDIMENSIONAL:

- Strategy not only tells about vision and objectives, but also the way to achieve them.
- So, it implies that the organization should possess the resources and competencies appropriate for implementation of strategy as well as strong performance culture, with clear accountability and incentives linked to performance.

1.1.3. GUIDELINES FOR EFFECTIVE STRATEGIC MANAGEMENT:-

Following are the important guidelines for effective strategic Management;

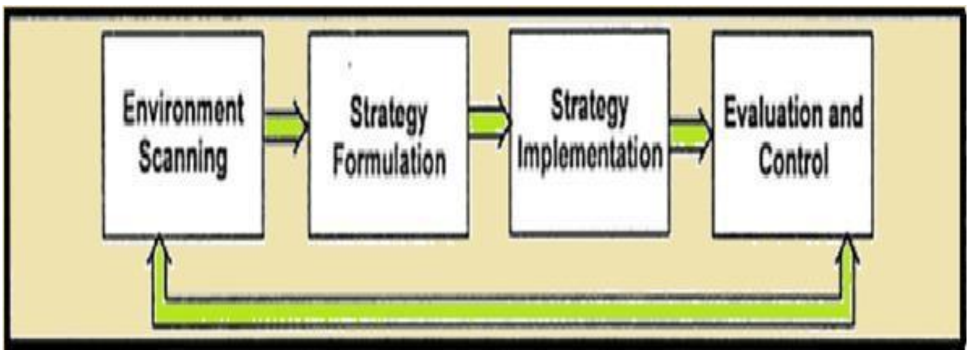
- Strategic management should be a **people process more than a paper process.**
- It should be a **learning process** for all managers and employees.
- Keep the strategic management process as **simple and no routine** aspossible.
- Strategic management should **vary assignments, team memberships,meeting formats, and even planning calendar.**
- It should **challenge the assumptions** underlying the current corporatestrategy.
- It should **welcome bad news**.
- An important guideline for effective strategic management is **open-mindedness.**
- Do **not purpose too many strategies** at once.

1.2. SRATEGIC MANAGEMENT AS PROCESS:

A process is the flow of information through interrelated stages of analysis toward the achievement of an aim. Strategic management as a process has several important implications;

- First, a change in any component will affect several or all of the components. For e.g.; forces in external environment may influence the nature of a company's mission and vice versa.
- Second implication of viewing of strategic management as a process is that strategy formulation and implementation are sequential.
- Third is necessity of feedback (analysis of post implementation results) from institutionalization, review and evaluation to the early stages ofthe process.
- Fourth, the need to regard strategic management as a dynamic system.

As a process, strategic management includes the following steps;



Components of Strategic Management Process

A. **<u>ENVIRONMENTAL SCANNING:</u>** :-

Environmental scanning is the monitoring, evaluating, and dissemination ofinformation from the internal and external environments. Its purpose is to identify strategic factors those external and internalelements will determine the future of the corporation. The simplest way to conduct environmental scanning is through SWOTAnalysis.SWOT is an acronym of strength, weakness, opportunities, and threats for aspecific company.

a) **<u>External Environment</u>**:-

External environment consists of opportunities and threats that are outside the organization. External factors are not typically within the control of top management. **Example: -** Technological factors, legal factors, competitors, social &culture factors and so on.

b) <u>Internal Environment</u>:-

Internal environment of a corporation consists of variables (strengths and weakness) that are within the organization. Top management has control on all these factors. **Example:-** company's structure, culture and resources.There are some drawbacks of environmental analysis:

- Environmental analysis does not predict the future, nor does it eliminate uncertainty for any organization.
- Environmental analysis is not a sufficient guarantor of organizational effectiveness.
- The potential of environmental analysis is often not realizedbecause of how it is practiced.

B. **STRATEGY FORMULATION**:

Strategy formulation means formulating of long term organizational plans that would assist in carrying –out organization activities in best possible way.Strategy formulation is essential for optimum functioning of the organization. Strategy formulation involves developing corporate vision, mission, setting objectives, formulating strategies which are as follows;

a) Vision of The Organization:-

An organizations vision statement can be explained as a position that organization aspires to achieve in the future. A vision statement is developed by top management which may include CEO, President, managing director, chairman etc.,

b) Mission Of The Organization:-

A mission statement descried the reason for the existence of the organization. It specific the organizational culture and values and also sets guiding points for carrying out business activities of organization.

c) Objectives:-

Organizational plans are usually long term and the craft long-term objectives. Objectives are the results that one expects out of the business activities. The objectives envelope areas like organization's profitably, competitive position, public image, ROI (return on investment), productivity, employees growth etc.,

d) Strategies:-

A strategy of an organization is a detailed plan which helps the organization in realizing its mission and objectives. Strategies are formulated for achieving competitive advantage.

e) Policies:-

Policies refer to set of instructions that are used for strategy formulating and strategy implementation. Policies focus on achieving corporate goals by ensuring optimumallocation of resources.

C. **STRATEGY IMPLEMENTATION**:-

After formulating a strategy, next step is to ensure effective implantation of formulated strategies. Strategies are implemented with the help of;

- **Programmers** (actions or steps needed to implement a single use planand they help in putting strategies into action.
- **Budgets:-** (declaration of organization's programmed in monetary terms)
- **Procedures:-** (step-by-step explanation of order in which a task is to becarried –out) Without successful implementation, as well devised strategy is of no use.

D. **EVALUATION AND CONTROL**:-

Evaluation and control is final step in the process of strategic management. After implementing a strategy, it must be evaluated on a regular basis. Successful evaluation of strategy is based on suitable and prompt feedback. Control should be imposed that it produces intended remedial action. The amount of control that needs to be imposed is based on differentbetween actual and expected results.

1.3. DEVELOPING A STRATEGIC VISION:-

MEANING OF VISION:-

A vision statement can be referred as the statement defining company'slong-term goals. A vision statement can exceed from one line to a few paragraphs highlightswhat the organization wants to achieve in future. Vision statement is common, mutual and for every employee in theorganization. Vision statement is simple, unique, and competitive in nature. A good vision statement encourages the organization to take risks and to pursue innovation ideas to stay competitive in market.

1.3.1. **DEVELOPING A STRATEGIC VISION**:-

For developing a vision statement, following steps are included;

Understanding organizationConduct an audit

⇩

Narrow down the vision

⇩

Set-up the context for vision statementsCreate New Future Scenarios Formulate

⇩

Alternate vision statements

⇩

Secret the final vision Statement

a) **UNDERSTANDING THE ORGANIZATION**:-

The foremost step of formulating a vision statement to understand theorganization. To understand the organization in a better way. The following detailsshould be considered:

- Nature of the industry.
- Mission and purpose of the organization.
- Kind of value it is providing to the society.
- Structure of the organization.

b) CONDUCT AN AUDIT:-

Once the understanding of organization has been achieved, the next stepis to conduct as audit to access the current position of the organization. Following aspects are to be analyzed at this stages;

- Current direction of the organization.
- Organizational structure.
- Organizational activities.
- Compensation and remuneration plans.

c) **NARROW DOWN THE VISION:-**

After conducting the audit, the next thing to do is to narrow down the visionstatement. Narrowing down here implies considering the factors that are needed toform a vision statement.

d) **SET-UP THE CONTENT FOR VISION STATEMENT:-**

In this step, the strategic leaders should anticipate the future aspects of theorganization. Some of the aspects to be considered are:-

- Anticipation and categorization of future developments which mayaffect the vision.
- Anticipate the probability of fulfilling the expectations.
- Assigning the probability of occurrence to each expectation.

e) **CREATE NEW FUTURE SCENARIOS:-**

As soon as the expectations are anticipated and their effect and probability fulfillment are understood, next step creation of new scenarios should considered. This is to associate those expectations to form a new scenario which involves a variety of possibilities in future anticipated by leaders.

f) **FORMULATED ALTERNATIVE VISION STATEMENTS:-**

Here, the possible future alternatives are discovered and decided. Alternative vision statements for each direction are formulated.

g) **SELECT THE FINAL VISION STATEMENT:-**

This is the final stage where the strategic leaders would select the best among the alternative vision statements. For selecting best one, it is necessary to closely analysis the vision Statements.

1.3.2. EXAMPLES OF CORPORATE VISION STATEMENT:-

Following are some of the examples of vision statement;

BHEL:- " A world class innovative, competitive and Profitable engineeringenterprise providing total business solutions:-

WIPRO:-"Be among the 10 most admired Indian corporations."

COLGATE-PALMOLIVE: - "to be the company of first choice in oraland personal hygiene by continuously caring for consumers and partners."

MICROSOFT: "Empower every person and every organization on theplanet to achieve more".

NIKE: "Bring inspiration and innovation to every **athlete** in the world.

APPLE: "To produce high-quality, low cost, easy to use products thatincorporate high technology for the individual".
SONY: "To be a company that inspires and fulfills your curiosity".

1.3.3. **BASIC ELEMENTS OF A VISION STATEMENT**:- Vision is simply a combination of 3 basis elements;

- An organization's fundamental reason for existence beyond just making money.
- Its timeless, unchanging core values. The core values define the enduring character of an organization that remains unchanged as it experiences changes in technology, competition, management styles etc.,
- Huge but, achievable aspirations for its future.

COMPONENTS OF VISION STATEMENTS:

- It is **written in the present, not future tense**. They describe what we will feel, hear, think, say and do as if we had reached our vision now.
- It is **summarised with a powerful phrase**. That phrase forms the first paragraph of the vision statement. The powerful phrase is repeated in whatever communication mediums you have to trigger memory of thelonger statement. It is not a brand strap-line.
- It **describes an outcome**, the best outcome we can achieve. It does not confuse vision with the business goal and objectives for a particular period of time. A vision statement, therefore, does not provide numeric measuresof success.
- It **evokes emotion**. It is obviously and unashamedly passionate. However, it separates the hard aspect of vision in what we see, hear and do from the softaspect of vision in what we think and feel.
- It helps **build a picture, the same picture, in people's minds.**

1.4. MISSION:

1.4.1. MEANING AND DEFINITION OF MISSION STATEMENT:-

Organizations are founded for a purpose. Although the purpose may change over time, it is essential that stakeholders understand the reason for the organization's existence that is the organization's mission. The mission is an enduring statement of purpose that distinguishers one business from other similar firms.

A mission statement reveals the long-term vision of an organization in terms of;

- What it wants to be
- Where exactly it wants to go
- Whom its wants to serve

The obvious purpose of a mission statement is to give a public announcement to insiders and outsiders about what the firm's stands for, what makes the firm different. The mission statement is generally expressed in a board manner and it is unlikely that it can be ever achieved completely.

<u>DEFINITION</u>:-

"The mission reflects the essential purpose of the organization, concerning particularly why it is in existence, the nature of business it is in, and the customers it seeks to serve and satisfy."

-ACCORDING TO THOMSON.

1.4.2. <u>CHARACTERISTICS OF A MISSION STATEMENT</u>:-

CHARACTERISTICS

- **Clarity**
- **Broad and enduringRealistic**
- **Specific**
- **Identity and image**

a) <u>CLARITY</u>:

The mission statement should be clear enough to lead to action. The corporate dream must be presented in crystal-clear manner preferablyin a positive tone. **For example**: SBI – "with you, all the way".

b) <u>BROAD AND ENDURING</u>:-

The mission statement is a grand design of the firm's future. So, it should be in a board manner. However, a mission statement should not be so narrow as to restrict the firm's operations nor should it be too general to make itself meaningless. To make things clear, mission statements come in two forms ; primary mission (a general category of business to be engaged in and secondary mission defining everything more specifically Telco for example is in the transportation business primary business.

c) <u>REALISTIC:</u>

Missions should be register and achievable. Air India would be deluding believing that is not true itself if it adopted the mission to become the world's favorite's airline.

d) SPECIFIC:

Mission should be specific.Mission must define the competitive scope within which the company will operate that is the range of industries in which a company will operate industrial goods consumer goods services.

- Range of products and applications the company will supply.
- Range of products and applications the company will supply.
- Range of regions countries in which a company will operate.
- Company's core competencies.

Example: Mc Donald's could probably enter the solar energy business but that would not take advantage of its core competencies providing low cost food and fast service to large number of customers.

e) IDENTITY AND IMAGE:

The mission sets a firm apart from other firms of its style.Through the mission statement the firm wants to maintain its distinct image and character in terms of excellent quality and service latest technology a unique produced offerings etc.

For example;

- An Asian paint stresses leadership though excellent.
- MTNL presents it as the lifeline of destine and Mumbai.
- Bajaj Auto offers value for money for years.

EXAMPLES OF MISSION STATEMENTS:

Bharat heavy electrical ltd (BHEL):

To achieve and maintain a leading position as suppliers of quality equipment's systems and service to serve and national and international market in the field of energy.

Cadbury India :

To attain leadership position in the confectionary market and achieve astrong national presence in the food drinks sector.

C) Coca Cola:

To refresh the world. To inspire moments of optimism and happiness. Tocreate value and make a difference.

P&G:

We will provide branded products and services of superior quality andvalue that improve the lives of the world's consumers.

Wal-Mart:

Helps people around the world save money and live better — anytime andanywhere — in retail stores, online and through their mobile devices.

1.4.3. BENEFITS OF MISSION:

a) MOTIVATES EMPLOYEES:

Mission statements motivate employees of the organization to enhance theirskills not only personal gains and also for achieving the common organizational goals. Mission statement helps to create an environment of shared values among employees and guide them in their regular activities.

b) SETS CORE VALUES:

A mission statement sets core values within the organization. It identifies the direction in which the organization wishes to proceed andalso determines the ways in which the objective is to be achieved. If at times the organization loses its track and engages in some unethicalactivates the mission statement helps in bringing it back on the track.

c) **DESCRIBE ORGANIZATIONAL GOALS:**

A mission statement defines the goals that are to be achieved by theorganization. It portrays a clear picture about the business it deals in and thefundamental idea about the organization. Whatever its form, a mission statement should give readers a clear ideaabout what a business does.

d) **IMPROVES ORGANIZATION PERFORMANCE:**

Mission statement helps the organization to improve its financial position by balancing and enhancing the overall organizational performance. If the organization mission statement is achievable and feasible itmotivated the employs to stretch their abilities to outperform themselves.

1.4.4. COMPONENTS OF MISSION STATEMENTS:-

The components of Mission statement include the following:-

COMPONENTS OF MISSION

- **Products and services**
- **Technology**
- **Target market**
- **Policy for employees**
- **Public images**

a. PRODUCTS OR SERVICES:

A mission statement should indicate the products or survives the organization deals in. **For example**: The mission statement of Assurant is to be the premier provider of targeted specialized insurance products and related services in North America and selected other markets.

b. **TECHNOLOGY**:

A mission statement should describe about the technology being implemented for achieving the organizational goals. This helps the organization in acquiring better technology vendors.

c. **TARGET MARKET:-**

An organization should indicate the type of market it serves in a missionstatement. **For example**: while the mission of a cosmetic company may serve only forwomen a company producing shaving creams would serve only for men.

d. **POLICY FOR EMPLOYEES:**

A mission statement should indicate its policies regarding its employees sothat they realize their importance in the organization.

e. **PUBLIC IMAGE:**

By formulating a mission statement, strategic leaders are able to convey the basic features and function of the organization which helps in creating appositive public images.

COMPARISSION OF VISION AND MISSION STATEMENTS OF COMPANIES:

COMPANY	VISION	MISSION
SAMSUNG	Inspire the world and create the future	Inspire the world with our innovative technologies, products and design that enrich the people lives and contribute to social prosperity by creating a new future.
INFOSYS	To be a globally respected corporation that provides best-of-breed business solutions, leveraging technology, delivered by best-in-class people.	To achieve our objectives inan environment of fairness, honesty, and courtesy towards our clients, employees, vendors and society at large.
IKEA (company thatmanufactures home furnishing products)	To create a better everydaylife for the many people.	Offer a wide range of well-designed; functional home furnishing products at pricesso low that as many people as possible will be able toafford them.

AMAZON	To be earth's most customer-centric company, where customers can find and discover anything they might want to buy online.	We strive to offer our customers the lowest possible prices, the best available selection, and the utmost convenience.
GOOGLE	To provide access to the world's information in one click.	Organize the world's information and make it universally accessible and useful.
NESTLE	To be a leading, competitive, nutrition, health and wellness company delivering improved shareholder value by being a preferred corporate citizen preferred employer preferred supplier selling preferred products.	Our mission of "good food, good life" is to provide consumers with the best tasting, most nutritious choices in a wide range of food and beverage categoriesand eating occasions, from morning to night.
ITC (imperial tobacco company)	Sustain itc's position as oneof the most valuable corporations through worldclass performance, creatinggrowing value for Indian economy and company's stakeholders.	To enhance the wealth generating capability of the enterprise in a globalizing environment, delivering superior and sustainable stakeholder value

1.5. OBJECTIVES:

1.5.1. MEANING OF OBJECTIVE:-

An objective indicates the result that the organizations expect to achieve inthe long run. It is an end result the end point something the youth aim for and try to reach. It is a desired result towards which behavior is directed in an organization. The organization may or may not reach the desired state but the chances of doing so are greater if the objectives are farmed and understood properly. Objectives are the product of specific concrete thinking.

1.5.2 : CLASSIFICATION OF OBJECTIVES:

Objectives are classified as follows;

Classification of Objectives ———

- **Primary objectives**
- **Secondary Objectives**
- **Short term objectives**
- **Medium term objectives**
- **Long-term objectives**
- **Financial Objectives**
- **Non-Financial Objectives**

A. PRIMARY OBJECTIVES:-

Primary objectives are those which are concerned with fulfilling the needs ofprimary stakeholders and consumers. They are long term goals of the organization hence these also called asstrategic objectives. Primary objectives of an origination can be surviving in competitionmaximizing profit increasing market share etc.

Example: The primary purpose of a business is to maximize profits for itsowners or stakeholders while maintaining corporate social responsibility.

B. SECONDARY OBJECTIVES:-

Secondary objectives also called as tactical objectives. Secondary objectives are set to perform daily operation smoothly. These objectives address the issue of wages, composition incentives,recognition etc.

C. SHORT TERM OBJECTIVES:

Short term objectives are set to achieve short term targets. These are set for up to one year or one financial year. For an organization short term objective can be used for increasing salesreducing the layout turnover etc.

D. MEDIUM- TERM OBJECTIVE:

Medium term objectives are set for the period of the months to five years. Medium term objectives convert into short term objectives with the passage of time. **For e.g.** introducing variants of existing product modification in existingrotational structure etc.

E. LONG TERM OBJECTIVE:

Long term objectives are broad and inspiring in nature. The duration of long term objective in more than five years. **For e.g**. diversifying the business acquiring or merging a new businessglobal expansion of business etc.

F. **FINANCIAL OBJECTIVES:**

Financial objectives are associated with monetary benefits. Financial objectives of an origination can be maximizing sales increaserevenue by 20 reducing product cost etc. These objectives may be short term as well as medium term.

G. **NON FINANCIAL OBJECTIVES:**

Non-financial objective are not associated with monetary benefits. These objectives a help the organization to evaluate the intangible aspects ofa business such as stability, health, long term success, culture, values etc.

1.5.3. ROLE OF OBJECTIVES:-

Objectives serve the following function;

Role of Objectives:

- **Direction**
- **Benchmark for Success**
- **Basis for Managerial Functions.**
- **Basis for Organ existence**
- **Basis for Various plans**

A. **DIRECTION:**

Objectives provide guidelines for origination efforts they keep attentionfocused on common purpose. Every activity is directed toward the objectives every individual contributesto meet the goals.

B. **BENCHMARK FOR SUCCESS:**

Objectives eve as performance standards against width actual performancebe checked. They provide a bench mark for assessment. Objectives help in the control of human effort in an organization.

C. **Motivation:**

Objectives of one level are a source of inspiration and motivation to achievegoals at higher levels. Workers strive hard to achieve innovation and challenging goals rational and attainable objectives motivate employee to work hard.

D. **Basis for Managerial Functions:-**

Objectives provide basis for all managerial functions. Planning, organizing, staffing, directing and controlling are directed towards organizational objective. Unless organizational objectives are clearly identified, managerial functions will not be effectively carried out.

E. **Basis for Organizational Existence**:-

Objectives provide foundation or legitimacy to business organization. An organization will not come into existence if it has no objective to achieve. Objectives enable the organization to make its profile (identify its strengths and weakness) and relate it with environmental profile (opportunities and threats).

1.6. MEANING OF POLICIES:

The term policy is derived from the Greek word **"Politician"** relating to policy that is 'citizen' and Latin work **"polities"** meaning 'polished', that is 'to say clear'. A **policy** is a deliberate system of principles to guide decisions and achieve rational outcomes. A policy is a statement of intent, and is implemented as a procedure or protocol. Policies are generally adopted by a governance body within an organization.Policies can assist in both subjective and objective decision making.

DEFINITION:

The term "Policy" is defined by **KOONTZ and O 'DONNEL** as **"**policies are general statements or understandings which guide mangers thinking in decision making".

George R.TERRY defined "policy is a verbal written or implied overall guide setting up boundaries that supply the general limits and direction in which managerial action will take place".

1.6.1. CHARACTERISTICS OF POLICIES:

Although different businesses may have different policies, any businesspolicy has the same seven features. A business policy must be specific, clear, uniform, appropriate, simple, inclusive and stable.

- **SPECIFIC**:

If a policy is not specific, implementation becomes inconsistent and unreliable. For example, "Employees may not park in the guest parking lot."

- **CLEAR**:

A business policy has no ambiguity. It is written in easy-to-understand language. For example, "Immediate release of employment is the result of company drivers having two points on their driving record."

- **UNIFORM**:

The policy should be a standard that everyone can follow from the top management to the plant workers. For example, "Anyone entering the construction site must have a protective hat, shoes and glasses on at all times."

- **APPROPRIATE**:

Business policies should be relevant to organizational goals and needs. For example, "Discrimination and sexual harassment accusations are investigated with disciplinary action applicable based on investigation findings."

- **SIMPLE**:

Policy must be understood by all that it applies to within the business. For example, "No smoking within 100 feet of welding operations designatedby the painted yellow floor lines."

1.6.2. TYPE OF POLICIES:

***A.* On the Basis of Source:**

(i) Originated Policy.
(ii) Appealed Policy.
(iii) Implied Policy.
(iv) Externally imposed policy.

i. ORIGINATED POLICY:

By originated policy they refer to policy which originates from the topmanagement itself. These policies are aimed at guiding the managers and their subordinates intheir operations. They flow basically from the organization's objectives as defined by top management.

ii. APPEALED POLICY:

It is meant decisions given in case of appeals in exceptional cases up to management hierarchy. In case of doubts, an executive refers to higher authority on how he should handle the matter.

iii. IMPLIED POLICY:

Implied policy is meant policies which emanate from conduct. It also originates where existing policies are not enforced.

iv. EXTERNALLY IMPOSED POLICY:

Policies may be imposed externally that is from outside the organization on such as by Government control or regulation, trade associations and trade union etc.

***B.* On the Basis of different Levels:**

I. Basic Policies.
II. General policies.
III. Departmental Policies.

i. BASIC POLICIES:

Policies which are followed by top management level are called as basicpolicies. For example, the branches will be opened in different place where thesales exceed Rs.5lakhs.

ii. GENERAL POLICIES:

These policies affect the middle level management and more specific thanbasic policies.

Example:

Payment will be provided for overtime work only if it is allowed by themanagement.

iii. DEPARTMENT POLICIES:

These policies are highly specific and applicable to the lower levels of management.

Example:

Tea will be provided free for workers in night shifts.

C. On the Basis of Managerial Functions:

Policies arise from decision pertaining to fundamental managerial functionsare called managerial policies.

These include the following policies:

I. Planning policies.

II. Organization policies.

III. Motivation and control policies.

i. PLANNING POLICIES:

Planning policies involve the future course of action. Mere policies are formulated as to achieve the targets regarding the future. Planning policies may formulate for whole organization or for divisional departments.

ii. ORGANIZATION POLICIES:

These policies are highly specific to organizational goals and objectives.

iii. MOTIVATION AND CONTROL POLICIES:

Here policies are formulated to motivate people and control the activities, which lead to achieve the organizational objectives with the fullest satisfaction of employees.

1.7. FACTORS THAT SHAPE A COMPANY'S STRATEGY:

Many situational considerations enter into crafting strategy. Crafting Strategy is the first "season" in an organization's "annual" cycle. These factors vary from situation to situation. Anyway, these factors are as follows:-

1.7.1. FACTORS THAT SHAPE A COMPANY'S STRATEGY:

Societal, political regulatory and citizenship considerationsCompetitive conditions and overall industry attractivenessThe Company's market opportunities and external threats
Company resource, strength, competencies, and competitive capabilities The personal ambitions, businesses philosophy, and ethical beliefs

i. SOCIETAL, POLITICAL REGULATORY AND CITIZENSHIP CONSIDERATIONS:

All organizations operate within a society. Hence, social expectations, values, and ethical considerations play a vital role in shaping a strategy. Moreover, economic, societal, political, regulatory, and citizenship factors limit the strategic actions a company can or should take.

ii. COMPETITIVE CONDITIONS AND OVERALL INDUSTRY ATTRACTIVENESS:

A company's strategy should be tailored to fit industry and competitive conditions. Various competitive conditions like price, product quality, performance features; service, warranties, and so on plays a vital role in shaping a strategy.

III. THE COMPANY'S MARKET OPPORTUNITIES AND EXTERNAL THREATS:

A good strategy aims at capturing a company's best growth opportunities. It also aims at defending against external threats to its well-being and future performance.

Iv. COMPANY RESOURCE, STRENGTH, COMPETENCIES, AND COMPETITIVE CAPABILITIES:

One of the most crucial strategy-shaping considerations is whether a company has or can acquire the resources, competencies, and capabilities needed to execute a strategy proficiently.

v. THE PERSONAL AMBITIONS, BUSINESSES PHILOSOPHY, AND ETHICAL BELIEFS OF MANAGERS:

Various studies indicate that manager's ambitions, values, business philosophies, attitude toward risk, and ethical beliefs have an important influence on strategy.

1.8. ENVIRONMENTAL SCANNING:

1.8.1. MEANING:

Organizational environment consists of both external and internal factors. Environment must be scanned so as to determine development and forecasts of factors that will influence organizational success. Environmental scanning refers to possession and utilization of information about occasions, patterns, trends, and relationships within an organization's internal and external environment. It helps the managers to decide the future path of the organization. Scanning must identify the threats and opportunities existing in the environment.

1.8.2. PROCESS OF ENVIRONMENTAL SCANNING:

Environmental scanning is a useful managerial tool for assessing the environmental trend. The following process is adopted for environmental scanning.

i. STUDY THE FORCES AND NATURE OF THE ENVIRONMENT:

In the first step of environmental scanning, the forces of the environment that have got significant bearing in the growth and development of the business should be identified. They may be political, economic, sociology-cultural, technological, legal, physical environment and global components. After this, the nature of the environmental components is studied. The nature of environment may be simple or complex. It may also be stable orvolatile.

ii.* DETERMINE THE SOURCES OF INFORMATION*:

After studying the process and nature of the environment, the sources of collecting information from the environment should be determined. There are different sources through which information on business environment may be collected. They are as follows: **Secondary sources:** Newspapers, book, research articles, industrial and trade publications, government publication, and annual report of the competitors.

Mass media: Radio, TV and Internet.

Internal sources: Internal reports, management information system, data network, and employee.

External agencies: Consumers, marketing intermediaries and suppliers.

Formal studies: Formal research and study by employee, research agencies, and educational institutions.Spying and surveillance of the competitors.

iii. **DETERMINE THE APPROACH OF ENVIRONMENTAL SCANNING*:***

After determining the sources of information the approach of environmental analysis should be determined. There are mainly three approaches to environmental scanning. They are:

- **Systematic approach*:***

Under this approach, a systematic method is adopted for environmentalscanning. The information regarding market and customer, government policy, economic and social aspects are continuously collected.

- **Ad-hoc Approach:**

Under this, specific environmental components are only analyzed through survey and study. It is not a continuous process.

- **Processed form approach*:***

Under this, the information collected from internal and external sources are used after processing them.

iv. SCAN AND ASSESS THE TREND:

This is the final step of environmental scanning process. It involves a detailed and micro study of the environment to identify the early signals of potential changes in the environment. It also detects changes that are already under way and shows the trend of theenvironment. The trend should be assessed in terms of opportunities and threats.

1.8.3. TECHNIQUES/METHODS OF ENVIRONMENTAL SCANNING:

There are different techniques/methods of environmental scanning. They arediscussed below:

i. Executive opinion method:

It is also called executive judgment method. Under this environment is forecasted on the basis of opinion and views oftop executives. A panel is formed consisting of these executives.

ii. **Expert opinion method*:***

Under this, environment forecasting is based an opinion of outside experts orspecialist. The experts have better knowledge about market conditions and customertaste and preferences. This method is similar to executive opinion method. However, it uses external experts.

iii. <u>Delphi method</u>:

This method is extension of expert opinion method. It involves forming a panel of experts and questioning each member of thepanel about the future environmental trend. Later, the responses and summarized and returned to the members forassessment.

iv. <u>Extrapolating method</u>:

Under this method, the past information is used to predict the future. Different methods used to extrapolate the future are time series, trendanalysis and regression analysis.

v. <u>Historical analogy</u>:

Under this, the environmental trends are analyzed with the help of othertrends which are parallel to historical trend.

<u>TECHNIQUES</u>:

For scanning the environment companies often use number of techniques depending n their specific requirement n terms of quantity quality cost relevance the following techniques are generally pressed into service while carrying out environment scanning.

- SWOT analysis
- ETOP
- Techniques

i. <u>SWOT ANALYSIS</u>:

SWOT (acronym for the internal strengths and weaknesses of a firm and the environmental opportunities and threats facing that firm).SWOT helps an organization match its strengths and weakness withopportunities and threats operations in the environment.

- **STRENGHTS:** internal capabilities of a firm which can be use togain competitive advantage over its rivals.

- **WEAKNESS**: limitations or constraints which tend to decrease thecompetencies of the firm in comparison to rivals.

- **OPPORTUNITIES**: major favorable conditions in a firm's environment which help a firm strengthen its position.

- **THREATS**: major unfavorable conditions in a firm's environmentwhich may pose a risk or damage firms position.

ii. <u>ETOP</u>:

ETOP is the acronym for environment threats and opportunity profile. It is nothing but a summarized picture of e environmental factors and their likely impact on the organization. Generally ETP is prepared in the following manner.

a. <u>LIST ENVIRONMENT FACTORS</u>

List of different aspects of the relevant environment. For example, economic environment may be divided into rate of economic growth, national income, savings investments, rate of inflation fiscal policy monarchy policy etc.

b. <u>ACCESS IMPORTANCE OF ENVIRONMENTAL FACTORS</u>

AF this stage the importance of each environments factor is accessed closely and expressed in qualitative or quantitative factors. It is worth mentioning here that not all the identified environmental factorswill have the same degree of importance.

iii. <u>PEST:</u>

PEST is the acronym for political economic sociological and technological factors. It is important to consider all these factors at the time of environmental scanning.

a. <u>POLITICAL FACTORS:</u>

Are there any other political factors that are likely to change?

When is the countries next local state or national election?

What is the likely timescale of proposed legislation changes?

b. <u>ECONOMIC FACTORS</u>:

How stable is the current economy? Is it growing declining or stagnating?

Are key exchange rates stable or do they tend to vary significantly.

What is the unemployment rate?

Affect of globalization on ecommerce environment?

c. <u>SOCIO-CULTURAL FACTORS</u>:

Population growth rate.

Society levels of health education and social mobility?

Religious beliefs and lifestyle of population.

Impact of socio cultural factors on business.

d. <u>TECHNOLOGY FACTORS</u>:

New technologies

Access of competitors to new technology

Affect of infrastructure changes on work patterns.

Unit-2
STRATEGIC ANALYSIS AND CHOICE

2.1. TOOLS AND TECHNIQUES:

2.1.1. STRATEGIC ANALYSIS:-

Strategic analysis enables the firm to recognize its strategic position in the internal and external corporate environmental. The basic purpose of strategic analysis is to generate strategic alternatives for the organizational to gain competitive advantage by formulating and offering superior value to its stake holders. While formulating the strategy, a firm must have knowledge about 3c's like;

i) Competencies :-

Competencies can be in the form of skills, knowledge and relationships.

- What is one's area of expertise?
- What are one's capabilities?
- What liabilities does one have?
- What are the avenues of making money?

ii) Competition:-

Competition covers all the areas of competition from regulation to real life.

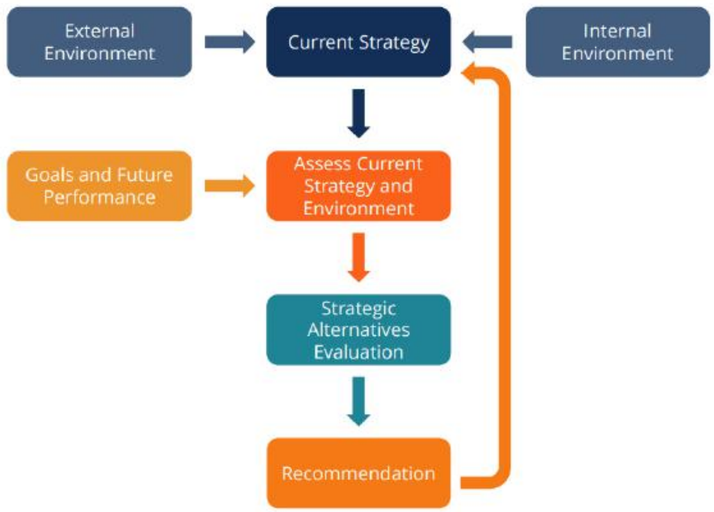
- What is the basis of competition?
- From where the threats can arise?
- Which market segments are under pressure and where is the company better placed?

iii) Customers :-

This area comprises of existing customers, prospective customers andseveral market segments.

- Here, the firm needs to answer the questions regarding :What are their needs?
- How can their needs be fulfilled?
- Which categories of customers are more profitable?

2.1.2. **PROCEDURE OF STRATEGIC ANALYSIS**:-



i. **PERFORM AN ENVIRONMENTAL ANALYSIS OF CURRENT STRATEGIES**:

Starting from the beginning, a company needs to complete an environmentalanalysis of its current strategies. Internal environment considerations include issues such as operational inefficiencies, employee morale, and constraints from financial issues. External environment considerations include political trends, economicshifts, and changes in consumer tastes.

ii. **DETERMINE THE EFFECTIVENESS OF EXISTING STRATEGIES:**

A key purpose of a strategic analysis is to determine the effectiveness of the current strategy amid the prevailing business environment. Strategists must ask themselves questions such as: Is our strategy failing or succeeding? Will we meet our stated goals? Does our strategy align with ourvision, mission, and values?

iii. **FORMULATE PLANS:**

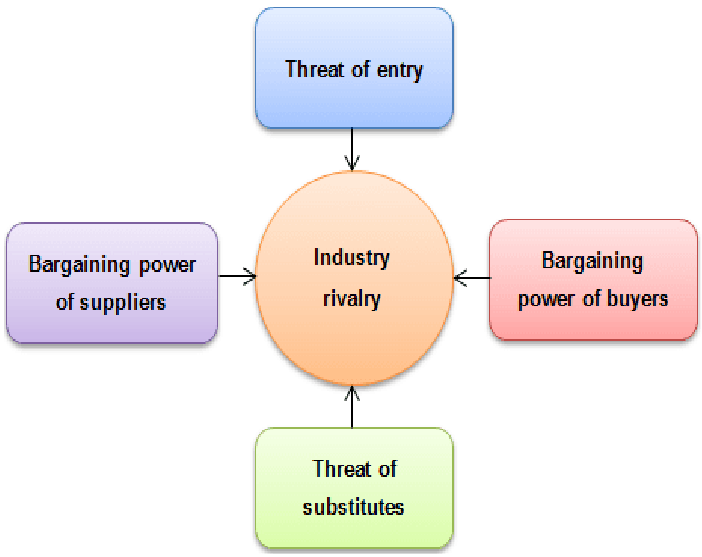
If the answer to the questions posed in the assessment stage is "No" or "Unsure," we undergo a planning stage where the company proposes strategic alternatives. Strategists may propose ways to keep costs low and operations leaner. Potential strategic alternatives include changes in capital structure, changes in supply chain management, or any other alternative to a business process.

iv. **RECOMMEND AND IMPLEMENT THE MOST VIABLE STRATEGY**:

Lastly, after assessing strategies and proposing alternatives, we reach the recommendation. After assessing all possible strategic alternatives, we choose to implement the most viable and quantitatively profitable strategy.After producing a recommendation, we iteratively repeat the entire process. Strategies must be implemented, assessed, and re-assessed. They must change because business environments are not static.

2.2. PORTER'S FIVE FORCE MODEL:

Five forces model was created by M. Porter in 1979 to understand how five key competitive forces are affecting an industry. The five forces identified are:



These forces determine an industry structure and the level of competition in that industry. The stronger competitive forces in the industry are the less profitable it is.

i. THREAT OF NEW ENTRANTS.

This force determines how easy (or not) it is to enter a particular industry. If an industry is profitable and there are few barriers to enter, rivalry soon intensifies. When more organizations compete for the same market share, profits start to fall. It is essential for existing organizations to create high barriers to enter to deter new entrants. Threat of new entrants is high when:

- Low amount of capital is required to enter a market;
- Existing companies can do little to retaliate;
- Existing firms do not possess patents, trademarks or do not have established brand reputation;
- There is no government regulation;

ii. BARGAINING POWER OF SUPPLIERS:

Strong bargaining power allows suppliers to sell higher priced or low qualityraw materials to their buyers. This directly affects the buying firms' profits because it has to pay more formaterials. Suppliers have strong bargaining power when:

- There are few suppliers but many buyers;
- Suppliers are large and threaten to forward integrate;
- Few substitute raw materials exist;
- Suppliers hold scarce resources;

iii. <u>BARGAINING POWER OF BUYERS</u>:

Buyers have the power to demand lower price or higher product quality fromindustry producers when their bargaining power is strong. Lower price means lower revenues for the producer, while higher qualityproducts usually raise production costs. Both scenarios result in lower profits for producers.Buyers exert strong bargaining power when:

- Buying in large quantities or control many access points to the finalcustomer;
- Only few buyers exist;
- Switching costs to other supplier are low;
- They threaten to backward integrate;
- There are many substitutes;
- Buyers are price sensitive.

iv. <u>THREAT OF SUBSTITUTES</u>:

This force is especially threatening when buyers can easily find substitute products with attractive prices or better quality and when buyers can switch from one product or service to another with little cost. For example, to switch from coffee to tea doesn't cost anything, unlike switching from car to bicycle.

v. <u>RIVALRY AMONG EXISTING COMPETITORS</u>:

This force is the major determinant on how competitive and profitable anindustry is In competitive industry, firms have to compete aggressively for a marketshare, which results in low profits. Rivalry among competitors is intense when:

- There are many competitors;
- Exit barriers are high;
- Industry of growth is slow or negative;
- Products are not differentiated and can be easily substituted;
- Competitors are of equal size;
- Low customer loyalty.

2.2.1. USING THE PORTER'S FIVE FORCE MODEL:

We now understand that Porter's five forces framework is used to analyze industry's competitive forces and to shape organization's strategy according to the results of the analysis. But how to use this tool? We have identified the following steps:

Step 1. Gather the information on each of the five forces

Step 2. Analyze the results and display them on a diagram

Step 3. Formulate strategies based on the conclusion.

Step 1. GATHER THE INFORMATION ON EACH OF THE FIVE FORCES:

- What managers should do during this step is to gather information about their industry and to check it against each of the factors (such as "number of competitors in the industry") influencing the force.
- We have already identified the most important factors in the table below.

Step 2. ANALYZE THE RESULTS AND DISPLAY THEM ON A DIAGRAM:

- After gathering all the information, you should analyze it and determine howeach force is affecting an industry.
- For example, if there are many companies of equal size operating in the slow growth industry, it means that rivalry between existing companies is strong.
  - Remember that five forces affect different industries differently so don't usethe same results of analysis for even similar industries!

Step 3. FORMULATE STRATEGIES BASED ON THE CONCLUSIONS:

- At this stage, managers should formulate firm's strategies using the resultsof the analysis
- For example, if it is hard to achieve economies of scale in the market, the company should pursue cost leadership strategy.
- Product development strategy should be used if the current market growth is slowand the market is saturated

2.3. BCG MATRIX:

Boston Consulting Group (BCG) Matrix is a four celled matrix (a 2 * 2 matrix) developed by BCG, USA. It is the most renowned corporate portfolio analysis tool. It provides a graphic representation for an organization to examine different businesses in its portfolio on the basis of their related market share and industry growth rates. It is a two dimensional analysis on management of SBU's (Strategic Business Units). In other words, it is a comparative analysis of business potential and the evaluation of environment.According to this matrix, business could be classified as high or low according to their industry growth rate and relative market share.

Relative Market Share = SBU Sales this year leading competitors sales this year.

Market Growth Rate = Industry sales this year - Industry Sales last year.

The four cells of this matrix have been called as stars, cash cows, questionmarks and dogs. Each of these cells represents a particular type of business.

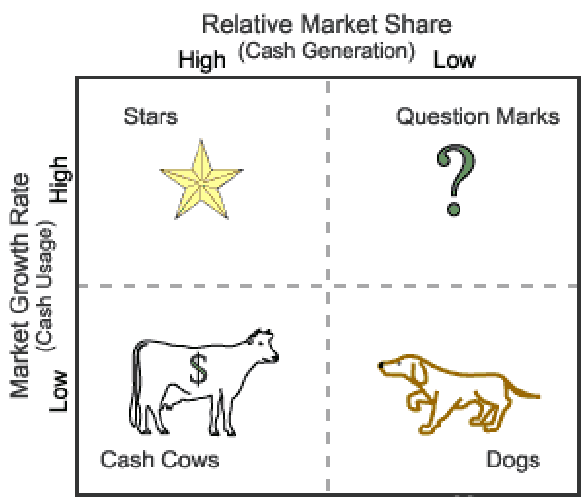


Figure: BCG Matrix

I. <u>STARS</u>:

Stars represent business units having large market share in a fast growingindustry. They may generate cash but because of fast growing market, stars require huge investments to maintain their lead. Net cash flow is usually modest. SBU's located in this cell are attractive as they are located in a robustindustry and these business units are highly competitive in the industry. If successful, a star will become a cash cow when the industry matures.

II. <u>CASH COWS</u>:

Cash Cows represent business units having a large market share in amature, slow growing industry. Cash cows require little investment and generate cash that can be utilizedfor investment in other business units. These SBU's are the corporation's key source of cash, and are specifically the core business. They are the base of an organization. These businesses usually follow stability strategies. When cash cows lose their appeal and move towards deterioration, then a retrenchment policy may be pursued.

III. **QUESTION MARKS**:

- Question marks represent business units having low relative market shareand located in a high growth industry.
- They require huge amount of cash to maintain or gain market share.
- They require attention to determine if the venture can be viable.
- Question marks are generally new goods and services which have a good commercial prospective.
- There is no specific strategy which can be adopted.
- If the firm thinks it has dominant market share, then it can adoptexpansion strategy, else retrenchment strategy can be adopted.
    - Most businesses start as question marks as the company tries to enter ahigh growth market in which there is already a market-share.
- If ignored, then question marks may become dogs, while if hugeinvestment is made, and then they have potential of becoming stars.

IV. **DOGS**:

- Dogs represent businesses having weak market shares in low-growth markets.
- They neither generate cash nor require huge amount of cash.
- Due to low market share, these business units face cost disadvantages.
- Generally retrenchment strategies are adopted because these firms can gain market share only at the expense of competitor's/rival firms.
- These business firms have weak market share because of high costs, poor quality, ineffective marketing, etc.
- Unless a dog has some other strategic aim, it should be liquidated if thereare fewer prospects for it to gain market share.
- Number of dogs should be avoided and minimized in an organization.

2.3.1. **LIMITATIONS OF BCG MATRIX:**

The BCG Matrix produces a framework for allocating resources among different business units and makes it possible to compare many business units at a glance. But BCG Matrix is not free from limitations, such as-

- BCG matrix classifies businesses as low and high, but generally businessescan be medium also. Thus, the true nature of business may not be reflected.
- Market is not clearly defined in this model.
- High market share does not always leads to high profits. There are high costsalso involved with high market share.
- Growth rate and relative market share are not the only indicators of profitability. This model ignores and overlooks other indicators of profitability.
- At times, dogs may help other businesses in gaining competitive advantage. They can earn even more than cash cows sometimes.
- This four-celled approach is considered as to be too simplistic.

2.4. GE MODEL:

The **GE / McKinsey matrix** is a portfolio analysis **matrix** for business units developed in the 1970's. It was developed by McKinsey & Company as part of a consulting assignment for General Electric . In practice, the addition "McKinsey" is almost always omitted and only referred to the **General Electric Matrix**.

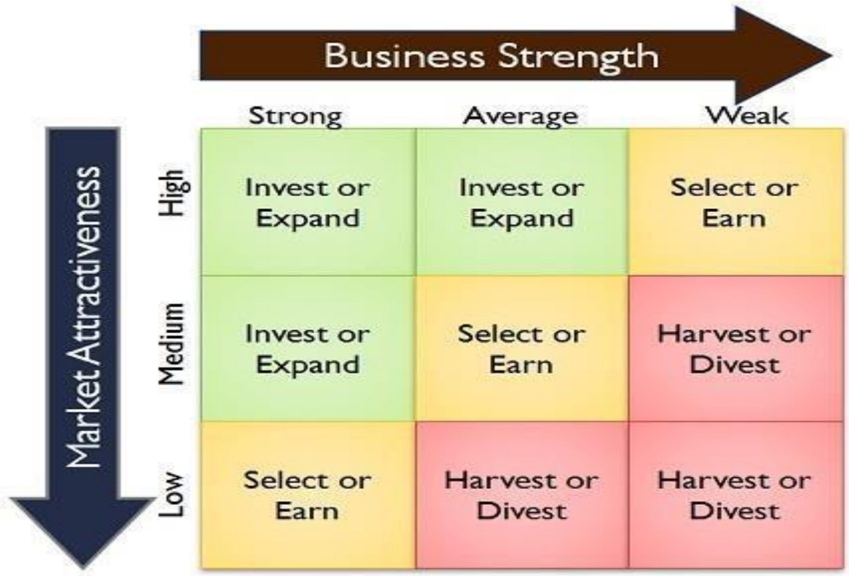
DEFINITION:

GE-McKinsey nine-box matrix-

Is a strategy tool that offers a systematic approach for the multi businesscorporation to prioritize its investments among its business units?

GE-McKinsey

Is a framework that evaluates business portfolio, provides further strategic implications and helps to prioritize the investment needed for each business unit (BU).



In 1970s, General Electric was managing a huge and complex portfolio of unrelated products and was unsatisfied about the returns from its investments in the products. At the time, companies usually relied on projections of future cash flows, future market growth or some other future projections to make investment decisions, which was an unreliable method to allocate the resources. Therefore, GE consulted the McKinsey & Company and as a result the nine-box framework was designed. The nine-box matrix plots the BUs on its 9 cells that indicate whether the company should invest in a product, harvest/divest it or do a further researchon the product and invest in it if there're still some resources left. The BUs are evaluated on two axes:

- ➢ industry attractiveness and
- ➢ A competitive strength of a unit.

I. INDUSTRY ATTRACTIVENESS

- Industry attractiveness indicates how hard or easy it will be for a company to compete in the market and earn profits.
- The more profitable the industry is the more attractive it becomes.
- When evaluating the industry attractiveness, analysts should look how anindustry will change in the long run rather than in the near future, because the investments needed for the product usually require long lasting commitment.
- Industry attractiveness consists of many factors that collectively determine the competition level in it.
- There's no definite list of which factors should be included to determine industry attractiveness, but the following are the most common:
    - ➢ Long run growth rate

- Industry size
- Industry profitability: entry barriers, exit barriers, supplier power, buyer power, threat of substitutes and available complements (use Porter's Five Forces analysis to determine this)
- Industry structure (use Structure-Conduct-Performance framework to determine this)
- Product life cycle changes
- Changes in demand
- Trend of prices
- Macro environment factors (use PEST or PESTEL for this)
- Seasonality
- Availability of labor
- Market segmentation

II. COMPETITIVE STRENGTH OF A BUSINESS UNIT OR A PRODUCT:

Along the X axis, the matrix measures how strong, in terms of competition,a particular business unit is against its rivals. In other words, managers try to determine whether a business unit has a sustainable competitive advantage (or at least temporary competitive advantage) or not. If the company has a sustainable competitive advantage, the next question is:"For how long it will be sustained?"

The following factors determine the competitive strength of a business unit:

- Total market share
- Market share growth compared to rivals
- Brand strength (use brand value for this)
- Profitability of the company
- Customer loyalty
- VRIO resources or capabilities (use VRIO framework to determine this)
- Your business unit strength in meeting industry's critical success factors(use Competitive Profile Matrix to determine this)
- Strength of a value chain (use Value Chain Analysis and Benchmarking to determine this)
- Level of product differentiation
- Production flexibility

INVEST/GROW BOX.

- Companies should invest into the business units that fall into these boxes asthey promise the highest returns in the future.
- These business units will require a lot of cash because they'll be operating in growing industries and will have to maintain or grow their market share.
- It is essential to provide as much resources as possible for BUs so therewould be no constraints for them to grow.
- The investments should be provided for R&D, advertising, acquisitions andto increase the production capacity to meet the demand in the future.

SELECTIVITY/EARNINGS BOX:

- You should invest into this bus only if you have the money left over the investments in invest/grow business units group and if you believe that BUs will generate cash in the future.
- These business units are often considered last as there's a lot of uncertainty with them.
- The general rule should be to invest in business units which operate in huge markets and there are not many dominant players in the market, so the investments would help to easily win larger market share.

HARVEST/DIVEST BOX:

- The business units that are operating in unattractive industries don't have sustainable competitive advantages or are incapable of achieving it and are performing relatively poorly fall into harvest/divest boxes.

DIFFERENCES BETWEEN BCG MATRIX AND GE/MCKINSEY MATRIX:

BASIS FOR COMPARISSION	BCG MATRIX	GE MATRIX
MEANING	BCG Matrix is a growth sharemodel, representing growth of business and the market share enjoyed by the firm.	BCG Matrix is a growth sharemodel, representing growth of business and the market share enjoyed by the firm.
NUMBER OF CELLS	Four	Nine
FACTORS	Market share and Market growth	Industry attractiveness and Business strengths
OBJECTIVE	To help companies deploy their resources among various business units.	To prioritize investment among various business units.
CLASSIFICATION	The matrix uses two types of classification i.e high and low	The matrix uses three types of classification i.e high/medium/low and strong/average/weak
LIMITATIONS	Has many limitations	Overcomes many limitations of BCG and is an improvement over it

2.5. SWOT ANALYSIS

SWOT analysis involves the collection and portrayal of information aboutinternal and external factors which have, or may have, an impact on business.

2.5.1. MEANING OF SWOT:

SWOT is a framework that allows managers to synthesize insights obtained from an internal analysis of the company's strengths and weaknesses with those from an analysis of external opportunities and threats. SWOT is widely accepted tool due to its simplicity and value of focusing on the key issues which affect the firm. The aim of SWOT is to identify the strengths and weaknesses that are relevant in meeting opportunities and threats in particular situation.

2.5.2. WHAT IS SWOT ANALYSIS?

The answer to the question is simple: it's a tool used for situation (business or personal) analysis! SWOT is an acronym which stands for:

Strengths: factors that give an edge for the company over its competitors.

Weaknesses: factors that can be harmful if used against the firm by its competitors.

Opportunities: favorable situations which can bring a competitive advantage. **Threats:** unfavorable situations which can negatively affect the business.

Strengths and weaknesses are internal to the company and can be directly managed by it, While the opportunities and threats are external and the company can only anticipate and react to them.

2.5.3. HOW TO PERFORM THE ANALYSIS?

SWOT can be done by one person or a group of members that are directlyresponsible for the situation assessment in the company. Basic SWOT analysis is done fairly easily and comprises of only few steps:

Step 1. Listing the firm's key strengths and weaknesses. **Step 2**. Identifying opportunities and threats.

2.6. TOWS MATRIX:

- The TOWS Matrix is derived from the SWOT Analysis model, which standsfor the internal Strengths and Weaknesses of an organization and the external Opportunities and Threats that the business is confronted with.
- The acronym TOWS is a variant of this and was developed by the American international business professor Heinz we rich.
- The TOWS Matrix is aimed at developing strategic options from an external-internal analysis and is a practical tool, particularly in the fields of business and the TOWS Matrix helps businesses to identify their strategic options.

Take note of the following specific elements of a TOWS matrix:

1. **Strengths-Opportunities Strategies:** SO strategies or maxi-maxi strategies involve the use of strengths to maximize strengths.

2. **Weaknesses-Opportunities Strategies:** WO strategies or mini-maxi strategies involve minimizing weaknesses by taking advantage of opportunities,

3. **Strengths-Threats Strategies:** ST strategies or maxi-mini strategies involve using strengths to minimize threats.

4. **Weaknesses-Threats Strategies:** WT strategies or mini-mini strategies involve minimizing weaknesses and avoiding threats.

STRATEGIES:

The above-mentioned factors can be linked to each other, leading to strategies:

S-O STRATEGY–

Develop plans that leverage the strengths of the company to capitalize on opportunities. A few ideas could be to diversify into new markets, improve the quality of products and reduce the costs of top-selling products.

S-T STRATEGY–

Use the company's strengths to counter external threats. If the company hasa strong research and development department, for example, start new product development projects to enter different markets.

How can the organization use its skilled staff to compete with cheaper workers employed by competitors? A smart approach for the organization wouldbe to communicate to the outside world that their staff has accredited diplomas andthat it’s important for housing co-operatives to comply with legal requirements andsafety standards.

W-O STRATEGY–

After identifying weaknesses, focus on ways to resolve them in a goal to take advantage of opportunities. This might require finding new and cheaper suppliers, developing more aggressive marketing campaigns and reviewing operational processes to reduce costs.

How can partnerships with vocational education centers help the organization to improve itself and put more effort into customer acquisition? By presenting itself as an accredited apprenticeship provider, the organization will put itself on the market again and its shows that adapt to changing times and wants to offer different kinds of maintenance to businesses and housing co-operatives.

W-T STRATEGY –

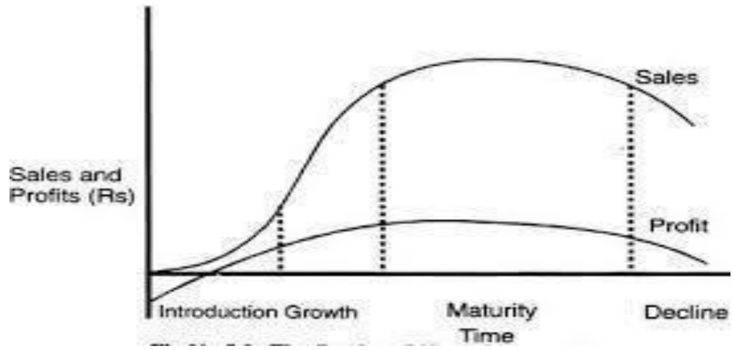
Find ways to minimize weaknesses and counter threats. This could involve closing out poor-selling products, terminating under-performing employees and developing more aggressive selling techniques.

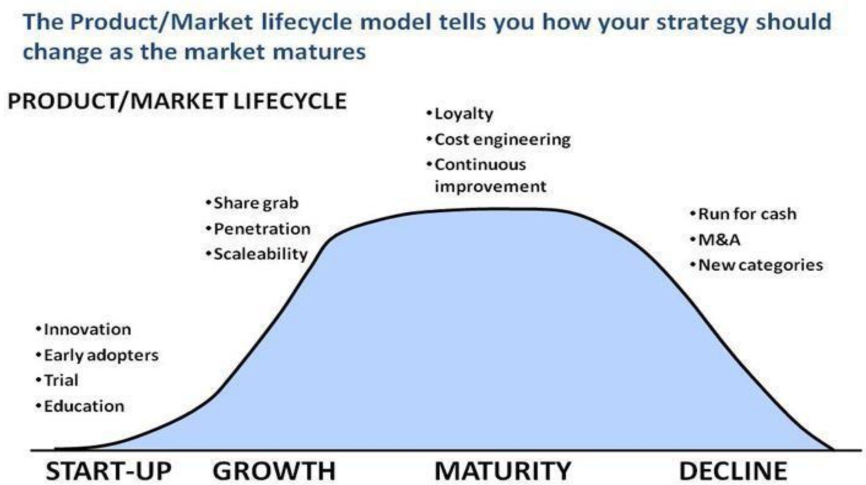
How can the organization better position itself in the market and thus reduce the threat posed by competitors? By presenting itself as an accredited apprenticeship provider, the organization can claim that they are a serious competitor and can possibly offer maintenance services by apprentices at reduced rates, with the work still being done by an accredited company.

2.7. MARKET LIFE CYCLE MODEL:

PLC is an S-shaped curve which exhibits the relationship of sales with respect to the time it takes for a product to pass through the four successive stages of introduction (slow sales growth), growth (rapid market acceptance), maturity (slowdown in growth rate) and decline (sharp downward drift).

- If markets business or industries are substituted for a product the concepts ofPLC could work just as well.
- The main advantage of the life cycle concept is that it can be used to diagnose a portfolio f products (or markets, business or industries) in orderto establish the stage at which each of them exists.
- For example, expansion may be a feasible alternative for businesses in the introductory and growth stages.
    - Mature business may be used as sources of cash for investment in other business which needs resources.
    - A combination of strategies like selective harvesting retrenchment and so onmay be adopted for declining businesses.
- In this way a balanced portfolio of business may be built by exercising a strategies choice based on the life cycle concept.





Various strategies used in different phases of PLC are as follows,

a. **<u>INTRODUCTION PHASE</u>**:

- This phase marks the launch of the product in a market.
- Organizationally this phase is characterized by high operational costs arisingout of inefficient production levels or bottlenecks high learning time, unwillingness of the trade to deal in the product demand of higher marginsor extended credit terms and advertising.
- During this phase firm's requirement for cash is very high as all expenses have to be met.
- Generally the supplier's media and others are not willing to give credit. Hence all payments have to be made in cash.

According to P. KOTLER, management can pursue one of the fourstrategies on the basis of high low price and promotion.

i. **<u>RAPID SKIMMING STRATEGY</u>**:

- This strategy of high price and high promotion works effectively only when the customer awareness for the product is not very high, or for those who are aware willingness to pay any price to possess or buy it is high.
- Here the marketers want to cover the cost as much as possible during the launch phase of gather product.
- This strategy also works when the market size for the product.
- This strategy also works when the market size for the product is large and the threat from competition is imminent.
- Most consumer electronics and non-durables could be classified in this group.
- This is the reason why most consumer electronics like TV, VCR, music system video games and so forth are initially priced high and then gradually reduced to maintain market share.

ii. **<u>SLOW SKIMMING STRATEGY</u>**:

- This strategy is based on the assumption that the firm has sufficient time to recover its prelaunch expenses.
- Here the company launches the product at high price but spends lesser money on the promotion.
- The resultant profitability is more as company is able to charge higher price but the marketing costs are lower.
- This happens when the technology being used by the firm is highly sophisticated and competition will have to invest substantial resources to get this technology.
- Further since most competitors may not have the required quantum of resources competition may be limited to just one or two large companies.
- Another environment characteristic supporting this strategy is that the market size for the product is limited and those who are aware are willing to pay any price to buy it.

iii. **<u>RAPID PENETRATION STRATEGY</u>**:

- The strategy of rapid penetration is based on the same assumption and environment conditions as the ones mentioned under the rapid skimming strategy.
- The only difference between rapid skimming and penetration is the firm's long term objectives.
- Here the company charges low price and spends heavily on the promotional efforts.
- If the objectives is marked share and profit maximization in the long run and intensive competition or other entry barriers characterize the marketa firm may choose to enter the market with this strategy.

b. **<u>MATURITY PHASE</u>**:

- Most products that survive the heat of competition and even customers approval enter the maturity phase.
- This phase is characterized by slowing of growth rates of sales and profits. In fact a decline in profits seems to appear now.
- This phase is also marked by cut throat competition which often tends to narrow down to a price and promotion war.
- Maturity phase also sees a boom in the market demand as more and more customers are now willing to accept the product.
- For an effective management the marketing manager should.
  - Improve the quality of the product.
  - Give proper attention to increase the usage among the current customers.
  - Try to convert non users into users of the product that is creative new buyers.
  - Give proper emphasis to advertisement and promotional programmes.
  - Try to discover new uses for the product.

c. **<u>DECLINE PHASE</u>**:

- This is the last and most crucial stage.
- Sales may decline for a number of reasons technical advances arrival of new products at low cost changes in fashion consumer preference etc.

- Sales and profits continue to fall at this stage. If the substitutes are more attractive and in latest fashion buyers may turn their eyes towards them.

According to **STANTON**, cost control is increasingly important to generate profitsby the following alternatives.

Improve the product in a functional sense or revitalize it in some manner. Make sure that the marketing and production programmes are as efficientas possible. Streamline the product assortment by pruning out unprofitable sizes andmodels. Frequently this tactic will decrease sales and increase profits. Run out the product that is cut all costs to the bare minimum level thatwill optimize profitability over the limited remaining life of the product.

UNIT-3 STRATEGY FORMULATON

1.1. FORMULATION OF STRATEGY AT CORPORATE LEVEL:

1.1.1. STRATEGY FORMULATION:

Strategy Formulation is an **analytical process of selection of the best suitable course of action to meet the organizational objectives and vision**.

It is one of the steps of the strategic management process. The strategic plan allows an organization to examine its resources, provides a financial plan and establishes the most appropriate action plan for increasing profits. It is examined through **SWOT** analysis. SWOT is an acronym for strength, weakness, opportunity and threat. The strategic plan should be informed to all the employees so that they know the company's objectives, mission and vision. It provides direction and focus to the employees.

1.1.2. LEVELS OF STRATEGY FORMULATION:

There are three levels of strategy formulation used in an organization:

a) Corporate level strategy: This level outlines ***what you want to achieve***: growth, stability, acquisition or retrenchment. It focuses on what business you are going to enter the market.

b) Business level strategy: This level answers the question of **how you are going to compete.** It plays a role in that organization which has smaller units of business and each is considered as the strategic business unit (SBU).

c) Functional level strategy: This level concentrates on ***how an organization is going to grow.*** It defines daily actions including allocation of resources to deliver corporate and business level strategies.

Hence, all organizations have competitors, and it is the strategy that enables one business to become more successful and established than the other.

1.1.3. FORMULATING STRATEGIES AT CORPORATE LEVEL:

- Corporate level strategies generally pertain to large corporations with multi-businesses as to how they manage and allocate resources among these businesses.
- Such a strategy helps the management in balancing resources with market opportunities in each business area.
- Top managers are responsible for formulating corporate level strategy, and they generally look ahead for five years or longer.
- At the corporate level, top managers have two types of decisions to make when formulating a strategy. First, they must develop a master plan also known as "grand strategy" which is consistent with the overall directionfor the organization. Second, they must develop a "portfolio strategy" that will determine the types of organization activities and allocation of resources to these activities.

I. GRAND STRATEGY:

A "grand strategy" is a comprehensive general strategy which provides the basis for strategic direction that will accomplish the organization's long- term goals. Grand strategies include three types of strategies, namely **growth, stability and retrenchment.** While in stability strategy, management maintains the status quo if the company is doing well and does not want to take risks associated with more aggressive growth, both the growth strategy and retrenchment strategy have a number of different ways to achieve the results.

II. STABILITY STRATEGY:

Stability strategy implies "to leave the well enough alone." If the environment is stable and the organization is doing well, then it may believe that it is better to make no changes. An organization would apply stability strategy if it is satisfied with the same product line, serving the same consumer groups and maintaining the same market share and the management does not want to take any risks that might be associated with expansion. For example, WD-40 Company with a single product, petroleum – based lubricant, has been around since the 1950s. The management of the company has little or no interest in changing the status quo and seems happy to keep the good thing going as usual.

iii. RETRENCHMENT STRATEGIES:

Retrenchment primarily means reduction in product, services or personnel. This strategy is generally useful in the face of tough competition, scarcity of resources and declining economy. Under certain situations, retrenchment strategy becomes highly necessary for the very survival of the company, even though it may reflect poorly on the management of such a company. Retrenchment strategies include harvest, turnaround, divestiture, bankruptcy and liquidation.

1.2. FORMULATING STRATEGIES AT BUSINESS LEVEL:

After formulating corporate-level strategies, managers attend to business level strategies for a multi-business corporation. Guided by the direction set by corporate level strategy, business level strategy is concerned with managing the interests and operations of a particular line of business, especially with its competitive position in the market. With the end-goal of satisfying customers' needs with your product or service, use business-level strategies to find your competitive advantage.

1.2.1. TYPES OF BUSINESS LEVEL STRATEGIES:

I. COST LEADERSHIP:

Cost leadership means offering the best price for products. Today's globalized markets make price a significant factor in selling to your customers. Big box stores use generic models for pricing, keeping costs lower than most. Digital marketplaces don't require the major retail overhead that brick- and-mortar stores do. The cost leadership strategy considers the cost to make the goods, transport and deliver them to customers. The price point is further affected by whether supplies are readily available and the cost your business to switch suppliers or vendors if their prices became too high.

For example, a wooden toy manufacturer might use a specific type of wood to make the company's toys. If that wood becomes unavailable from regular suppliers because of unforeseen circumstances, the cost of switching affects the bottom line and potential pricing.

II. DIFFERENTIATION:

- When a product isn't the least expensive on the market, businesses need to find a way to differentiate them.

- Identify the features and benefits of the product or service that make it worth more money. For example, a Mercedes is more expensive than a Honda. While many buy the Honda for the price and reliability, Mercedes has differentiated itself as a luxury automobile with higher standards of quality and added features.

III. FOCUSED LOW COST:

- The focused low-cost strategy is similar to cost leadership; the company is trying to beat competitor's prices.
- However, in this business-level strategy, the business is focusing its marketing efforts in a specific way.
- This is most commonly seen when a company targets government contracts. It needs to beat competitors pricing but isn't trying to beat the general consumer pricing.
- Focused differentiation takes the differentiation strategy one step further.
- It finds the added value of the products and services and then targets a small market niche.
- For example, a travel company may not be able to compete with the online travel sites for hotels and airfare. However, it might be able to target families seeking kid-friendly cruises or business travelers who need accommodations for conferences.
- This type of focused differentiation helps a business define a niche whereit is profitable and not competing solely on price.

IV. INTEGRATED LOW COST/DIFFERENTIATION:

This business-level strategy combines low cost with differentiation. This model is becoming increasingly popular in global markets becauseit allows flexibility in both price and added value. While it is a successful strategy for large corporations such as Southwest Airlines, executing this strategy requires finding the sweet spot of price and value. In Southwest's case, it offers low-cost airfare with easy travel access to flights and in-flight perks. For a small-business owner, the sweet spot must be competitive in price, though not necessarily the lowest and it must have a value-added component for consumers to justify the extra cost.

1.3. STRATEGY FORMULATION IN FUNCTIONAL LEVELS:

A functional-level strategy focuses on the major functional areas of the company and is formulated primarily to support business level strategy. The functional-level strategy is narrower in scope than a business-level strategy because each strategy deals with each of the major functions of business such as marketing, finance, operations, human resources, research and development and information systems. Even though each strategy is separately developed for each business function, they must all be coordinated with each other and integrated with the business-level strategy.

a. MARKETING:

- The goal of the marketing strategy is to establish customer loyalty and to reach out to new markets.
- No matter how good the product is, people have to know about it before they buy and in that respect marketing strategy may be the most important functional strategy.

For example, when Coca-Cola decided to expand in its Japanese market,it developed a wide range of marketing strategies, including establishinga distribution sales force, installing a number of vending machines at strategic locations and investing heavily into promotion of the product.

- As a result, Coca-Cola- captured nearly 70 percent of Japanese market for soft drinks.

b.* <u>FINANCE</u>*:

The financial strategy deals with acquisition of financial resources, analyzing cost structure, estimating profit potential, accounting functions and so on. The financial resources may be acquired by floating stock offering, loans from banks or other private sources. For example, the new European Disneyland outside Paris was financed by issuing special classes of stock while Continental Airlines borrowed a lot of money to finance its growth in the 1980s.

c. <u>OPERATIONS:</u>

The operations function involves production processes, inventory levels, quality of product, quality of raw materials, making adjust ments in plant capacity and so on. It primarily stems from the company’s market strategy, which, for example, may require high quality, high priced products or low priced, low quality mass produced products. Some of the current innovative ideas that may be incorporated in an operation (or production) strategy are automation, use of robotics and so on. For a multi-national organization, a production strategy may involve locating facilities in countries where raw materials and human resources are cost efficient.

d. <u>HUMAN RESOURCES:</u>

- An effective human resources strategy is useful in a number of related areas.
- These areas include number of employees required, training needs, skill levels required, compensation, performance appraisal and so on.
- Relationship with labor unions is an important aspect of human resources strategy. Executive development programs require strategic attention.

For example, if an organization anticipates opening new plants in the near future, it must plan on locating and developing potential managers for these plants. Training managers for foreign assignments is a very important strategic task for international organizations.

e. <u>RESEARCH AND DEVELOPMENT:</u>

- When business-level strategy involves innovations in the areas of product development or improvement in service, the research and development (R & D) function supports this strategy.
- The R&D strategy may include a policy in protecting the company’s patents and licenses.

- MERK & Co. has a strong commitment to research and development programs and its success has been due to a number of new-product breakthroughs which has given it a competitive advantage.

f. INFORMATION SYSTEMS:

- Information systems strategy supports the business-level strategy by providing necessary and relevant information to all functional areas and all levels of management.
- The availability of advanced technology computers can store and analyze data, and convert such data into useful information which can be presented to management for decision making purposes.
- Managing information system is an important aspect of efficient operations.

STRATEGIC ALTERNATIVES:

Strategic alternatives are strategies that a business develops to set the direction, for which human and material resources will be applied, for a greater chance of achieving selected goals. Generally***, a company develops strategic alternatives when it's struggling and seeking a new direction to increase profits, or even simply to save itself from dissolution or bankruptcy***.

A) STABILITY STRATEGY:

When an enterprise is satisfied by its present position, it will not like to change from here and it will be a stability strategy. ***Stability strategy will be successful when the environment is stable.*** This strategy is exercised most often and is less risky as a course of action. **A stability strategy of a concern for example will be followed when the organization is satisfied with the same product, serving the same consumer groups and maintaining the same market share.**

STABILITY STRATEGIES CAN BE OF THE FOLLOWING TYPES:

(I) NO-CHANGE STRATEGY:

- Stability strategy is a conscious decision to do nothing new, that is to continue with the present work.
- It does not mean an absence of strategy, rather taking no decision in it is a strategy.
- When external environment is predictable and organizational environment is stable then a businessman may like to continue with the present situation. There may be major opportunities or threats operating in the environment.
- There may be no new threat from competitors or no new competing product may be coming into the market, under these circumstances it will be prudent to continue the present strategies.

- The small and medium firms generally operate in a limited market and supply products and services with the use of time tested technology, such firms will prefer to continue with their present work.

(II) PROFIT STRATEGY:

Sometimes things change in such a way that the firm has to adopt changes in its working. There may be unfavorable external factors such as increase in competition, recession in the industry, government attitude, industry down turn etc. Under these situations it becomes difficult to sustain profitability.

A supposition is that the changed situation will be a temporary phase and old situation will again return. The firm will try to sustain profitability by controlling expenses, reducing investments, raise prices, cut costs, increase productivity etc. These measures will help the firm in sustaining current profitability in the short run.

With the opening of markets, Indian industry is facing lot of problems with the presence of multinationals and reduction in tariff on imports. The firms will have to adjust their policies to the changing environment otherwise they will find it difficult to stay in the market.

Profit strategy will be successful for a short period only. In case things do not improve to the advantage of the firms then this strategy will only deteriorate their position. This strategy can work only if problems are temporary.

(III) PROCEED-WITH CAUTION STRATEGY:

- Proceed with caution strategy is employed by firms that wish to test the ground before moving ahead with full-fledged grand strategy or by those firms which had a rapid pace of expansion and now wish to rest for a while before moving ahead.
- The pause is sometimes essential because intervening period will allow consolidation before embracing on further expansion strategies.
- The main object is to let the strategic changes seep down the organizational levels, allow structural changes to take place and let the system adapt to new strategies.

1. GROWTH STRATEGY:

Growth may mean expansion and diversification of operations of the enterprise. The management is not satisfied with their present status, the environment is changing, favorable opportunities are available, in such cases growth strategy will be helpful in expansion as well as diversification. ***The growth strategy may be implemented through product development, market development, diversification, vertical***

integration or merger. In product development, new products are added to the existing ones or new products replace the old ones when they are obsolete.

In market development strategy, new customers are approached or those markets are explored which were not covered earlier. In diversification both new products and new markets are added. The enterprise may also enter entirely new lines. In vertical integration, the backward or forward lines may also be taken up.

A company may start producing its own raw materials or it may start processing its own output before marketing. For example, a weaving unit may start making thread and ginning of cotton (backward integration) or it may start producing readymade garments (forward integration).

In merger, two or more concerns may join their resources to take advantage of financial or marketing factors. ***Growth should be properly planned and controlled otherwise it may bring adverse results.*** Since growthis an indication of effective management it is not only essential but desirable too.

GROWTH STRATEGIES MAY BE DESCRIBED AS FOLLOWS: (I) GROWTH THROUGH CONCENTRATION:

- Growth involves converging resources in one or more of enterprise's businesses in terms of their respective customer needs, customer functions or alternative technologies in such a way that it results in growth.
- This strategy involves the investment of resources in a product line for an identified market with the help of proven technology. It may be done in a number of ways.
- The enterprise may focus on existing markets with present products by using market penetration or it may attract new users for existing products or it may introduce newer products in existing markets by concentrating on product development.
- ***The concentration strategy will apply when industry possesses high growth potential and the firm should be strong enough to sustain the growth.***

(II) GROWTH THROUGH INTEGRATION:

- ***Under integration strategy the firm continues serving the same customers but increases the scope of its business definition.***
- Integration involves taking up more activities than taken up earlier. There can be ***backward integration as well as forward integration***.
- There are activities ranging from procurement of raw materials to marketing of finished products. The firm may move up or down of the value chain for increasing its scope of work.

- Several process based industries such as petrochemicals, steel, textiles etc. have integrated firms. These firms deal with products with a value chain extending from the basic raw materials to ultimate consumer.
- The firms operating at one end of the value chain attempt to move up ordown in the process while integrating activities adjacent to their present activities.
- While adopting integration strategy the firm must take into account the alternative cost of make or buy. If the cost of manufacturing one's product is less than the cost of procuring it from the market only then this activity should be integrated. Similarly, if the cost of selling the finished product is lesser than the price paid to the sellers to do the same thing then it will be profitable to move down on the value chain.

(III) GROWTH THROUGH DIVERSIFICATION:

- Diversification strategy involves a substantial change in the businessdefinition, singly or jointly, in terms of customer functions, customer groups or alternative technologies of one or more of a firm's business.
- ***When an organization takes up an activity in such a manner that it is related to the existing business it is called concentric diversification.***
- The firm may market more products to the same customers, a new product or service may be offered to the same customers, these are the cases of diversification of business activities.
- Growth may also be undertaken by taking up those activities which are unrelated to the existing business, a cigarette company may diversify into hotel industry, and it will be a case of ***conglomerate diversification***.
- Diversification strategies are helpful in spreading risk over several businesses. If environmental and regulatory factors block growth then diversification may be a proper way.

(IV) GROWTH THROUGH CO-OPERATION:

- There is a view that firms operate in a competing market. When one firmgains in its market share then one or more firms lose this share.
- It is a win-lose situation where if one wins then one or several others have to lose. But thinkers like James Moore, Ray Noorda, and Barry J. Nalebuff are of the view that competition could co-exist with co- operation.
- The strategies could take into account the possibility of mutual co- operation with competitors while competing with them at the same time so that market potential could expand.
- The co-operative strategies can take the form of mergers, acquisitions, joint ventures and strategic alliances.

- All these strategies taken separately or jointly can help the growth of a firm.

(V) GROWTH THROUGH INTERNATIONALIZATION:

- International strategies are a type of growth strategies that require firms to market their products or services beyond the national or domestic market.
- A firm would have to assess the international environment and evaluate its own capabilities and to form strategies to enter foreign markets.
- The firm may start exporting products or services to foreign countries or it may set up a subsidiary in other countries for producing and marketing the products or services there.
- In such situations the firm would have to implement the strategies and monitor and control its foreign operations.
- International strategies require a different strategic perspective than the strategies implemented in national context.

2. RETRENCHMENT OR RETREAT STRATEGY:

An enterprise may retreat or retrench from its present position in order to survive or improve its performance. Such a strategy may be adopted during a period of recession, tough competition, and scarcity of resources and re- organization of company in order to reduce waste. This strategy, though reflecting failure of the company to some degree becomes highly necessary for the survival of the company. When an organization chooses to focus on ways and means to reverse the process of decline, it adopts a turnaround strategy. If it cuts off the loss-making units, divisions, curtails product line or reduces the functions performed, it adopts a disinvestment strategy. If these actions do not work then the activities may be totally abandoned and the unit may be liquidated.

(I) TURNAROUND STRATEGIES:

- Retrenchment may be done either internally or externally.
- Internal retrenchment is done to improve internal working. This usually takes the form of an operating turnaround strategy. In contrast, a strategic turnaround is a more serious form of external retrenchment and leads to disinvestment or liquidation.
- Turnaround strategies may be adopted in different ways. One way may be that the existing chief executive and management team handles the turnaround strategy with the help of specialist or external consultant. The success of this approach will depend upon the type of credibility the chief executive has with banks and other financing institutions.
- In another situation, the present chief executive withdraws from the scene temporarily and the work is done by the outside specialist employed for this job.

- The third approach to execute the turnaround strategy involves thereplacement of the existing team or merging the sick organization with ahealthy one.

(II) DISINVESTMENT STRATEGIES:

- It involves the sale or liquidation of a portion of business or majordivision or profit center etc.
- Disinvestment is usually a part of rehabilitation or restructuring plan.
- This strategy is adopted when turnaround strategy has failed.
- A firm may disinvest in two ways. A part of the company is divested by spinning it off as a financially and managerially independent company, with the parent company retaining or not retaining partial ownership. Alternatively, the firm may sell a unit outright.

(III) LIQUIDATION STRATEGIES:

It involves the closing down of a firm and selling its assets. It is considered to be the last resort because it leads to seriousconsequences such as loss of employment for workers and other employees, termination of opportunities where the firm could pursue any future activities and also the stigma of failure which will be attached with this action.

3. COMBINATION STRATEGY:

A large firm, active in a number of industries may adopt a combined strategy. It represents mix of the three strategies mentioned above. A large concern may adopt growth strategy' on one side and retreat strategy in the other area. In order to make this strategy effective there should be right people who can take objective and intelligent decisions by considering various factors.

There may not be a concern which has adopted only one strategy throughout. The complexity of doing business demands that different strategies be adoptedto suit the situational demands made upon the organization. A company whichhas adopted a stability strategy for long may like to use expansion strategy later. Similarly a firm which has seen expansion for quite some time may like toconsolidate its working. Multi-business companies have to follow multiple strategies.

ADDITIONAL DATA:

What are some ways to implement a retrenchment strategy without creating a lot of resentment and conflict with labor unions?

- If the problems are not critical, the focus should be to reducing unnecessary overhead & the company should try to justify the cost of functional activities.
- At that stage, the HR department should be fully activated to emphasis& encourage the employee to involve in productive improvement.
- The History tells us that hundreds of companies become stronger & productive as well as organized by applying these discipline. On theother side many

companies faces much destructive situation when they prefer downsizing to reduce the cost of company's activities.

- Through divestment, the company would be able to keep productive division on a track having much focus.
- Moreover, Strong board of director can keep the management on a rightway because it is notice that when a company fell in crisis, the top management usually perceives that crisis not harmful for company's strength. So they keep focus on profit maximization rather than making the ground safe to play a safe shot in future.
- After the layoff, remaining employees will also indulge in Ex-employees duties. The moral of productive employees also hampered & they feel their jobs unsecure.
- Ultimately, they will shift in another company for seeking better job. When they will do so, the overall performance will also fall down & company would have to face much more problems than past.

"Be too forceful, output may improvebut vitality will take a hit"

- It is proved that last in first out approach for layoff is better if companyis near to sell out. The organization should route out long- standing activities that added little business value.
- The organization should consolidate or centralize key functions. Regarding Value chain, the company should analyze current supplier & procurement practices.
- Many organization stop overdoing on company's strength to reduce cost level. Hereby, the practice is written which was successfully implemented by the renowned company to handle the retrenchment strategy without resentment & conflicting with labor unions.

"***The management should make clear that every single onewould have to come up with ideas for cost cutting."***

❖ To Conclude, by focusing on job rotation, value added jobs, empowering existing employees, keeping focus on future and outsourcing are the ways to implement a retrenchment strategy without creating a lot of anger and unhappiness regarding the job

UNIT-4
STRATEGY IMPLEMENTATION

INTRODUCTION:

Strategy implementation is the translation of chosen strategy into organizational action so as to achieve strategic goals and objectives*. *Strategyimplementation is also defined as the manner in which an organization should develop, utilize, and amalgamate organizational structure, controlsystems, and culture to follow strategies that lead to competitive advantage and a better performance. Organizational structure allocates special valuedeveloping tasks and roles to the employees and states how these tasks and roles can be correlated so as maximize efficiency, quality, and customer satisfaction-the pillars of competitive advantage. But, organizational structure is not sufficient in itself to motivate the employees.

An organizational control system is also required. This control systemequips managers with motivational incentives for employees as well as feedback on employees and organizational performance. Organizational culture refers to the specialized collection of values, attitudes, norms andbeliefs shared by organizational members and groups.

Strategic implementation is critical to a company's success, addressing the who, where, when, and how of reaching the desired goals andobjectives. It focuses on the entire organization. Implementation occurs after environmental scans, SWOT analyses, and identifying strategic issues and goals. Strategy implementation is the time-taking part of the overall process, as it puts the formulated plans into actions and desired results.

PREREQUISITES OF STRATEGY IMPLEMENTATION:

I. INSTITUTIONALIZATION OF STRATEGY:

First of all the strategy is to be institutionalized, in the sense that the one who framed it should promote or defend it in front of the members, because it may be undermined.

II. DEVELOPING PROPER ORGANIZATIONAL CLIMATE:

Organizational climate implies the components of the internal environment that includes the cooperation, development of personnel, the degree of commitment and determination, efficiency, etc., which converts the purpose into results.

III. FORMULATION OF OPERATING PLANS:

- Operating plans refers to the action plans, decisions and the programs, that take place regularly, in different parts of the company.
- If they are framed to indicate the proposed strategic results, they assist in attaining the objectives of the organization by concentrating on the factors which are significant.

IV. DEVELOPING PROPER ORGANIZATIONAL STRUCTURE:

- Organization structure implies the way in which different parts of the organization are linked together.
  - It highlights the relationships between various designations, positionsand roles.
- To implement a strategy, the structure is to be designed as per therequirements of the strategy.

V. PERIODIC REVIEW OF STRATEGY:

Review of the strategy is to be taken at regular intervals so as to identifywhether the strategy so implemented is relevant to the purpose of the organization. As the organization operates in a dynamic environment, which may change anytime, so it is essential to take a review, to know if it can fulfillthe needs of the organization.

NOTE:

Even the best-formulated strategies fail if they are not implemented in an appropriate manner. Further, it should be kept in mind that, if there is an alignment between strategy and other elements like resource allocation, organizational structure, work climate, culture, process and reward structure, then only the effective implementation is possible.

PROCESS OF STRATEGY IMPLEMENTATION:

To ensure an effective and successful implementation of strategies, followingsteps are needed;

STEP-1: EVALUATION AND COMMUNICATION OF STRATEGIC PLAN:

The strategic plan, which was developed during the Strategy Formulation stage, will be distributed for implementation. However, there is still a need to evaluate the plan, especially with respect to the initiatives, budgets and performance. After all, it is possible that there are still inputs that will crop up during evaluation butwere missed during strategy formulation. There are several sub-steps to be undertaken in this step.

➢ **Align the strategies with the initiatives.** First things first, check that the strategies on the plan are following the same path leading to the mission and strategic goals of the organization.

➢ **Align budget to the annual goals and objectives.** Financial assessments conducted prior will provide an insight on budgetary issues. You have to evaluate how these budgetary issues will impact the attainment of objectives, and see to it that the budget provides sufficient support for it. In the event that there are budgetary constraints or limitations, they must first be addressed before launching fully into implementation mode.

➢ **Communicate and clarify the goals, objectives and strategies to all members of the organization.** Regardless of their position in the organization's hierarchy, everyone must know and understand the goals and objectives of the organization, and the strategies that will be employed to achieve them.

STEP-2: DEVELOPMENT OF AN IMPLEMENTATION STRUCTURE:

- ➢ The next step is to create a vision, or a structure, that will serve as a guide or framework for the implementation of strategies.
- ➢ Establish a linking or coordination mechanism between and among the various departments and their respective divisions and units. This is mainly for purposes of facilitating the delegation of authority and responsibility.
- ➢ Formulate the work plans and procedures to be followed in the implementation of the tactics in the strategies.
- ➢ Determine the key managerial tasks and responsibilities to be performed, and the qualifications required of the person who will perform them.
- ➢ Determine the key operational tasks and responsibilities to be performed, and the qualifications required of the person who will perform them.
- ➢ Assign the tasks to the appropriate departments of the organization.
- ➢ Evaluate the current staffing structure, checking if you have enough manpower, and if they have the necessary competencies to carry out the tasks. This may result to some reorganization or reshuffling of people
- ➢ Communicate the details to the members of the organization. This may be in the form of models, manuals or guidebooks.

STEP-3: DEVELOPMENT OF IMPLEMENTATION SUPPORT POLICIES AND PROGRAMS:

- Some call them "strategy-encouraging policies" while others refer to them as "constant improvement programs".
- Nonetheless, these are policies and programs that will be employed in aid of implementation.

A. Establish a performance tracking and monitoring system. This will bethe basis of evaluating the progress of the implementation of strategies, and monitoring the rate of accomplishment of results, or if they were accomplished at all. Define the indicators for measuring the performance of every employee, of every unit or section, of every division, and of every department.

B. Establish a performance management system. Quite possibly, the aspect of performance management that will encourage employee involvement is a recognition and reward structure. When creating the reward structure, make sure that it has a clear and direct link to the accomplishment of results, which will be indicated in the performance tracking and monitoring system.

C. Establish an information and feedback system. that will gather feedback and results data, to be used for strategy evaluation later on. Again, **communicate** these policies and programs to the members of the organization.

STEP-4: BUDGETING AND ALLOCATION OF RESOURCES:

- It is now time to equip the implementers with the tools and other capabilities to perform their tasks and functions.
- Allocate the resources to the various departments, depending on the results of financial assessments as to their budgetary requirements.
- Disburse the necessary resources to the departments, and make sure everything is properly and accurately documented.
- Maintain a system of checks and balances to monitor whether the departments are operating within their budgetary limits, or they have gone above and beyond their allocation.

STEP-5: DISCHARGE OF FUNCTIONS AND ACTIVITIES:

It is time to operationalize the tactics and put the strategies into action, aided by strategic leadership, utilizing participatory management and leadership styles. Throughout this step, the organization should also ensure the following:

a. Continuous engagement of personnel by providing trainings and reorientations.
b. Enforce the applicable control measures in the performance of the tasks.
c. Evaluate performance at every level and identify performance gaps, ifany, to enable adjusting and corrective actions.

1. TYPES OF STRATEGY:

Types of strategies include the following;

i. Competitive Strategy
ii. Corporate Strategy
iii. Business Strategy
iv. Functional Strategy and

v. Operating Strategy

I. COMPETITIVE STRATEGY:

Competitive strategy is the first of the types of strategies in strategic management. Competitive strategy refers to a plan that combines the influence of external situation along with the integrative apprehensions of the inner situation of an organization. The competitive strategy aims at gaining competitive advantage in the marketplace against the competitors.

Examples of the competitive strategy include differentiation strategy, low-cost strategy, and focus or market-niche strategy. The objective of the competitive strategy is to win the customer's heart by satisfying their needs, and finally to outcompete the competitors and attain competitive advantages.

II. CORPORATE STRATEGY:

It is second of the types of strategies in strategic management. Corporate strategy is formulated at the top level by the top management of a diversified company (in our country, a diversified company is popularly known as 'group of companies', such as Bashundhara Group, Partex Group, Beximco Group, Square Group and 5M Group).

- Such strategy describes the company's overall corporate strategy definesthe long-term objectives and generally affects all the business-nits underits umbrella.
- A corporate strategy, for example of Bashundhara, may be acquiring the major tissue paper companies in Bangladesh in order to become the unquestionable market leader.

III. BUSINESS STRATEGY:

- Business strategy is formulated at the business-unit level. It is popularly known as 'business-unit strategy'.
- This strategy emphasizes the strengthening of the company's competitive position of products or services.
- Business strategies are composed of competitive and cooperative strategies.
- The business strategy covers all the activities and tactics for competing in contradiction of the competitors and the behaviors management addresses numerous strategic matters.
- Business strategy is usually formulated in line with the corporate strategy. The main focus of the business strategy is on product development, innovation, integration, market development, diversification and the like.

IV. FUNCTIONAL STRATEGY:

- Functional strategy refers to a strategy that emphasizes a particularfunctional area of an organization.
- It is formulated to achieve some objectives of a business unit by maximizing resource productivity. Occasionally functional strategy is named departmental strategy.
- Examples of functional strategy comprise production strategy, marketingstrategy, human resource strategy and financial strategy.
- The functional strategy is concerned with developing distinctive competence to provide a business unit with a competitive advantage.
- Functional strategies are adapted to support the competitive strategy. For example, a company following a low-cost competitive strategy needsa production strategy that emphasizes on reduction cost operation and also a human resource strategy that emphasizes on retaining the lowest possible number of employees who are highly qualified to work for the organization.
- Other functional strategies such as marketing strategy, advertising strategy, and financial strategy are also to be formulated appropriatelyto support the business-level competitive strategy.

V. OPERATING STRATEGY:

- Operating strategy is formulated as the operating units of an organization.
- A company may develop operating strategy. As an instance, for its sales territories.
- An operating strategy is formulated at the field level usually to achieveimmediate objectives.
- In some companies, managers develop an operating strategy for eachset of annual objectives in the departments or divisions.

2. OFFENSIVE STRATEGIES:

An offensive competitive strategy is a type of corporate strategy that consists of actively trying to pursue changes within the industry. Companies that go on the offensive generally invest heavily in research and development (R&D) and technology in an effort to stay ahead of the competition. They will also challenge competitors by cutting off new orunderserved markets, or by going head-to-head with them.

Defensive competitive strategies, by contrast, are meant to counteract offensive competitive strategies

2.1 : OFFENSIVE COMPETITIVE STRATEGY TYPES:

There are several types of offensive competitive strategies, each with its own advantages and disadvantages.

a) An "**end run strategy**" eschews direct competition and instead seeks to exploit untouched markets or neglected segments, demographic groups or areas.

b) A "**preemptive strategy**" is simply the natural advantage a company has when it is the first to serve a particular marketplace or demographic. It can be exceptionally hard to unseat. Also known as "first-mover" advantage.

c) A "**direct attack strategy**" is more aggressive than the end run or preemptive offensive competitive strategies. Such a strategy may entail comparisons to competing products or companies that are unflattering, a price war, or even a competition as to who can introduce new product features at a faster pace. The direct attack may also borrow tactics of the previously listed strategies, all with the goal of taking charge of the public conversation through marketing campaigns.

d) An "**acquisition strategy**" seeks to remove a competitor by buying it. As such, it is a strategy employed by the wealthiest or best capitalized competitor. Such a strategy offers the advantage of instantly incorporating new markets, customer bases or corporate intelligence. Since it is such an expensive strategy it must be used judiciously, and with the possibility of corporate antitrust rules or local competition laws in mind.

3. DEFENSIVE STRATEGY:

Defensive strategies are management tools that can be used to fend off (defend oneself against) an attack from a potential competitor. Defending your business strategically is about knowing the market you're best equipped to operate in and about knowing when to widen your appeal to enter into new markets.

In contrast to offensive strategies -- which are aimed to attack your market competition -- defensive strategies are about holding onto what you have and about using your competitive advantage to keep competitors at bay.

3.1 : APPROACHES TO DEFENSIVE STRATEGIES:

There are two approaches to defensive strategy in strategic management;

i. The ***first approach is aimed at blocking competitors who are attempting to take over part of your business's market share.*** Cutting the price of your products, adding incentives or discounts to encourage customers to buy from you or increasing your advertising and marketing campaigns are the best common ways of going about this.

ii. The ***second approach is more passive. Here, you announce new product innovations, plan a company expansion by opening a new chain or reconnect with old customers to encourage them to buy from you.*** This is still a method to prevent the competition from taking away yourcustomers and earning, but it is done in a more relaxed and less- aggressive manner, whereas the first approach is active and direct.

3.2 : <u>TYPES OF DEFENSIVE STRATEGIES</u>:

i. Retrenchment
ii. Divestiture
iii. Liquidation

I. <u>RETRENCHMENT STRATEGY</u>:

- When the organization faces declining sales & profits then it considers the retrenchment strategy in which it reorganizes its activities by reducing its assets & costs.
- By doing so the organization actually reverses the affects of declining profit & sales.
- It is also called as reorganization or turnaround strategy. The basic distinctive competence of an organization is fortified through effectively designed retrenchment strategy.
- When an organization applies retrenchment strategy, pressure is exerted from shareholders, media & employees on the strategists who perform their functions with limited resources.

II. <u>DIVESTITURE:</u>

- Divestiture is one of defensive strategies in which part or division of an organization is sold. For further strategic investments or acquisitions, certain capital is raised trough divestiture.
- It is considered to be component of retrenchment strategy in which those projects of the Business Organization are closed that need heavy capital, are unprofitable & that are not suitable with the other activities of the business organization.

III. LIQUIDATION:

Liquidation is the selling of all the assets of the organization in parts in order to cash their tangible worth. It is quite difficult emotional strategy as the element of defeat is recognized in it. Therefore in the condition when the organization is bearing loss completely then it is wise act that all the operations of the filed business should be closed down so that there should not be any further loss of money.

4. VERTICAL INTEGRATION:

Vertical integration is when a company controls more than one stage of the supply chain. That's the ***process businesses use to turn raw material into a product and get it to the consumer.*** There are four phases of the supply chain: commodities, manufacturing, distribution, and retail. A company vertically integrates when it controls two or more of these stages.

There are two types of vertical integration;

i. Forward integration is when a company at the beginning of the supply chain controls stages farther along. Examples include iron mining companies that own "downstream" activities such as steel factories.

ii. Backward integration is when a business at the end of the supply chain takes on activities "upstream." An example is when a movie distributor, such as Netflix, also manufactures content.

4.1 TYPES OF VERTICAL INTEGRATION:

I. FORWARD OR DOWNSTREAM INTEGRATION:

- When the company takes control over its consumer company or say distribution centre, to which the company sell its products, it is known asforward integration.
- The strategy aims at attaining higher economies of scale and occupying larger share in the market.
- Due to the drastic change in the technology, in the 21st century and increase in the number of internet users, the forward integration strategy gained much importance.
- There are a number of manufacturing entities, which exist online, and sell their items directly to the customers, thus bypassing the intermediaries in the supply chain process.

II. BACKWARD OR UPSTREAM INTEGRATION:

When the company acquires its suppliers and manufacturer of raw materials, then the merger is termed as backward integration. In upstream integration, the company enters the business of inputproviders, so as to create effective supply and possess greater dominance over production. The strategy aims at improving the company's operational efficiency, save costs and also increases the profit margins.

NOTE:

When it comes to implementation, vertical integration is the most difficult strategy, which is not only expensive but also hard to take back.

III. BALANCED INTEGRATION:

- Balanced integration is the combination of both forward and backward integration.

4.2 : ADVANTAGES AND DISADVANTAGES OF VERTICAL INTEGRATION:

A. ADVANTAGES:

I. POSITIVE DIFFERENTIATION CAN BE CREATED:

- Vertical integration creates predictability because more information is available to the organization.
- There is more access to production inputs.
- Retail channels produce real-time information that isn't filtered by third parties.
- Distribution requirements can be adjusted to promote specific items to unique demographics.
- By being in more control, from start to finish, an organization can adapt quickly to changes so that the most effective result can be achieved.

II. ASSET INVESTMENTS CAN FOCUS ON SPECIALIZATION:

- Instead of seeking our vendors and contractors with specific skill sets, vertical integration allows an organization to invest into internal assets that can specialize in the skill set that is required.
- This allows a company to differentiate itself from others within its industry, creating a specific brand message and value proposition that resonates consistently with its customer base.

III. IT CAN INCREASE A BRAND'S LOCAL MARKET SHARE:

- Because an organization controls more of its supply chain, it can leverage specific benefits that a local demographic may need.
- This allows the organization to obtain a larger market share because they can create a value proposition that is better than what the competition offers.

IV. TRANSACTION COSTS ARE LOWER THROUGHOUT THE SUPPLY CHAIN:

- With a high level of vertical integration, brands can reduce the transaction costs that occur throughout their supply chain.
- This is done through the power to leverage the size and scope of the supply chain when dealing with suppliers and vendors that are not part of the integrated process.

V. QUALITY ASSURANCE CAN BE BUILT INTO THE SYSTEM:

- When vertical integration is successful, it allows an organization to put more eyes on the quality of what is being produced.
- From the initial supply to the final sale, a better Q/A process within the system creates a value proposition that is more reliable.
- In return, greater customer satisfaction occurs, which builds brand loyalty and return revenues.

VI. IT OPENS NEW MARKETS:

- Whether an organization moves forward or backward with their vertical integration, the process can open new markets to the business.
- By partnering with or purchasing other vendors, proprietary information,property, or technologies can create local access that may have been unavailable to a brand and business before the acquisition or partnership.
- When this occurs, more profits can be achieved because there is a biggerbase of leads to pursue.

VII. STABILITY IS CREATED:

- Companies that have vertically integrated can withstand economic changes than companies that have not.
- The stability that is created with supply chain control eliminates unpredictability.

B. DISADVANTAGES OF VERTICAL INTEGRATION:

I. IT REDUCES FLEXIBILITY:

- Brands that work with several vendors or contractors have a certain flexibility that vertical integration normally does not provide.
- Businesses that have integrated vertically may have a few choices with their supply chain, but a business that uses third parties can make changes whenever they wish without maintenance costs within their infrastructure.

II. THERE MAY BE UNFORESEEN BARRIERS WHEN ENTERING A NEW MARKET:

- Vertical integration does limit competition, but only when the corporation focused on this process has access to the materials necessary to be competitive in the first place.
- If raw materials are scarce or a brand’s information access to a local demographic is limited, then even with vertical integration firmly in place, market entry may not be possible.

III. CONFUSION IS CREATED EASILY AND OFTEN:

- Vertical integration falls under one specific brand, but the entities withinthe supply chain may operate as a distinct business. This creates confusion because customers think they are working with one company, only to realize that they are working with a different company.
- Google is an example of this. It operates as a subsidiary of Alphabet Incorporated, along with companies like Waymo and Verily.

IV. IT ISN'T A CHEAP INVESTMENT:

- Capital is required to make a vertical integration effort possible. Even if the integration occurs through partnerships, an investment into specific patents, processes, or proprietary data is often required as part of the deal. New forward or backward vertical integration efforts may require building new facilities, hiring new staff, and understanding new processes that are unfamiliar to the corporation.

V. ITS NOT SIMPLE:

- Vertical integration requires companies to get involved in new aspects ofthe supply chain where they are usually unfamiliar.
- If you are in the retail sector and sell shirts, you know how to present that product to the customer in the most effective way.
- If you were asked to create that shirt from scratch, you would struggle to produce it.
- You would even need to source the raw fabrics. When fully integrated, vertical integration saves time and money, but it isn't a simple process toget there.
- The advantages and disadvantages of vertical integration show it is a useful investment to make if the capital exists to make it.

5. HORIZONTAL STRATEGY:

It is a type of integration strategies pursued by a company in order tostrengthen its position in the industry. A corporate that implements this type of strategy usually mergers or acquires another company that is in the same production stage**. For example**, Disney merging with Pixar (movie production), Exxon with Mobile (oil production, refining and distribution) or the infamous Daimler Benz and Chrysler merger (car developing, manufacturing and retailing).

The purpose of horizontal integration (HI) is to grow the company in size, increase product differentiation, achieve economies of scale, reduce competition or access new markets. When many firms pursue this strategy in the same industry, it leads to industry consolidation (oligopoly or even monopoly)

HI can occur in a form of mergers, acquisitions or hostile takeovers.

- **Merger** is the joining of two similar sizes, independent companiesto make one joint entity.
- **Acquisition** is the purchase of another company.
- **Hostile takeover** is the acquisition of the company, which does notwant to be acquired**.**

5.1 : HORIZONTAL STRATEGY MAY BE AN EFFECTIVE STRATEGY WHEN:

i. Organization competes in a growing industry.
ii. Competitors lack of some capabilities, competencies, skills or resourcesthat the company already possesses.
iii. Horizontal strategy would lead to a monopoly that is allowed by agovernment.
iv. Economies of scale would have significant effect.
v. The organization has sufficient resources to manage M&A(mergers andacquisitions).

5.2 HORIZONTAL INTEGRATION EXAMPLES:

Companies using horizontal integration	
ACQUIRING COMPANY	**ACQUIRED COMPANY**
Amazon.com	Whole Foods
Porsche	Volkswagen

Companies using horizontal integration	
ACQUIRING COMPANY	**ACQUIRED COMPANY**
Daimler Benz	Chrysler
Kraft Foods	Cadbury
Quaker Oats	Snapple
PepsiCo	Quaker Oats
Pfizer	Wyeth
Pfizer	Pharmacia Corporation
Glaxo Wellcome	SmithKline Beecham
AT&T	T-Mobile
AT&T	Bell South
Mittal Steel	Arcelor
HP	Compaq
Oracle	PeopleSoft
Delta	Northwest Airlines

Companies using horizontal integration	
ACQUIRING COMPANY	**ACQUIRED COMPANY**
United Airlines	Continental
JPMorgan Chase	Bank One
Microsoft	Taleo
Microsoft	Yahoo!
Apple	Authentic
BP	Amoco

5.3 ADVANTAGES OF HORIZONTAL INTEGRATION STRATEGY:

I. HIGHER EFFICIENCY:

- Since the companies work together, they yield more services or products.
- However it cost less to purchase an existing product than to start another one from score.
- Horizontal integration becomes more profit when the company grows insize.
- Cost of developing is less when compared to total income. This helps thecompany to save money and increase profits. They also have more strength over supplier and distributor. It reduces the competitor.

II. ECONOMIES OF SCALE:

- Economies of scale give expense-playing point to the companies through extension of their product yield.

- The point when products are prepared in bigger amounts, the normal expense for every unit decreases; in this manner we expand the productivity of the company.
- Incorporating evenly furnishes the companies with more extensive access to diverse unreached markets, bringing about an increment sought after of their product.
- Achieving to economies of scale by HI can help the company to accomplish require imposing business model and ignore from the business sector.

III. ECONOMIES OF SCOPE:

- Horizontal integration allows achieving economies of scope.
- Since companies sharing the resources, it helps removing costredundancy.
- It is likewise less expensive to offer the same product from differentareas than it might be to present a totally new product extend.
- Horizontal integration brings interaction between the companies.

IV. INTERNATIONAL TRADE:

- Integrating horizontally helps the company to enter outside businessesimmediately.
- This diminishes the expense of international trade by permitting thecompany to both handle and offer the product in the foreign market.

5.4 DISADVANTAGES OF HORIZONTAL STRATEGY:

I. DESTROYED VALUE:

M&A rarely add value to the companies. More often M&A fail and destroy the value of the companies involved in it because expected synergies never materialize.

II. LEGAL REPERCUSSIONS:

HI can lead to a monopoly, which is highly discouraged by many governments due to lack of competition. Therefore, governments usually have to approve any larger M&A before they can happen.

III. REDUCED FLEXIBILITY:

Large organizations are harder to manage and they are less flexible in introducing innovations to the market.

6. TAILORING STRATEGY TO FIT SPECIFIC INDUSTRY AND COMPANY SITUATIONS:

INTRODUCTION:

The variety of factors that dominates in the industry as well as the level and extent of competition among the players in the industry has a vital role in determining the situation in the industry or sector itself. In many cases regardless of the extent of competition however there is prevailing industry situation that business organizations have to live with.

The variety of factors prevailing in the industry and the environmentat large redounds to industry categories groups or types which are discussed below.

6.1 STRATEGIES FOR COMPETING IN EMERGING INDUSTRIES OF FUTURE:

As the term implies new or emerging industry refers to a kind of market or industry situation in the early stages of development and typically with small number of players. The industry is characterized by any of the following.

1. New and unproven market
2. Proprietary technology
3. Low entry barriers
4. Experience curve effects may permit cost reductions as volume builds.
5. Buyers are first time users.
6. Marketing invokes inducing initial purchase and overcoming customersconcerns'
7. Possible difficulties in securing raw materials and
8. Firms struggle to fund research and development operations and buildresource capabilities for rapid growth.

CHALLENGES IN EMERGING INDUSTRIES:

1. TECHNOLOGY IN UNCERTAIN AND UNIT COSTS ARE HIGH:

Early on it is neither clear which product configuration will be the most successful nor is it known what the most efficient production methods will be. Such uncertainties prevent standardization and this drives up costs. With time and volume it is possible to reap the benefits of economies of scale and experience but until that point is reached doing business acquiring clients delivering the product or mitigating the entry of competitors is an expensive and often losing game.

2. KEY RESOURCES ARE SCARCE AND EXPENSIVE:

In emerging industries suppliers tend to be scarce and unreliable. Under a restricted offering of suppliers in conjunction with a growing demand for them prices go up quickly.

3. INFRASTRUCTURE IS ABSENT:

A developed infrastructure underlying the take off the industry does not exist in emerging niches. There are no appropriate distribution channels and marketing tools qualified employees and so on.

4. QUALITY OF PRODUCTS OR SERVICES IS LOW AND TRANSFER COSTS AND PERCEIVED OBSOLESCENCE ARE HIGH:

The emerging industry has to learn how to operate optimally and while doing so its products, services may suffer all kinds of quality problems which in turn depress demand. High initial switching costs the cost to customer for changing suppliers may also out the brakes on the growth of demand. Also as customers become increasingly aware of how one generation of a product is quickly outdated by the next one they may decide to delay their purchase to await later and greater improvement.

5. CONSUMERS ARE INEXPERIENCED AND CONFUSED:

The combination of numerous offerings and an uneducated customers base exacts a high labor costs to industry participants first it is necessaryto convince consumers of the advance of the generic product then it is necessary to engage in the fierce competition to differentiate a specific offering from that of others in the industry.

6. LOW ENTRY BARRIERS AND A FLOOD OF ENTREPRENEURS:

New industries with low entry barriers may attract many individuals who decide to resign from their secure permanent jobs and jump into the market as entrepreneurs. A cascade of small new companies may thus flood the industry.

7. REGULATIONS MAY BE DETRACTORS:

The emergence of rules and regulations can abruptly slow downthe development of the embryonic industry.

8. STRATEGY IS UNCERTAIN:

In an emerging industry no one has identified the appropriate strategy thus there may be as May strategic approaches combinations of market performance cost technology and scale as there are competitors. Some may work others will not only the future will tell.

9. THREATENED INCUMBENTS MAY RETALIATE:

Well established resource abundant competitors in other industries indirectly competing with the new industry may fiercely reset the emergence of the later.

STRATEGY TO BE SUCCESSFUL IN EMERGING MARKET:

To be successful in an emerging industry companies usually have to pursue one or more of the following strategic avenues. Try to win the early race for industry leadership with ***risk taking*** entrepreneurship and a ***bold creative strategy***. Broad or focused differentiation strategies keyed to technological or product superiority typically offers the best chance for early competitive advantage. ***Push to perfect the technology to improve product quality*** and to develop additional attractive performance features. ***Form strategic alliances with key suppliers*** to gain access to specialized skills technological capabilities and critical materials or components. ***Try to capture any first mover advantages associated with early commitment to promising technologies*** allying with the most capable suppliers expanding product selection improving styling capturing experiences curve effects and getting well positioned in new distribution channels. ***Pursue new customer groups, new user applications and entry into new geographical areas*** (perhaps utilizing strategic partnerships or joint ventures if financial resources are constrained).

6.2. STRATEGIC FOR COMPETING IN RAPIDLY GROWING MARKETS:

To be able to grow at a pace exceeding the market average a company generally must have a strategy that incorporates one or more of the following elements.

I. DRIVING DOWN COSTS PER UNIT SO AS TO ENABLE PRICE REDUCTIONSTHAT ATTRACT DROVES OF NEW CUSTOMERS:

Charging a lower price always has strong appeal in markets where customers are price sensitive and lower prices can help push up buyers demand by drawing new customers into the marketplace. But since rivals can lower their prices a company must really be able to drive its unit costs down faster than rivals such that it can use it low cost advantage to under price rivals.

II. PURSUING RAPID PRODUCT INNOVATION:

Pursuing rapid product innovation both to set company's product offeringapart from rivals and to incorporate attributes that appeal to growing numbers of customers. Differentiation strategies when keyed to product attributes that draw in large numbers of new customers help bolster a company's reputation for product superiority and lay the foundation for sales gains in excess of the overall rate of market growth. If the market is one where technology is advancing rapidly and product life cycles are short then it becomes especially important to be first to market with next generation products.

III. <u>GAINING ACCESS TO ADDITIONAL DISTRIBUTION CHANNELS AND SALES OUTLETS:</u>

Pursuing wider distribution access so as to reach more potential buyersis a particularly good strategic approach for realizing above average sales gains.But usually this requires a company and forcing rivals into playing catch up.

IV. <u>EXPANDING COMPANY'S GEOGRAPHIC COVERAGE:</u>

Expanding into areas either domestic or foreign where the company does not have a market presence can also be an effective way to reach more potential buyers and pave the way for gains in sales that outpace the overall market average.

V. <u>EXPANDING THE PRODUCT LINE TO ADD MODELS/STYLES THAT APPEAL TO WIDER RANGE OF BUYERS</u>:

- Offering buyers a wider selection can be an effective way to draw newcustomers in numbers sufficient to realize above average sales gains.
- Makers of MP3 players and cell phones are adding new models tostimulate buyer demand.

6.3 : STRATEGIES FOR COMPETING IN MATURING INDUSTRIES:

A maturing industry is one that is moving form rapid growth to significantly slower growth. An industry is said to be mature when nearly all potential buyers are already users of the industry's products mar consistsmainly of replacement sales to existing users with growth hinging on the industry's ability to attract new buyers and convince existing buyers to up theirusage.

1. <u>SLOWING GRWOTH IN BUYER DEMAND GENERATES MORE HEAD TO HEAD COMPETITION FOR MARKET SHARE</u>:

Firms that want to continue on a rapid growth start looking for ways to take customers away from competitors. Outbreaks of price cutting increased advertising and other aggressive tactics to gain market share are common.

2. <u>BUYERS BECOME MORE SOPHISTICATED OFTEN DRIVING HARDER BARGAIN ON REPEAT PURCHASES:</u>

Since buyers have experience with the product and are familiar with competing brands they are better able to evaluate different brands and can use their knowledge to negotiate a better deal with sellers.

3. **COMPETITION OFTEN PRODUCES GREATER EMPHASIS ON COST ANDSERVICE**: As sellers all begin to offer the product attributes buyers prefer buyer choices increasingly depend on which seller offers the best combination of price and service.

4. **FIRMS HAVE A TOPPING-OUT PROBLEM IN ADDING NEW FACILITIES**: Reduced rates of industry growth mean slowdowns in capacity expansion formanufactures and slowdowns in new store growth for retail chains. Withslower industry growth adding too much capacity too soon can createoversupply conditions that adversely Affect Company profits well into thefuture.

5. **PRODUCT INNOVATION AND NEW END USE APPLICATIONS ARE HARDERTO COME BY:**

Producers find it increasingly difficult to create new product features findfurther uses for the product and sustain buyer excitement.

6. **INDUSTRY PROFITABILITY FALLS TEMPORARILY OR PERMANENTLY:**

Slower growth increased competition more sophisticated buyers and occasional periods of overcapacity put pressure on industry profit margins. Weaker less efficient firms are usually the hardest hit.

STRATEGIC MOVES IN MATURING INDUSTRIES:

1. REDUCING MARGINAL PRODUCTS AND MODELS:

A wide selection of models features the growth stage when buyer’s needs are still evolving. But such variety can become too costly as price competition stiffens and key demand thus profit margins are squeezed. Maintaining many product versions works against achieving design parts inventory and production economics at the manufacturing levels and can increase inventory stocking costs for distributors and retailers.

2. MORE EMPHASIS ON VALUE CHAIN INNOVATION:

Efforts to re-invent the industry value chain can have a fourfold pay-off lower costs better product or service quality greater capability to turn out multiple orcustomized product versions and shorter design to market cycles.Manufactures can mechanize high cost activities re-design production lines to improve labor efficiency, build flexibility into the assembly process so that customized product versions can be easily produced and increase use of advanced technology (robotics computerized controls and automatic guided vehicles). Suppliers of parts and components, manufactures and distributors can collaborate on the use of internet technology and e-commerce techniques to streamline various value chain activities and implement cost saving innovations.

3. INCREASING SALES TO PRESENT CUSTOMERS:

In a mature market growing by taking customers away from rivals may not be as appealing as expanding sales to existing customers. Strategies to increase purchase by existing customers can involve providing complementary items and ancillary services and finding more ways for customers to use the product.

- **For example**, convenience stores have boosted average sales per customer by adding video rentals, automated teller machines, gasoline pumps and deli counters (a small shop that sells high-quality foods).

4. PURCHASING RIVAL FIRMS AT BARGAIN PRICES:

Sometimes a firm can acquire the facilities and assets of struggling rivals quite cheaply. Bargain priced acquisitions can help to create a low cost position if they also present opportunities for greater operating efficiency. The most desirable acquisitions are those that will significantly enhance the acquiring firm's competitive strength.

5. EXPANDING INTERNATIONALLY:

As its domestic market matures a firm may seek to enter foreign markets where attractive growth potential still exists and competitive pressures are notso strong. Many multinational companies are expanding into such emerging country markets as China India Brazil Argentina, and Malaysia where the long term growth prospects are quite attractive. Strategies to expand internationally also make sense when a domestic firm's skills reputation and product are readily transferable to foreign markets.

6. BUILDING NEW OR MORE CAPABILITIES:

The stiffening pressures of competition in a maturing or already mature market can often be combated by strengthening the company's resource base and competitive capabilities. This can mean adding new competencies or capabilities Deeping existing competencies to make them harder to imitate or striving to make core competencies more adaptable to changing customer requirements and expectations.

6.4 : STRATEGIES FOR FIRMS IN STAGNANT OR DECLINING INDUSTRIES:

STRATEGIC OPTIONS IN A STAGNANT OR DECLINING INDUSTRY

As a business ventures is destined to continue doing business in a varying market condition sometimes adverse and at other times favorable it has to keep up the fight and compete in declining market scenario or else fold up and start another new business.

To be able to compete in a stagnant or declining markets or industry doing the following strategies options will be of help.

1. PURSUE FOCUS STRATEGY:

- Stagnant or declining markets like other markets are composed of numerous segments or niches.
- Frequently one or more of these segments is growing rapidly despite stagnation in the industry as a whole.
- An **astute(showing an ability to accurately assess situations**) competitor who zeroes in on fast growing segments and does a first rate job of meeting the needs of buyers comprising these segments can often escape stagnating sales and profits and even gain decided competitive advantage.

2. STRESS DIFFERENTIATION BASED ON QUALITY IMPROVEMENT OR PRODUCT INNOVATION:

- Either enhanced quality or innovation can rejuvenate demand bycreating important new growth segments or inducing buyers to trade up.
- Successful products innovation opens up an avenue for competing besides meeting or beating rivals prices.
- Differentiation based on successful innovation has the additionaladvantage of being difficult and expensive for rivals firms to imitate.

EXAMPLE:Sony has build a solid business selling high quality TVs, an industry where market demand has been relatively flat in the world's industrialized nations for some years.

3. WORK DILIGENTLY FOR COST REDUCTION:

Companies in stagnant industries can improve profit margins and return on investment by pursuing innovative cost reduction year after year. Potential cost saving actions includes.

7. STRATEGY AND LEADERSHIP:

Leadership is one of the most relevant aspects of the organizational setting. ***Leadership is described as the process of social influence in which oneperson can enlist the aid and support others in the accomplishment of a common task.***

According to **ALAN KEITH** leadership is ultimately about creating a wayfor people to contribute to making something extraordinary happen.

Leadership is highly significant determinant in implementing managerial strategy. The structural determinates provide a foundation and base line for implementing strategy and the process determinants provide guidelines channels media and systems through which strategy is implemented.

7.1 : LEADERSHIP STYLES:

Leadership style refers to the approach taken by the leader in trying to evoke compliance and elicit acceptance from follower. Leadership style is also referred to be various other designations models of leadership. Theory of leadership system of leadership pattern of leadership and managerial grid

Style of leadership can be of following three types.

1. AUTHORITARIAN STYLE:

Autocratic leader is also known as a dictator. It could also be considered as one man show. The role of the leader is restricted merely to dictating the instructions to his subordinates. In this leadership style leader does not get involved with the members of the team. He decides the policies and procedures without discussing with his subordinates. In this style of leadership all decisions are taken by the leader only.

2. BEHAVIOR STYLE:

In this style of leadership the authority rested with leader is decentralized. Leader takes every decision in coordinates with the team members. This style of leadership is people oriented and directsupervision of the staff is not required. This type of leadership style keeps the employees well informed about the policies of the organizations and work is delegated to achieve better results. Instead of acting as a leader he considers himself to be a member of the group

3. SITUATIONAL STYLE:

Free rein or laissez leadership style refers to a condition where theleader does not lead but leaves the major decisions on the group itself. Such a leader is represented by the chairperson who is dependent on his subordinates. All the goals are decided by the group. The group members have to solve problems and motivate themselves. Leader job isto keep contact with outsides and give information to his term.

7.2 : KEY STRATEGIC LEADERSHIP ACTIONS:

1. DETERMINING STRATEGIC DIRECTIONS:

Determining the strategic direction involves specifying the image and characterthe firms seeks to develop over time. The strategic direction is framed within the context of the conditions strategic leader expect their firm to face in five infive ten or more years.

The ideal long term strategic directions have two parts.

a. **CORE IDEOLOGY**: it motivates employees through the company's heritage.

b. **ENVISIONED FUTURE**: it encourages employees to stretch beyond their expectations of accomplishment and requires significant change and progress in order to be realized. The environed future serves as a guide to many aspects of a firm's strategy implementation process including motivation leadership employee empowerment and organizationaldesign.

2. EFFECTIVELY MANAGING THE FIRM'S RESOURCE PORTFOLIO:

- Effectively managing the firm's portfolio of resources may be the mostimportant strategic leadership task.
- The firm's resources are categorized as financial capital human capitalsocial capital and organizational capital.
- Clearly financial capital is critical to organizational success strategic leaders understand this reality.

3. SUSTANINING AN EFFECTIVE ORGANISATIONAL CULTURE:

- Organizational culture as a complex set of ideologies symbols and core values that is shared throughout the firm and influences the way business is conducted.
- A firm can develop core competencies in terms of both capitulates it possesses and, the way the capitulates are leveraged new strategies to produce desired outcomes.

4. EMPHASING ETHICAL PRACTICES:

The effectiveness of processes used to implement the firms strategies increases when they are based on ethical practices. Ethical companies encourage and enable people at all organizational levels to act ethically when doing what is necessary to implement the firm's strategies. In turn ethical practices and the judgment on which they are based create socialcapital in the organization in that goodwill available to individuals and groups if the organization increases. Alternately when unethical practices evolve in an organization they may become acceptable to many managers and employees throughout the organization.

RESOURCE ALLOCATION AS A VITAL PART OF STRATEGY

INTRODUCTION:

Resource allocation deals with the procurement and commitment of financial, physical and human resources to strategic tasks for the achievement of organizational objectives. Resource allocation is both a one time and continuous process. When a new project implemented it would require the allocation of resources. An ongoing g concern would also require a continual infusion of resources. Strategy implementation should deal with boththese types of resource allocation.

In strategic planning, a resource allocation decision is a plan for using available resources especially human resource especially in the near termto achieve goals for the future. It is the process of allocating resources among the various projects or business units.

Resource allocation is a major management activity that allows for strategy execution. In organization that does not use a strategic management approach to decision making resource allocation is often based on political or personal factors.

FACTOS AFFECTING RESOURCE ALLOCATION

1. OBJECTIVES OF ORGANIZATION:

Employees of any organization tend to judge the importance given by strategist to task on the basis of the amount of resource allocated to them.

2. PREFERENCE OF DOMINANT STRATEGISTS:

The dominant strategists most often the CEO tend to affect the process of resource allocation. Their preferences are reflected in the way the resource get allocate.

3. INTERNAL POLITICS:

Resource is often misconstrued as power. Those departmental units which are able to attract more resource are perceived as being more powerful.

4. EXTERNAL INFLUENCES:

Apart from internal politics external influences also affect resource allocation. These influences arise the two government policies andstipulation the demands of external shareholders financial institution community and others.

APPROACHES TO RESOURCE ALLOCATION:

The experts think of three broad approaches to sound resourceallocation which are as follows.

5. USING ANALYTICAL CONCEPTUAL MODELS:

- These are growth share matrix stop light and sectional policy.
- Matrix models are widely used for resource allocation especially in case of multi SBU's firms.
- The rationale behind resource allocation is governed by the factors of competitive capabilities market share business strengths on one hand and growth prospects and industry attractiveness of business segments on the other.

6. PRODUCT LIFE SYSTEM OF BUDGETING:

- This approach suggests that resource allocation is expected to match thestages in the life cycle or a product.
- The resource requirements vary with each stage of product life cycle as these stages have their own characteristics and implications.

  For example; when the firm wants to go in for retrenchment strategy in case of a product division one might think of zero based budgeting that means that resource allocation should depend on budget requests are justified right from its scratch where previous year reference will not come at all.
- The other ways are traditional capital budgeting and performance budgeting in additional to zero base budgeting.

7.CAPITAL BUDGETING:

Capital budgeting is the planning of deployment of financial resource of an organization for the purpose of maximizing the long term profit ability of the organization. In this budget various techniques like averagerate of return payback period internal rate of return and net present value are used to determine where a rupee put will earn maximum profit.

8. PERFORMANCE BUDGETING:

A performance budgeting is an input/output or cost/result budgeting. It emphasis on financial measurements of performance which can be related to financial measurement in explaining changes and deviations from planned performance.

a. ZERO BASE BUDGETING:

Zero base budgeting is based on a system where each function irrespective of the fact whether it is old or new must be justified in its entirety each time a new budget is formulated. It requires each manager to justify his entire budget in detail fromscratch that is zero bases. Each manager states why he should spend any money at all.

b. STRATEGIC BUDGEITNG:

Budgets drive business and organizations by laying out its financial limitations and tracking spending and revenue throughout time. Strategic budget management refers to the process of altering budgets to meet goals and bringing costs in line with earnings to avoid long and short term deficits. While strategic budget management can't solve every financial problem it is essential tooperating an organization smoothie.

9. PLANNING SYSTEMS FOR SRATEGY IMPLEMENTATION:

The normal of form strategic planning is sufficient to permit every manager to develop and implement a system appropriate to his circumstances a system that will produce significantly greater benefits than costs. At the same time it can be said that there are big gaps in the knowledge which when filled makes it easier for managers to design and implement formal strategic planning systems for organization.

It is not that strategic planning less attention to operational planning. Rather emphasis is on implementations of strategies. The reason is that environments are likely to become more turbulent and complex making it evenmore essential that a company pursue those strategies that will best adapt the organization to changed circumstances.

The business plan is an important tool in the implementation process. The business plan is typically a short term and more concrete document than the strategic plan and it tends to focus more closely on operationalconsiderations such as sales and cash flow trends.

9.1 : TYPICAL PLANNING SYSTEMS FOR STRATEGY IMPLEMENTATION:

Therefore the implementation process needs some plans to be made which are as follows,

1. TIME FRAME:

Since the implementation process takes much time than to formulate it. Therefore a timeframe must be predefined before implementation sothat all the processes can be completed within time limit.

2. COST-EFFICIENCY:

The management should select only those strategies to be implemented which are economically feasible or cost efficient. If any strategy needs more than budgeted cost for implementing then it is better to drop it.

3. MEANINGFUL CHANGE:

The implementation of a strategy causes some changes in the existing system. The important thing is that the changes occurred in the system must be meaningful or can be said that leads to benefit or no loss.

4. ADAPTABILITY:

A strategy should be implemented only when the existing system issufficiently flexible or it has the adaptability to accept the change.

5. TRAINING SESSIONS:

Before completely working on implemented strategy the employee and staffs should be trained so that they can work on it. Because in the absence of employee support the implementation will not be successful.

6. MEASURABLE IN TERMS OF PERFORMANCE:

The effect of strategy implementation should be efficiently measurement in terms of the performance or outcome of the system sothat it can be judged that it is affecting negatively or positively.

7. NEW OPPORTUNITIES:

A strategy is implemented to gain competitive advantage in the cutthroat competition. Therefore the implementation of strategy should lead to new opportunities for growth and achieve benefits.

8. AVAILABILITY OF RESOURCES:

A strategy should be implemented when there is chance of availability ofresources required for implementation. If the resource are hardly available or costing much then the management should either take alternative solutions or make necessary changes in it.

9. ACHIEVABLE TARGET:

Only those strategies should be thought to implement whose target can be achieved by the system. If the target is not achievable duet o any combination of constraints then better is to leave it.

10. AVAILABLE ALTERNATIVES:

The management should evaluate the existing alternatives in terms of various constraints so that it proves to be best alternative to be implemented and can be successfully implemented.

UNIT-5
STRATEGY EVALUATION AND CONTROL

INTRODUCTION:

Strategic evaluation and control could be defined as the process ofdetermining the effectiveness of a given strategy in achieving the organizational objectives and taking corrective action wherever required. The final stage in strategic management is strategy evaluation and control. All strategies are subject to future modification because internal and external factors are constantly changing. In the strategy evaluation and control process managers determine whether the chosenstrategy is achieving the organization's objectives.

- The fundamental strategy evaluation and control activities are:
  - ➢ reviewing internal and external factors that are the bases for current strategies,
  - ➢ measuring performance, and
  - ➢ Taking corrective actions.

THE PROCESS OF STRATEGY EVALUATION CONSISTS OF FOLLOWING STEPS:

1. FIXING BENCHMARK OF PERFORMANCE:

While fixing the benchmark, strategists encounter questions such as - what benchmarks to set, how to set them and how to express them. In order to determine the benchmark performance to be set, it is essential to discover the special requirements for performing the main task. The performance indicator that best identify and express the special requirements might then be determined to be used for evaluation. The organization can use both quantitative and qualitative criteria for comprehensive assessment of performance. Quantitative criteria includedetermination of net profit, ROI, earning per share, cost of production, rate of employee turnover etc. Among the Qualitative factors are subjective evaluation of factors such as - skills and competencies, risk taking potential, flexibility etc.

2. MEASUREMENT OF PERFORMANCE :

The standard performance is a benchmark with which the actual performance is to be compared. The reporting and communication system help in measuring the performance. If appropriate means are available for measuring the performance and if the standards are set in the right manner, strategy evaluation becomes easier. But various factors such as manager's contribution are difficult to measure. Similarly divisional performance is sometimes difficult to measure as compared to individual performance. For measuring the performance, financialstatements like - balance sheet, profit and loss account must be prepared on an annual basis.

3. ANALYZING VARIANCE :

While measuring the actual performance and comparing it withstandard performance there may be variances which must be analyzed. The strategists must mention the degree of tolerance limits between which the variance between actual and standard performance may be accepted. The positive deviation indicates a better performance but it is quite unusual exceeding the target always. The negative deviation is an issue of concern because it indicates a shortfall in performance. Thus in this case the strategists must discover the causes of deviation and must take corrective action to overcome it.

4. TAKING CORRECTIVE ACTION:

Once the deviation in performance is identified, it is essential to plan for a corrective action. If the performance is consistently less than the desired performance, the strategists must carry a detailed analysis of thefactors responsible for such performance. If the strategists discover that the organizational potential does not match with the performance requirements, then the standards must be lowered. Another rare and drastic corrective action is reformulating the strategy which requires going back to the process of strategic management, reframing of plans according to new resource allocation trend and consequent means going to the beginning point of strategic management process.

SIGNIFICANCE OF STRATEGIC EVALUATION AND CONTROL:

- ***The significance of strategy evaluation lies in its capacity to co-ordinatethe task performed by managers, groups, departments etc, through control of performance.*** Strategic Evaluation is significant because of various factors such as;

➢ Developing inputs for new strategic planning.

➢ The urge for feedback, appraisal and reward.

➢ Development of the strategic management process.

➢ Judging the validity of strategic choice.

➢ They ***provide direction***. They enable management to make sure that the organization is heading in the right direction and that corrective action istaken where needed.

➢ They ***provide guidance to everybody***. Everyone within the organization, both managers and workers alike, learn what is happening, how their performance compares with what is expected, and what needs to be done to keep up the good work or improve performance.

➢ They ***inspire confidence***. Information about good performance inspires confidence in everybody. Those within the organization are likely to be more motivated to maintain and achieve better performance in order to keep up their track record. Those outside – customers, government authorities, shareholders – are likely to be impressed with the good performance.

➢ Controls do not just guard the money: they also provide data for decision-making.

➢ ***Provide constant feedback*** on the extent to which the strategies are achieving their goals.

➢ Identify potential problems at an early stage and propose possible solutions.

➢ Monitor the accessibility of the strategies to all sectors of the target population.

➢ Monitor the efficiency with which the different components of the project are being implemented and suggest improvements.

➢ Evaluate the extent to which the strategy is able to achieve its general objectives.

➢ Provide guidelines for the planning of future projects.

1. ESTABLISHING STRATEGIC CONTROLS:

Strategic control processes ensure that the actions required to achieve strategic goals are carried out, and checks to ensure that these actions are having the required impact on the organization. Aneffective strategic control process should by implication help an organization ensure that is setting out to achieve the right things, and that the methods being used to achieve these things are working. Establishing strategic control system includes following steps;

I. DETERMINE WHAT TO CONTROL:

The first step in the strategic control process is determining the major areas to control. Managers usually base their major controls on the organizational mission, goals and objectives developed during the planning process. Managers must make choices because it is expensive and virtually impossible to control every aspect of the organizations.

II. SET CONTROL STANDARDS:

The second step in the strategic control process is establishing standards. A control standard is a target against which subsequent performance will be compared. Standards are the criteria that enable managers to evaluate future, current, or past actions. They aremeasured in a variety of ways, including physical, quantitative, and qualitative terms. Five aspects of the performance can be managed and controlled: **quantity, quality, time cost,** and **behavior.** Standards reflect specific activities or behaviors that are necessary to achieve organizational goals.

III. MEASURE PERFORMANCE:

Once standards are determined, the next step is measuringperformance. The actual performance must be compared to the standards. Many types of measurements taken for control purposes are based on some form of historical standard. These standards can bebased on data derived from the **PIMS (profit impact of marketstrategy)** program, published information that is publicly available, ratings of product / service quality, innovation rates, and relative market shares standings. Strategic control standards are based on the practice of competitive benchmarking – the process of measuring a firm's performance against that of the top performance in its industry. The proliferation of computers tied into networks has made it possible for managers to obtain up-to-minute status reports on a variety ofquantitative performance measures. Managers should be careful to observe and measure in accurately before taking corrective action.

IV. COMPARE PERFORMANCE TO STANDARDS:

The comparing step determines the degree of variation between actual performance and standard. If the first two phases have been done well, the third phase of the controlling process – comparing performance with standards – should be straightforward. However, sometimes it is difficultto make the required comparisons (e.g., behavioral standards). Some deviations from the standard may be justified because of changes in environmental conditions, or other reasons.

V. DETERMINE THE REASONS FOR THE DEVIATIONS:

The fifth step of the strategic control process involves finding out: "why performance has deviated from the standards?" Causes of deviation can range from selected achieve organizational objectives. Particularly, the organization needs to ask if the deviations are due to internalshortcomings or external changes beyond the control of the organization.

- **A general checklist such as following can be helpful:**

1. Are the standards appropriate for the stated objective and strategies?

2. Are the objectives and corresponding still appropriate in light of the current environmental situation?

3. Are the strategies for achieving the objectives still appropriate in light of the current environmental situation?

4. Are the firm's organizational structure, systems (e.g., information), and resource support adequate for successfully implementing the strategies and therefore achieving the objectives?

5. Are the activities being executed appropriate for achieving standard?

VI. TAKE CORRECTIVE ACTION:

- The final step in the strategic control process is determining the need for corrective action.
- Managers can choose among three courses of action:

a) They can do nothing.

b) They can correct the actual performance.

c) They can revise the standard.

- When standards are not met, managers must carefully assess the reasons why and take corrective action. Moreover, the need to check standards periodically to ensure that the standards and the associated performance measures are still relevant for the future.

1.1 : PREMISE CONTROL:

The business strategy you've chosen was likely based on some assumptions you made about what you believed would happen several years in the future. Whether those assumptions are about your target audience, your competitors, or product development, premise control lets you test those assumptions to see if they're still valid.

- **For example**, if you own a skateboard company, you may have assumed that your ideal buyers were Millennial, but you may discover that premise was flawed after premise control measures reveal that the fastest-growing skateboard consumers are actually an entire generation younger.

1.2 : STRATEGIC SURVEILLANCE CONTROL

- It's impossible for you to anticipate every external threat that could impact the success of your business, which is why strategic surveillance control lets you identify information sources that monitor these externalforces.
- Examples of these information sources are financial journals, trade magazines, newspapers, economic forums, and industry conferences.
- These sources are often the first to identify the potential challenges that businesses in your industry will face, and may even offer potential responses to these challenges.

1.3 : SPECIAL ALERT CONTROL:

- At some point in time, your company will go through a rough patch that's triggered by some kind of unexpected occurrence that impacts your business in a negative way.

- This could include a sudden crash in the U.S. stock market, a domestic terrorist attack, or even a natural disaster that affects your customers' buying habits.
- Special alert control helps your business respond to these events without having to change your entire strategy to deal with this new event.
- For example, after the September 11, 2001, terrorist attacks in the U.S., many commercial airlines were forced to adopt stricter safety protocols to account for the intense fears that passengers had about flying on a plane.

1.4 : IMPLEMENTATION CONTROL

- As you begin to implement a business strategy, you must use implementation control measures to assess whether or not your plan needs adjustment.
- Common types of implementation control include setting performance standards, measuring actual performance, analyzing the reasons your staff failed to meet specific performance standards, and developing a plan to correct performance deviations.
- Implementation control also includes things such as budgets, schedules, and milestones that the company is trying to achieve.

2. ROLE OF THE STRATEGISTS:

There are various kinds of strategists like **managers, board of directors, chief executive officers, entrepreneurs, senior management, SBU- level executives, corporate planning staff, consultants, middle level managers, executive assistants.**

I. BOARDS OF DIRECTORS:

- **Boards of directors** are the owners of an organization such asshareholders, controlling agencies, government, financial institutions, etc.
- They are responsible for governance of an organization, technology collaboration, new product development and senior managementappointments.
- They guide the senior management in setting and accomplishing objectives, review and evaluate organization performance.

II. THE CHIEF EXECUTIVE OFFICER:

- **Chief executive officer** is answerable for all aspects of strategic management from the formulation to the evaluation of strategy.
- They play a major role in strategic decision making and providethe direction for the organization so that it can achieve its purpose.
- They assist in setting the mission of the organization.
- They are responsible for deciding the objectives, formulatingand implementing the strategy.

III. ENTREPRENEURS:

- Entrepreneurs are strategist who starts a new business, initiator, searches for change, and respond to it and exploits it's as an opportunity.
- By their nature, entrepreneurs play a proactive role.
- They are implementers and evaluators of strategies.

IV. SENIOR MANAGEMENT:

- Senior management or top management consists of managers at highestlevel managerial hierarchy. They look after renovation, technology up progression, diversification and expansion and also focus on new product development.
- They assist the board and chief executives in formulating, implementing and evaluating the strategy.

V. SBU LEVEL EXECUTIVES:

- **SBU level executives** are profit center heads or divisional heads.
- They manage a diversified company as a portfolio of businesses, each business having a clearly defined product-market segment and a unique strategy.
- SBU executives maintain harmonization with other SBUs in the organizing, formulating and implementing the SBU level strategy.

VI. CORPORATE PLANNING STAFF:

- Corporate planning staff plays a supporting role.
- They put in order and communicate the strategic plans.
- They make available administrative support and fulfill the function of assisting the introduction, working and maintenance of strategic management system.

VII. CONSULTANTS:

- Consultants may be individuals, academicians or consultancy companieswho are specialized in strategic management activities.
- They will advise and assist managers to improve the performance and effectiveness of an organization.
- They provide services of corporate strategy and planning.

VIII. MIDDLE LEVEL MANAGERS:

- Middle level managers look after operational matters, so they rarely playan active role in strategic management.
- They are the implementers of decision taken by top level and followersof policy guidelines.
- They contribute to generation of ideas and in development of strategic alternative.
- They also help in setting objectives at departmental level.

IX. EXECUTIVE ASSISTANT:

- An executive assistant will assist the chief executive in the performanceof his duties in various ways.
- They assist the chief executive in data collection, analysis and insuggesting alternatives.
- Coordinating activities with internal staff and outsiders and acting as afilter for information are also performed by the executive assistant.

THE ROLE OF STRATEGIST IN ORGANIZATIONS:

A powerful strategist plays the major important roles like sooth sayer, sculptor, politician, and guru and jail buster. A strategist must be a ***soothsayer or seer*** who helps his team to imagine the future world within which they will be competing. They begin by reading the palm of the organization and also identify its competencies and unique strengths. They then use the crystal ballof scenarios, and imaginative thinking to help the team to visualize the future within which the business will operate. A strategist should also be a ***sculptor*** like an artist 'who carves a form' out of raw materials. The sculptor strategist creates a unique role or purpose for the organization. They predict the reason why the organization will be successful within the soothsayer's imagined future. The sculptor begins by defining the organization's future target markets. They then provide the future shape of the organization by defining why its future customers will choose to support it, rather than any future imagined competitor. So the strategist changes systems, structures, rewards, alliances, products and services to ensure that everything supports the organizational purpose.

- A ***politician*** is someone who is 'skilled in the art of maneuvering and manipulation.' The politician strategist knows the power players in the organization. They know what drives each leader and they also know who is motivated by what external and internal factors.
- ***A guru*** is 'a person who gives personal spiritual guidance to his disciples.' The strategist guru, shows how each individual employee in the company, can contribute to the greater, noble goal. They help individual employees to discover their inimitable personal purpose. Thenthey show them how to channel their energy and talent towards living their purpose, whilst acting in ways that support the company's goal. A strategist must also plays a role of ***jail buster***, while at work, many employees find that their talents, passions, creativity, imagination, and energy are locked behind bars of the company culture. Timid managers who want to 'be in control', and 'avoid making mistakes', often hide the keys to creativity, energy, passion, self-assurance, and innovation. The jail buster strategist shows employees how to break out from their prison of tediousness and fear without alerting their fearful managers. They provide the key to unlocking their talents, creativity, and energy.

3. BENCHMARKING TO EVALUATE PERFORMANCE:

WHAT IS BENCHMARKING?

Benchmarking is a process where different companies compare their nature of work with other companies in the same field of business and they setcertain type of standard of working. It is a matter of work from different companies which creates some standard for the work they deliver. And this standard of their work is considered and called as benchmarking. This benchmarking allows different companies to compare their **work ability** with other companies.

3.1 : SOME TYPES OF BENCHMARKING:

Benchmarking is mainly used to assess the competitive insight and also gather the information based on the performance which was done throughout the product or organization development process. With the help of this benchmarking process, we can evaluate and identify the process to eliminate hindrances which helps further in improving and enhancing our performance.

There are two primary types of benchmarking:

INTERNAL BENCHMARKING:

In this type of benchmarking the comparison of practices and performance is done between teams, individuals or groups within anorganization.

EXTERNAL BENCHMARKING:

In external benchmarking process, the comparison of organizational performance towards the company peers or across companies.

These above discussed benchmarking processes can be further diluted as follows;

1. **PROCESS BENCHMARKING:**

Benchmarking is usually a process to see how the competitors are working or how they are able to gain success. When using process benchmarking, the data is gathered via research, surveys, and website visits. All these information is helpful for people who are working on similar kind of tasks and objectives.

2. **PERFORMANCE METRICS:**

Here when comparing competitors or analyzing clients, numerical metrics are gathered as information. The details later are used to identify performance gaps, prioritize tasks, etc., and then work accordingly.

3. **STRATEGIC BENCHMARKING:**

Strategic benchmarking analyzes how top companies compete and use best strategies to achieve success in this competitive market. This type ismainly helpful for all the organizations which are aiming for their long term goals. There are different types of benchmarking which helps in understanding the actual concept of the benchmarking process. Most of the benchmarking process involves a **legitimate competitive element** in different types of business.

4. **SWOT:**

- As per the abbreviation goes, it can be elaborated as **strength,weakness, opportunities and threat.**

- It is a combination made of strength & weakness with opportunities & threat.
- In this type of benchmarking process, most of the companies providetheir own strength, weakness, opportunity and threat.
- And finally, the result of all this analysis covers up a new idea of changeinside the company itself.

5. PEER BENCHMARKING:

There is some kind of criteria which needs to be considered while benchmarking and these criteria provide some sort of dimension for all the companies. And in this peer benchmarking the competition is amongthose industries or companies which deal with a similar field of work. Therefore, the comparison is among those companies which deliver similar work field.

6. GROUP BENCHMARKING:

It is one of the forms of combined benchmarking where in which a groupof companies joins hands with some relevant association and that association helps them provide the report that can be necessary to deliver their benchmarking aspects. Therefore, group benchmarking or collaborative benchmarking allows all the information of the different companies through those associations and actual work of those associations is that they need to provide better reports of benchmarking of their companies.

7. BEST PRACTICE BENCHMARKING:

In this form of benchmarking the companies look forward to those companies which already made their impression on the business field. The practices which they followed to be in the top list of the best companies are followed and incorporated by the rest of the company which aspire to be similar like that successful company. Therefore, it is necessary to create benchmarking where in which it includes all the best practices delivered and reported by the company.

3.2 : BENCHMARKING PROCESS:

Benchmarking process is a process in which all the different steps are included which helps all the companies from the similar or different work field find out their strengths and weakness. These steps provide all the aspects of the companies which can provide them an actual success rate of their company.

1. DETERMINING ASPECTS OF THE COMPANY:

In this phase of benchmarking the company identifies all the aspects of their company which can help them determine their benchmarking criteria with the rest of the company. Therefore, in this phase of work the company finds out all the important aspects of their companies, which can rank them as one of the best in the industry and also can deliver information such as their success rate and element of their work order.

2. PLANNING AND RESEARCH:

In this planning and research phase, the company provides necessary information about the different aspects of their company. After understanding all the aspects of the company, the company arranges forplanning phase where these aspects of companies are examined for the goodness sake of the company and finally it goes through a research phase where all the planned aspects are researched completely for the best of the companies.

3. COLLECTION OF DATA:

At this stage of benchmarking, all the data collected from the planning and research department are maintained through some sort of methods and measures. Therefore, these methods help the company provide the final and comparative aspects of the company which can consider themselves different from the rest of the company. And the final data collected through this collection stages are considered as a fact of comparison.

4. EXAMINATION:

In this stage of benchmarking all the finding and output delivered by the planning and research department are examined for the purpose of overall development of the company. Therefore, this stage examines or analyzes all those findings from the previous phase to deliver the final word of benchmarked aspects of the company

5. DEVELOPMENT:

At this stage of benchmarking the final examined data collected from theexamination stage can be provided with the necessary recommendation of development of the company. After examining the output of the benchmarking aspects of the company, the same company will create some development programs within the company to improve their working efficiency of the company.

6. INCORPORATION:

In this final stage of benchmarking all the aspects that are examined and developed are finally incorporated in the company for the overall development of the company. After finding the aspect which needs to be incorporated in the company, the company can provide a particular supportive environment for such change in the company. Therefore, all the necessary facts and those matters of the company which can turn it into a successful company need to be incorporated in the company.

3.3 : ADVANTAGES OF BENCHMARKING:

There are several advantages of benchmarking. Most of the common benefits of the benchmarking help to improve the productivity of the company. Moreover, these advantages can provide a clear picture aboutthe key factors of benchmarking in the company. And an increased productivity elements, display the successful features of the company.

1. IMPLEMENTS CREATIVE IDEAS:

- One of the common type of benchmarking where in which all the beneficial aspects of the company are creatively implemented for the overall development of the company.
- The benchmarking process helps the company find out their key features and after finding out the key features of their company, that company compares it with another company to complete the picture.
- And if there are any filling to be needed, then the company starts implementing creative ideas for the company.

2. INCREASED COMPETITIONS:

- Most of the time while doing business and while running a successful company, that company faces some strong competition from the rest of the companies.
- And that competition helps the current company to maintain their position even better in terms of their success rate of the company.
- Therefore, as per the statement of benchmarking process it definitely increases healthy competition among different companies.

3. DEVELOPING IMPROVEMENT:

- It is clear about benchmarking that it deals with those findings of the company and another company which helps them find their position in the business market.
- And if there are any chances or space available for improvement in the company activities, then the company needs to develop those improvements in the company for the growth of the company in its own terms.

4. IDENTIFIES ESSENTIAL ACTIVITIES:

- One of the best possible advantages of the benchmarking is that it can help all the companies to identify their own essential activities that can improve the profits of the company.
- Therefore, after benchmarking it is very much important for all the companies to be identified in the list of companies, which is in a run and where it can deliver the victory of their company effectively.

5. QUALITY OF WORK:

- Because of benchmarking once the company identifies their strengths and weakness compared with the rest of the company, and then it is quite clear that all the aspects of the company need to be improved at a time to time basis.
- And finally the company can deliver some sort of ways which can deliver quality in their working order. Therefore, benchmarking makes things clear and creates some sort of awareness among the company working environment.

6. INCREASED PERFORMANCE:

- As it is explained earlier that the benchmarking process, identifies all the features and elements of the company which can lead them towards its success.
- And eventually, it also provides essential signals regarding the need and wants of the company.
- Once the company finds out about the actual requirements of the company, then it can increase its work performance as per the comparison aspects.

3.4 : DISADVANTAGES OF BENCHMARKING:

As the company can receive some sort of benefits from these benchmarking processes, then it is quite obvious that the company can be covered with some of the disadvantages as well. And those disadvantages are as follows.

1. STABILIZED STANDARDS:

- Most of the company compares their working environment with another company which is earning quite well in the similar field of work.
- After finding out the reason for the improved success rates, the company can incorporate those ideas of that company to improve their productivity.
- And eventually, they stabilize their standard to that one aspect, without its course of action.

2. INSUFFICIENT INFORMATION:

- Sometimes it happens that while comparing the aspects of different companies, the information acquiring company can be left behind with their information gathering techniques.
- And that is why it can face tremendous loss in their business because of insufficient information about the company.
- Therefore, it is very essential for all the companies that they need to be sure of their information about that another company.

3. DECREASED RESULTS:

- Most of the time when a company sets its standard and try to improve that standard by implementing some new and creative ideas, then at that time the company need to look at those companies which are doingquite good in their similar type of business.
- And analyze the actual problem in their company.
- Once the company finds out the actual reason, then they need to research well about the element that whether it is feasible for the company or not.

4. LACK OF CUSTOMER SATISFACTION:

- Most probably during the benchmarking process the company finds out those outputs which can need to be improved and developed for the sake of the overall growth of the company.
- Hence, for that the company needs to look into the matters which can increase their productivity along with their customer satisfaction.
- Therefore, instead of incorporating the ideas that another company used in their company, it can check for its feasibility in their own company.

5. LACK OF UNDERSTANDING:

- As most of the companies keep an eye on their competition instead of their own growth, it is quite clear for all the company that such type of obsession with another company cannot lead the company anywhere.
- Therefore, it is advisable for all the companies that they need to understand the need for benchmarking in their company instead of spying on another company.

6. INCREASED DEPENDENCY:

- Most of the companies think that benchmarking helps they improve their company position as it helped those successful companies to be in the top.
- But most of the companies forget that those companies which made themselves to that top position have earned their hard work.
- Therefore, instead of depending on the ideas which made that company successful, they can build their own network to make them independentfor the better future.

4. STRATEGIC INFORMATION SYSTEMS:

Strategic information systems (SIS) are information systems that aredeveloped in response to corporate business initiative. They are intended to give competitive advantage to the organization. They may deliver a product or service that is at a lower cost, that is differentiated, that focuses on a particular market segment, or is innovative.

Strategic information management (SIM) is a salient feature in the world of information technology (IT). In a nutshell, ***SIM helps businesses and organizations categorize, store, process and transfer the information they***

create and receive. It also offers tools for helping companies apply metrics and analytical tools to their information repositories, allowing them to recognize opportunities for growth and pinpoint ways to improve operational efficiency.

Strategic Information Systems are different from other comparable management information systems as:

- They change the way the firm competes.
- They are associated with higher project risk.
- They are innovative (and not easily copied)

4.1 : CHARACTERISTICS OF STRATEGIC INFORMATION SYSTEMS:

I. AUTOMATION:

IT professionals design strategic information management systems to automate the management of incoming and outgoing information to the greatest possible degree. While each company has its own unique IT needs, strategic information management systems typically include built-in controls that filter, sort, categorize and store information in easy-to-manage categories.

II. CUSTOMIZATION:

Strategic information management systems are typically customized to meet the unique needs of each individual company. Incoming and outgoing data can be sorted and cross-referenced according to a wide range of individually specified controls and parameters, which include the company's business verticals and horizontals, individual clients, demographics, geographic location and business function.

III. ORGANIZATION AND ACCESS:

Strategic information management systems are extensively categorized, allowing for an optimal level of organization. Access controls can be as strict or as lax as the client wants, allowing for company-wide access to information databases or limiting information accessibility to keypersonnel. User-specific controls can also be set, in case employees needaccess to certain information but management wants to limit their access to sensitive data.

IV. BENEFITS:

The benefits of strategic information management can be felt from the executive level right down to the functional staff level. It can help businesses expand their operations into new areas, set goals, measure performance and improve overall productivity.Have an external (outward looking) focus.

V. RISKS:

Some of the risks involved with strategic information management systems include implementation challenges, incompatibility with client databases and human error. As with other IT management techniques, data protection and information security is also an ongoing concern.

4.2 : USES OF STRATEGIC INFORMATION SYSTEM:

I. CREATING HURDLES FOR THE ENTRY OF A COMPETITOR:

- In this, a firm uses information systems to supply products and services that are hard to duplicate or that are used primarily to aid highly specialized networks of business.
- This strategy stops the entry of competitors in the market as they find the cost of giving such services at a very high price.

II. IMPROVING MARKETING BY GENERATING DATABASE:

- Information system also gives the firms and organization an edge over their competition by generating stronger databases to enhance their sales and marketing tactics.
- It treats existing information as a useful resource.
- **For instance,** a business firm may use its updated databases to monitor the purchase of the customers and to locate many segments of the market.

III. LOCKING CUSTOMERS AND SUPPLIERS:

- It is an essential way of getting the advantage of competition by makingthe customers and suppliers permanent.
- In this information systems strategy are implemented to provide benefits to the customer and the suppliers so that it may change their mind and it becomes hard for them to switch over to the other competitor so that they continue to provide the services.

IV. LOWERING THE COSTS OF THE PRODUCTS:

- It may help the firms lower their costs and allowing them to give products and services at a much smaller cost than their competitors.
- Thus such a strategy can provide the expansion and growth of the firm

V. LEVERAGING TECHNOLOGY IN THE VALUE CHAIN:

- In this way, the organizations pinpoint the particular activities in the business, where competitive market strategies can be applied and where the strategically information systems can be more effective.

5. GUIDELINES OF PROPER CONTROL:

Measuring performance is a crucial part of Evaluation and Control. The lack of quantifiable objectives or performance standards and the inability of the information system to provide timely, valid information are two obvious control problems.

In designing a control system, top management should remember that controls should follow strategy. Unless controls ensure the use of the proper strategy to achieve objectives, dysfunctional side effects may completely undermine the implementation of the objectives.

The following guidelines are very important to develop the control system in any organization:

- Controls should involve only the minimum amount of information needed to give a reliable picture of events. Too many controls create confusion. Focus on the strategic factors by following the 80/20 rule: Monitor those 20% of the factors that determine 80% of the results.
- Controls should monitor only meaningful activities and result. .
- Controls should be timely.
- Controls should be long term and short term
- Controls should pinpoint exceptions.
- Controls should be used to reward meeting or exceeding standards rather than to punish failure to meet standards.

6. STRATEGIC SURVILLIANCE:

Compared to premise control and implementation control, strategic surveillance is designed to be a relatively unfocused, open, and broad search activity.**"... *Strategic surveillance is designed to monitor a broad range of events inside and outside the company that are likely to threaten the course of the firm's strategy."***

The basic idea behind strategic surveillance is that some form of general monitoring of multiple information sources should be encouraged,with the specific intent being the opportunity to uncover important yet unanticipated information.

Strategic surveillance appears to be similar in some way to "environmental scanning." The rationale, however, is different. Environmental, scanning usually is seen as *part* of the chronological *planning cycle* devoted to generating information for the new plan.

By way of contrast, strategic surveillance is designed to safeguard the *established strategy* on a continuous basis. Small businesses use strategic surveillance to observe events inside and outside the business that will likely affect its strategy. ***The goal of this surveillance is to keep ahead of competitors and changes in the business climate.***

6.1 : EXAMPLES OF STRATEGIC SURVILLIANCE:

Reviewing Outside Literature

- One example of everyday strategic surveillance by small business is the review of outside literature relating to business activities. This literaturecan include reading **The Wall Street Journal**, **Business Weekly, or any other trade publication.** These **newspapers and periodicals** offer insight into business trends or trends that are becoming outdated. This is a relatively inexpensive way for small businesses to observe business trends that will affect their company strategy.

ENVIRONMENTAL FACTORS

Watching environmental factors is another example of strategic surveillance.

- **For example,** the mad cow epidemic immediately affected what the fast food industry served. Restaurants stopped serving beef and began serving chicken and vegetarian alternate dishes. The fast food industry knew that this epidemic would immediately affect their business so it changed its menu to avoid revenue losses.

ATTENDING TRADE CONFERENCES

Another example of strategic surveillance is attending trade conferencesin your line of business. Every type of business holds various trade conferences throughout the year to introduce new products and to discuss ideas for the future. These conferences are a perfect way to viewthe competition and to test new ideas or products. Customers also attend these conferences so small businesses can view how the customers will react to possible changes.

SOCIAL NETWORKING WEBSITES

- Another example of strategic surveillance is watching social networking websites.
- This is an inexpensive way to observe how clients and competitors will react to a company changing strategy and to receive their comments.
- **For example,** most companies place on their websites "Follow us on Face book and Twitter." This enables consumers to connect with companies on these social websites by making comments aboutproblems with the company or posting things they like about the company.
- These comments are then read by the company and other consumers.

7. STRATEGIC AUDIT:

A strategic audit is an examination and evaluation of areas affected by the operation of a strategic management process within an organization.**A strategy audit may be needed under the following conditions:**

- ➢ Performance indicators show that a strategy is not working or isproducing negative side effects.
- ➢ High-priority items in the strategic plan are not being accomplished.
- ➢ A shift or change occurs in the external environment.
- ➢ Management wishes:

(1) To fine-tune a successful strategy and

(2) To ensure that a strategy that has worked in the past continues to bein tune with subtle internal or external changes that may have occurred.

A strategy audit is a review of a company's business plan and strategies to identify weaknesses and shortcomings and enable a successful development of the company. The strategy audit secures that all necessary information for the development of the company are included in the business plan and that the management supports it.

A **strategic audit** is an in-depth review to determine whether a company is meeting its organizational objectives in the most efficient way. Additionally, it examines whether the company is utilizing its resources fully. A successful **strategic audit** is beneficial to any company.

7.1. PROCESS OF STRATEGIC AUDIT:

The process of conducting a strategic audit can be summarized intothe following stages:

I. RESOURCE AUDIT:

The resource audit identifies the resources available to a business. Someof these can be owned (e.g. plant and machinery, trademarks, retail outlets) whereas other resources can be obtained through partnerships, joint ventures or simply supplier arrangements with other businesses.

II. VALUE CHAIN ANALYSIS:

Value Chain Analysis describes the activities that take place in a businessand relates them to an analysis of the competitive strength of the business. Influential work by Michael Porter suggested that the activitiesof a business could be grouped under two headings:

1. Primary Activities - those that are directly concerned with creating and delivering a product (e.g. component assembly)

- **Support Activities**, which whilst they are not directly involved in production, may increase effectiveness or efficiency (e.g. human resource management). It is rare for a business to undertake all primary and support activities. Value Chain Analysis is one way of identifying which activities are best undertaken by a business and which are best provided by others ("outsourced").

Primary Activity	Description
Inbound logistics	All those activities concerned with receiving and storing externally sourced materials
Operations	The manufacture of products and services – the way in which resource inputs (e.g. materials) are converted to outputs (e.g. products)
Outbound logistics	All those activities associated with getting finished goods and services to buyers
Marketing and sales	Essentially an information activity – informing buyers and consumers about products and services (benefits, use, price etc.)
Service	All those activities associated with maintaining product performance after the product has been sold

Secondary Activity	Description
Procurement	This concerns how resources are acquired for a business (e.g. sourcing and negotiating with materials suppliers)
Human Resource Management	Those activities concerned with recruiting, developing, motivating and rewarding the workforce of a business
Technology Development	Activities concerned with managing information processing and the development and protection of "knowledge" in a business
Infrastructure	Concerned with a wide range of support systems and functions such as finance, planning, quality control and general senior management

III. CORE COMPETENCE ANALYSIS:

Core competencies are those capabilities that are critical to a business achieving competitive advantage. The starting point for analyzing core competencies is recognizing that competition between businesses is as much a race for competence mastery as it is for market position and market power. Senior management cannot focus on all activities of a business and the competencies required undertaking them. So the goal is for management to focus attention on competencies that really affect competitive advantage.

IV. PERFORMANCE ANALYSIS:

The resource audit, value chain analysis and core competence analysis help to define the strategic capabilities of a business. After completing such analysis, questions that can be asked that evaluate the overallperformance of the business. These questions include:

- How have the resources deployed in the business changed over time? This is ***historical analysis***
- How do the resources and capabilities of the business compare with others in the industry? This is ***industry norm analysis***

- How do the resources and capabilities of the business compare with "best-in-class" - wherever that is to be found? This is ***benchmarking***.
- How has the financial performance of the business changed over time, and how does it compare with key competitors and the industry as a whole? This is ***ratio analysis***.

V. PORTFOLIO ANALYSIS:

Portfolio Analysis analyses the overall **balance** of the strategic business units of a business. Most large businesses have operations in more than one market segment, and often in different geographical markets. Larger, diversified groups often have several divisions (each containing many business units) operating in quite distinct industries. An important objective of a strategic audit is to ensure that the business portfolio is strong and that business units requiring investment and management attention are highlighted. This is important - a business should always consider which markets are most attractive and which business units have the potential to achieve advantage in the most attractive markets.

VI. SWOT ANALYSIS:

- SWOT is an abbreviation for Strengths, Weaknesses, Opportunities and Threats.
- **SWOT analysis** is an important tool for auditing the overall strategicposition of a business and its environment.

SWOT analysis is a method for analyzing a business, its resources and its environment. It focuses on the internal strengths and weaknesses of an organization.

- SWOT analysis aims to discover:
  - What the business does better than the competition
  - What competitors do better
  - Whether it is making the most of the opportunities available
  - How a business should respond to changes in its external environment

8. *STRATEGY AND CORPORATE EVALUATION AND FEEDBACK ININDIAN CONTEXT:*

The final stage in strategic management is strategy evaluation and control. All strategies are subject to future modification internal and external factors are constantly changing. In the strategy evaluation and control process in India managers determine whether the chosen strategy is achieving the organizations objectives. The fundamental strategy evaluation and control activities are reviewing internal and external factors that are the bases for current strategy measuring performance and taking corrective actions. Some of the examples of strategy and corporate evaluation process adopted by Indian companies are as follows.

1. STRATEGIC EVALUATION AND CONTROL AT THE APOLLO HOSPITALS NETWORK:

Apollo hospitals enterprise limited (AHEL) has the distinction of being the first and the largest corporate hospital network in modeled on the hospital corporation of America the world's largest private healthcare providers.

The Apollo network owns and manages more than 40 hospitals in India and some neighboring countries. It serves 7.4 million customers and aims at increasing bed capacity by around 30% every year. There are more than 50 clinical departments for patient care manned by about 7000 medical professionals. The technological capability of AHEL is seen in the state of the art equipments for diagnostic and therapeutic purposes and in cases of using advanced medical procedures. The strategic control appears to be centralized in the executive team led by Dr. REDDY.

The performance evaluation model at AHEL called the Apollo clinical excellence model is based on the identification of key performance areas such as clinical professionals support personnel equipment patients and environment of care.

2. STRATEGIC EVALUATION AT CENTAL PUBLIC ENTERPRISES IN INDIA:

The government of India is the owner of 245 central public sector enterprises (CPSEs) employing 16.5lac persons with a cumulative investment ofover ₹76,000crore net worth of over ₹4,00,000crore generating net profit of over ₹76,000crore in 2006 that is about 11% of the GDP of India.

In 1987-88 the government of India introduced the system of memorandum of understanding for performance evaluation of CPSEs. MOU is a freely negotiated agreement between the public enterprise and the administrative ministry. Under the agreement the enterprises undertake to achieve the targets set in the agreement at the beginning of the year. The MOU covers both financial performance as well as non financial performance. Under this system performance of the company is categorized into five categories namely excellent, very good, good, fair and poor. The measurement of performance is based on the standards devised through balanced scorecard approach and includes both financial and non financial parameters having equal weight of 50% each. The non financial parameters are further divided into dynamic parameters (30%) enterprise specific parameters (10%) and sector specific parameters (10%).

3. TATA AND BALANCED SCORECARD:

Balanced scorecard is a comprehensive performance measurement system that balances traditional financial measures with operational measures.**TATA MOTORS** is the largest and most prominent market leader in the manufacture of commercial business vehicles in India. In the year 2000 its **commercial vehicles business unit (CVBU)** suffered its first loss in it's more than fifty years history. This loss was motors to take a profound look into itself to find reason in this debacle.

Subsequently the executive director of CBVU, Mr. RAVI KANT called forstringent cost cutting across unit operations supported by more effective formulation and execution of strategy. To augment this process the management of TATA MOTERS resolved to adopt the balanced scorecard and performance framework as the key tool in the endeavor to re-build the organizational performance chart. The challenge here was to undertake deployment of the balanced scorecard across all the functional units and departments of the CBVU.

INTERNATIONAL CONTEXT

Some of the examples of strategy and corporate evaluation processesadopted by international companies are as follows.

1. BSC AT PHILIPS:

When a management tool becomes popular it is only logical to questionwhether it is a fad or the future. One has broad appeal. Approximately 50% of fortune 1,000 companies in north America and about 40% in Europe use a version of the BSC according to a recent survey by Bain and Co. the number of software and consulting firms currently providing BSC related products and services supports these statistics. But do companies think the BSC is here to stay? Philips electronic does. This worldwide conglomerate has gathered its more than 250,000 employees in 150 countries around the card because it sees this tool as the future not a trendy tool. The key benefit for Philips: management can streamline the complicated process of running a complex international complex with diverse product lines and divisions. Here is how it cascades throughout the organization.

The drive to implement the balanced scorecard at Philips electronicscame from the top down as a directive from the board of management in Europe to all Philips divisions and companies worldwide. The directive went to all Philips divisions and companies and their quality departments with the effort in the medical division headed by the quality steering committee that reports to the president of Philips medical systems.

Philips electronics has used the balanced scorecard to align company vision focus employees on how they fit into the big picture and educate them on what drives the business. An essential aid to communicating the business strategy the BSC works as a vehicle to take key financial indicators and create quantitative expressions of the business strategy. In fact Philips electronics management team uses it to guide the quarterly business reviews worldwidein order to promote organizational learning and continuous improvement.

The tool has helped Philips electronics focus on factors critical for their business success and align hundreds of indicators that measures their markets operations and laboratories. The business variables crucial for creating value which are known as the four critical success factors (CSFs) on the Philips electronics BSC are,

a. Competence (knowledge, technology, leadership, and teamwork)

b. Processes (drivers for performance)

c. Customers (value propositions) and

d. Financials (value, growth and productivity)

2. BENCHMARKING AT XEROX

The history of Xerox goes back to 1938 when **CHESTER CARLSON** apatent attorney and part time inventor made the first xerographic image in the
U.S Carlson struggled for over five years to sell the invention as many companies did not believe there as a market for it. Finally in 1944 the battle memorial institute in Columbus Ohio, contracted with Carlson to refine his newprocess which Carlson called electro photography.

a. Xerox defined benchmarking as the process of measuring its products service and practices against its toughest competitors identifying the gaps and establishing goals. Our goal is always to achieve superiority in quality product reliability and cost. Gradually Xerox developed its own benchmarking model. This model involved tens steps categorized under five stages planning analysis integration action a **PLANNING**: determine the subject to be benchmarked identify the relevant best practice organizations and select/develop the most appropriate data collection techniques.

b. **ANALYSIS**: assess the strengths of competitors and compare Xerox's performance with that of its competitors. This stage determines the current competitive gap and the projected competitive gap.

c. **INTEGRATION**: establish necessary goals on the basis of the data collected to attain best performance integrate the goals into the company's formal planning processes. This stage determines the new goals or targets of the company and the way in which these will be communicated across the organization.

d. **ACTION**: implement action plans established and assess them periodically to determine whether the company is achieving its objectives. Deviations from the plan are also tackled at this stage.

e. **MATURITY**: determine whether the company has attained a superior performance level. This stage also helps the company to determine whether benchmarking process has become an integral part of the organizations formal management process.

Xerox collected data on key processes of best practice companies. There critical processor were then analyzed to identify and define improvement opportunities. For example Xerox identified ten key factors that were related to marketing. These were.

1. Customer marketing
2. Management
3. Asset management
4. Business management
5. Human resource management and
6. Information technology. Customer engagement
7. Order fulfillment
8. Product maintenance
9. Billing and collection
10. Financial

These ten key factors were further divided into 67 sub-processes. Eachof these sub-processes then became a target for improvement. The five stage process involved the following activities.

Purpose of acquiring data from the related benchmarking companies Xerox subscribed to the management and technical databases referred to magazines and trade journals and also consulted professional associations and consulting firms.