BBALLB 4thSem
Strategic Management

Unit I **Lectures:-10**

Introduction: The nature of strategic management, the key terms of strategic management, Strategic management model, Benefits of strategic management, Pitfalls in strategic planning

Unit II **Lectures:-10**

Strategy formulation and external, internal assessment: The business vision and mission, writing mission statements, the external forces, Porter five forces model, the internal forces, value chain analysis,

Unit III **Lectures:-10**

Strategic analysis and choice: The nature of strategy analysis and choice, the input stage, the matching stage (SWOT & BCG), the decision stage

Unit IV **Lectures:-10**

Strategy implementation**:** the nature of strategy implementation, resources allocation, matching structure with strategy, managing resistance to change, creating a strategy supportive structure, human resources concern when implementing strategy

Unit-1

Strategy: Strategy is popularly related to war, as means or methods to defeat enemy. Strategy is now used for business, meaning methods or means adopted to achieve business's objectives defeating constraints.

The term strategy is derived from the Greek word ‘strategia’ which means “generalship.” In the military concept, strategy refers to arranging troops into position before the enemy is actually engaged in the war. Once the enemy has been engaged, attention shifts to tactics how to win war. Here, the employment of troops is central point of strategy formulation, implementation and controlling of war. And this concept transfers to the business world today which begins to take form in terms of formulation, implementation and controlling business policy to achieve strategic goals of the business enterprise.

Strategic Management refers to the process of forming a vision, setting objectives, building a strategy, implementing and executing the strategy and then initiating adjustments to achieve the objectives.

The term strategic management refers to the Managerial process o f

1. Forming a strategic vision,
2. Setting objectives,
3. Crafting a strategy,

Implementing and executing the strategy, and making corrective adjustments in the vision, objectives, strategy, and execution are deemed appropriate.

Business responds to adverse or hostile environment with strategy. In business, Strategy is considered as:

- A plan by management to conduct operation, attract customers and compete successfully;
- A comprehensive and integrated plan and actions to achieve the desired business goals and objectives;
- A long term plan or blue print to achieve desired image, direction and destination for organization;

- A plan adopted for survival, stability and growth of business

CHARACTERISTICS OF BUSINESS STRATEGY

- Formulated by Top Management
- Long Term oriented
- Integrated: Consider all elements of business
- Flexible: Can be modified as per changed Environment
- Purposeful: It is for making organization ready to cope-up to a competitive and complex business environment successfully
- Action Oriented and Goal Directed: It should help to start action to help in the achievement of goal.
- Allowances for Uncertainties and contingencies and should predict all possible chances of deviation.

GENERAL STRATEGIC ALTERNATIVES (By W.F. Glueck and Lawrence R Jauch)

These general strategic alternatives are also known as Master Strategies, help organizations to face competition and achieve its objectives successfully. These alternatives are categorized in four broad head:

A. Stability Strategy or Do Nothing Strategy or Status Quo strategy: It states that business should focus on their core products and should strive to improve functional efficiency, and also the quality of products. By formulating this strategy, business wants to achieve unique position for their products in the market, by continuously improving at all fronts as quality, customer service, R&D and distribution, etc. It primarily focus on two issues:

1) Deal in similar products or services and markets
2) Focus on functional performance improvements

Expansion or Growth Strategy is one of the most important strategies. Profitable business always looks for new avenues for efficient utilization of their profit. Expansion strategy can be in many forms:Expand business of similar product to new markets: To catch new customer and market. Expand business through diversification: Add new product and services.

Expand business through acquisition and mergers: Businesses acquire the other related or diversified businesses, or merge themselves with it. It helps expansion in the shortest possible time with lower risk. It is marriage of new business without divorce of existing business with same management.

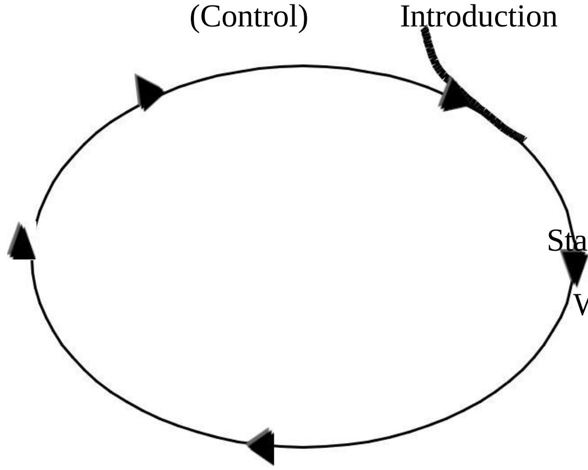
B. Retrenchment/ Stop Loss Strategy: Products or business units which are not performing as per their expectation, enterprises may divest such business units from their portfolio, as 'stop loss' strategy. Following are the major characteristics of this strategy:

STRATEGIC MANAGEMENT FRAMEWORK:

Stage Five

How can we Ensure Arrival?

(Control) Introduction



Stage Four
Which way is best?
(Evaluation)

Stage One
Where are we now?
(Beginning)

Stage T h r e e
How Might we get there?
(Means)

Stage Two
Where we want to be?
(Ends)

Fig. Framework of Strategic Management

Stage 1: Analysis of current Situation: Organization analyze about their present situation in terms of their Strengths, Weaknesses, Opportunities and Threats.

Stage 2: Planning and Policy making: Organizations setup their missions, goals and objectives by analyzing where they want to go in future.

Stage 3: Evaluation of Alternatives: Organization analyses various strategic alternatives to achieve their goals and objectives. The alternatives are analyzed in terms of what business portfolio/product mix to adopt, expansion, merger, acquisition and divestment options etc are analyzed to achieve the goals.

Stage 4: Selective Best: In this organizations select the best suitable alternatives in line with their SWOT analysis.

Stage 5: Implementing the selected decision/alternatives: Organization implement and execute the selected alternatives to achieve their strategic goals and objectives.

STRATEGIC MANAGEMENT MODEL

Strategic management model is prepared for better understanding of strategic management tasks.
The model consists of three stages:

1. Strategy Formulation

2. Strategy Implementation

3. Strategy Evaluation

Organization formulates strategies by forming long term vision, mission and objectives considering all their strengths and weaknesses and by looking into opportunities and threats in the environment.

- It provides a visual representation of the major components of the entire strategic management process. This model also shows how the components are related and how they are related throughout the process.
- This model provides the general over view of the strategic management process of the organisation.
- This model widely accepted and is comprehensive.
- It’s identifying the vision, mission, objectives, strategic analysis and its choice for each goal.
- It determines the changes of the organisation.
- It defines the strategy formulation, implementation, and evaluation activities should be performed on a continual basis, not just at the end of the year or half-yearly or quarterly.
- For management process, good communication and feedback are needed in order to ensure accountability in business.
- It is formal in larger and well established organisations and the participant’s responsibilities, authority, duties, and approach are specified.
- This model usually associated with the cost, comprehensiveness, accuracy and success of planning across all types and sizes of organisation.

Importance of Strategic Management:

Strategic planning can have an immediate influence or bebefits on your company and organization.

1. **Make future happen don’t let it happen to you**
   It is the difference between being proactive or reactive. Be on the defensive or the offensive.

Be a victim of circumstances or be victorious in the fight. Not every situation can be foreseen but you can make decisions and react to changing market conditions with the end in mind.

2. **Establish Direction: E**early defines the purpose of the organization and establishes realistic goals and objectives consistent with the mission which can be clearly communicated to constituents. Provides a base from which progress can be measured, employees compensated and boundaries established for effective decision making.

3. **Business Decision:** distinguish between a good idea and a great idea? Without a clear vision of what you want to achieve, and mission or purpose for doing it, everything seems like a good idea. What project do you invest in? How should you and your staff invest your time? Having clarity about what you want to do, who you need and how to get there will focus limited financial and people resources.

   Future Oriented
   The world market and industries are changing faster than ever and those companies who do not have a solid foundation and have relied on luck or opportunity most likely will not be around for the future. Data reflects that one out of every three companies at the top of their industry will not make be there in five years. Focus is powerful. Scientists focus light so intently that it becomes a laser which is used for surgery or able to cut through glass and metal.

4. **Increased profitability and market share**
   Focused planning and strategic thinking will uncover the customer segments, market conditions, and product and service offerings that are in the best interest of your firm. An intentful and targeted approach to markets and opportunities which guide your sales and marketing efforts, distribution and other business decisions which ultimately mean more profit to the bottom line and a stronger market position.

5. **Unique differentiation: avoid "competitive convergence"**
   Companies have gotten so used to looking at their competitors and their best practices and then trying to duplicate them that it becomes harder to tell the companies apart. They all start

to look the same with less distinction in unique value. Strategy means having a unique differentiation that sets you apart from your competitor.

Pitfalls of Strategic Management:

Here are my top ten pitfalls leading to strategic failure and what senior managers need to avoid in order to make their strategy work in practice.

1. Short termism

Marks & Spencer fell prey to this in the late 1990s when it announced its target of becoming the first UK retailer to generate annual profits of £1bn. It had the desired effect on the share price. Unfortunately, there was a high price to pay. As the company geared its operations towards profit, a lack of investment in sales and infrastructure started to erode the company's long term hold on its markets. Value-based rivals made off with the family silver and a profit warning followed in 1999. It was 2008 before M&S one again delivered a profit of £1bn.

Succumbing to short-termism is a major risk, whatever size your business. For SMEs and entrepreneurs, it can be a pressure to focus on short-term results in order to impress stakeholders, backers and prospective employees. It is essential to prioritise long-term investment over short-term margins and to stay on track.

2. Ignoring external trends

A failure to pay attention to short term external trends – for instance, not properly tracking customer needs and understanding competitor moves/motives – will trip up even the best strategies.

Research in Motion, the makers of the pioneering Blackberry, failed to respond to very clear market trends. By not moving beyond their traditional corporate sector, and their failure to both innovate and understand the app market lost them their position as the market leader.

On the other side of the coin, Zara, the fashion retailer, is a business precisely in tune with its market. Zara's ability to divine changes in taste among its clientele and then to satisfy them in a matter of weeks is legendary. They do this by continuously tracking market trends and customer preferences, monitoring the media as well as their own sales, and delegating the right people to spot trends. All of these tactics can and should be part of a business' strategy, whatever size.

3. Overconfidence based on existing success

Even in difficult and challenging markets, companies can overestimate the value of their business model, customer base and ways of doing things.

Blockbuster is a clear example of a business that failed to move with the times and saw its business model collapse on both sides of the Atlantic.

The message here is simple: you need to be ruthlessly honest. Otherwise, you may wake up one day and your business is gone.

4. Failure to respond to structural changes in the market

Refusing to acknowledge that structural changes are real can also lead to flawed strategic responses. When something new comes along, the answer is usually to move early, no matter how painful it might be.

One of the more notable and public examples of this is Kodak – a pioneer and dominant focre in the photographic film market until relatively recently. In 1976 it held a 90 per cent share of photographic film, and Kodak actually pioneered digital photography technology in the mid-1990s but actively chose not to pursue this line of innovation because of the threat posed to the core photographic film business.

The rest is history. Kodak has failed to turn a profit since 2007, and in February 2012 filed for bankruptcy.

Kodak failed to follow one of the basic rules of strategy: if you are going to be cannibalized then it is, on balance, better to cannibalize yourself!

5. Failure to employ the best possible team

Putting up with a sub-par or mediocre team will make your strategy unachievable or sub-optimized at best. Companies should priorities going after the best people and then motivating them to do extraordinary things. Focusing on management is usually the best place to start in any strategy.

6. Failure to focus

However seductive proliferation and diversification are, a failure to ‘stick to the strategic knitting’ will take you off course. The key to avoiding this pitfall is to learn to say no. For example, Adidas added numerous brands and product lines in the early 1990s that clouded the company’s focus on sportswear. Failing profits followed, and it took a new management team to turn the company around and return it to its core purpose and build it into the world class brand that it is today.

7. Inability to foster belief in the strategy

A failure to passionately and consistently reinforce the strategy will undermine it and belief in it will wane. Remember: memories of strategic announcements are short, but memories of strategic failure are long.

Getting people to buy into your strategy makes it easier to implement and to implement well.

Communication is therefore critical, and keeping it simple but convincing pays dividends.

8. Inability to translate the strategy into a corporate purpose

Increasingly, enterprises need an enduring purpose to inspire and motivate their people. The whole team needs to know that what they are doing matters to the company (and increasingly, to society). But how do you get employees to 'buy in' to the proposition without having to 'buy' their loyalty with high pay and expensive benefits?

Instilling a sense of purpose has an enormous commercial benefit. Take Starbucks and Gap as great examples of brands that make an effort publicly to treat their employees with respect, provide career progression and emphasize links to the community, making them appear positive places to work. All of which are cheaper than offering five-figure bonuses - and also make us buy a lot more coffee and t-shirts for double the price offered elsewhere.

9. Failure to instill a sense of pace

There are countless examples of companies lulling themselves into a false sense of security about the speed at which they move. There is little upside, if any, in delaying once you are convinced that a certain reality is true. In terms of bad news in particular, it is usually the case that the sooner you announce it, the better. Act earlier - bad news seldom improves with age.

10. Failure to create accountability for result The heart and soul of execution is accountability – it is this which motivates people to follow through on their commitments. It is essential with any plan that it is clear who is responsible for what, and that accountability is tied to results, not activities. This is essential because, while activity within an organization is unceasing, it is only results that really matter

UNIT-2

Environmental Factors in Strategic Planning

For any business to grow and prosper, managers of the business must be able to anticipate, recognise and deal with change in the internal and external environment. Change is a certainty, and for this reason business managers must actively engage in a process that identifies change and modifies business activity to take best advantage of change. That process is strategic planning.

The following diagram provides examples of factors that are agents of change and need to be considered in the strategic planning process. Explanation of these factors is found below.

Internal and External Environment

All businesses have an internal and external environment. The internal environment is very much associated with the human resource of the business or organisation, and the manner in which people undertake work in accordance with the mission of the organisation. To some extent, the internal environment is controllable and changeable through planning and management processes.

The external environment, on the other hand is not controllable. The managers of a business have no control over business competitors, or changes to law, or general economic conditions. However the managers of a business or organisation do have some measure of control as to how the business reacts to changes in its external environment.

Internal Environment Factors

Table 1 below identifies important aspects of the internal environment that can significantly impact on the well-being of a business or organisation. Generally the strategic planning process will examine the strengths and weaknesses of the organisation (see SWOT analysis), and it is likely that significant discussion will center on the relative strength of internal environment factors.

Table 1: Factors in the internal environment and their affect on the business/organisation

Factor	**Influence on the organisation**

Human Resource	The knowledge, experience and capability of an organisation's workforce is a determining factor of success. For this reason, organisations pay particular attention to the recruitment of staff and also to engage in thetraining of staff and volunteers to build the organisation's capability. In pursuing both recruitment and training strategies, an organisation is often limited by its financial strength. Nevertheless, training of staff is an essential aspect of good business management, and even in difficult financial circumstances is an achievable strategy.
Organisational Culture	The culture within the organisation is a very important factor in business success. (see More about organisation culture). The attitudes of staff and volunteers, and their ability to "go the extra mile" makes a very significant difference. Negative attitudes can severely impact on the organisation's ability to implement strategies for development despite however thorough the planning processes. Positive attitudes of staff and volunteers will not only make the management task easier but also will be noticed and appreciated by customers of the business or members of organisation.
OrganisationStructure	Businesses and organisations may be impeded by their structure,constitution and/or forms of governance. Organisation structure is essentially the way that the work needed to carry out the mission of the organisation is divided among its workforce. (see more about organisation structure) In a non-profit organisation, the organisation will include the management board or committee (i.e. President, Secretary, Treasurer and Ordinary Committee Members), the salaried staff of the organisation and all the volunteers that have roles as coordinators of various business functions (e.g. Event Coordinator, Promotions Coordinator and Coaching Coordinator).When an organisation is a for-profit business that operates in a very competitive environment, its organisation structure may help or hinder the ability of the organisation to react to change. For example, when

	the organisation structure has many levels of management, decision making can be slow as information is carried up and down the hierarchy. For this reason, "flatter" organisation structures are often preferred i.e. people who work "at the coal face" and one level of management above. Volunteers are normal part of the non-profit organisation but not the profit-business. Although it is often hard to find volunteers, the organisation structure of the non-profit organisation can be very flexible by appointing volunteers as needed.
Management	The capability of the management team and the leadership styles employed by managers will also have a major impact on the morale of staff (and volunteers in a non-profit organisation) and organisation culture. More contemporary forms of management involve workers in decision making processes and trusting that, although managers and workers have different viewpoints, they largely benefit by working together to achieve the business objectives.
Assets	The internal environment of the organisation can be made richer or poorer by its assets. For example, the organisation's premises can be pleasant and uplifting, or demure and depressing. The availability of equipment is another asset that can significantly impact on the internal environment. If equipment is in short supply or not of the expected standard, then staff may be hindered in the performance of their duties, or if equipment is used by customers then customer satisfaction will fall.
Financial Strength	Financial strength is a factor in its own right that influences the internal environment of the organisation. Despite however good other internal factors may be, it is very difficult for an organisation that is too short of cash to implement strategies within the strategic plan. If the organisation struggles financially this can impact on staff morale as budgets need to be excessively tight.

External Environment Factors

Table 2 below identifies important aspects of the external environment in which the business operates. The business cannot control these aspects but can respond to change if needed. The main problem for business managers is to be able to respond early to change in the external environment, and this depends on how soon any change is identified. Some external environmental factors such as economic conditions are reported daily in the media and managers have a wealth of information on which to develop strategic plans. However, some external factors may be difficult to identify, particularly of the pace of change is very slow or is hidden from view.

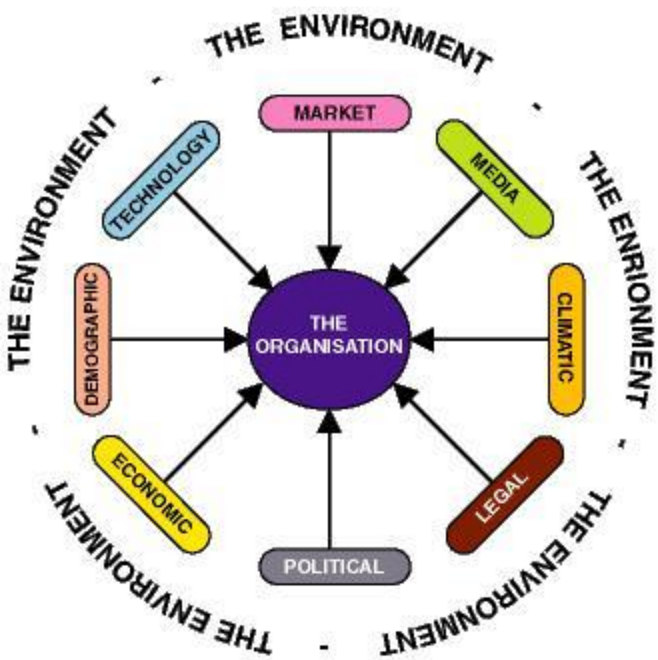


Table 2: Factors in the external environment and their affect on the business/organisation	
Factor	**Influence on the organisation**

Economicconditions	Prevailing economic conditions of the nation will have an effect on the spending patterns of citizens. Increases in interest rates and/or a high level of unemployment will depress consumption of non-essential goods and services. For example. when people experience financial hardship, they will spend much less on sport and recreation, holidays, new cars and luxury goods. Economic conditions are global as well as national, and when there is a global financial crisis as in 2007, changes in the external environment can be dramatic.
Market(competition)	The strength of business competition is a constantly changing factor in the external business environment. Not only will competitors come and go, but they will also change marketing strategies, product lines and prices. Often such changes are not heralded and business managers must be alert as to what competitors are doing.
Technology	Technological change has been rapid in the last 50 years and is a factor in the external environment that constantly exerts pressure on the business or organisation. If businesses do not adapt sufficiently quickly to technological change, they risk losing market share. It's not just that technological change affects the design of products, but even the delivery of services can change.
Climatechange	Climate change is an insidious threat because the pace of change may be recognisable only if considered on a decade-by-decade basis. The effect of climate change will not fall equally on all nations and all businesses. Businesses that depend directly on a good supply of water e.g. agriculture, field sports will be adversely effected if climate change results in reduced rainfall. However the flow on affects of drought will eventually work their way through to all businesses in the effected community.
Legal	Taxation is one of most obvious changes in law through <u>legislation.</u> Sometimes taxation changes occur overnight with little warning and sometimes there is plenty of time for the business to prepare. Other law

	changes that commonly affect business include Workplace Health and Safety, Industrial Relations, Consumer Protection and Environmental Law,
Media	The media is undergoing rapid and significant change. The main driver of this change is technology and the rise of the internet. Newspapers once carried many pages of job adverts but now this business is conducted by online recruitment companies such as Seek.
Political	Like law, changes in government policy can be well notified and discussed, or without warning. As an example of how government policy has an effect, is that many organisations depend on government financial assistance. When there is a change of government, such funding assistance can disappear in a short space of time.
Demographic	There is constant change in the make-up of the population. Some of these changes include an increasing proportion of elderly citizens, increasing number of two-income families, the age at which people marry is increasing, increasing ethnic diversity, suburbs which were once dominated by young families now have few. These demographic changes can have a significant effect locally. For example, a sport club which once prospered can begin to decline as the local area has less and less children.

VISION, MISSION AND OBJECTIVES IN BUSINESS

Vision: There is a quote that 'great visionary can foresee the future in advance and take steps accordingly to be at forefront'.

- Vision provide a road map to Company's future

- Vision indicates the kind of company management is trying to create for future.

- Vision specifies about company intention and capabilities to adapt to new technologies

- Vision also specifies management policies towards customers and

societies Strategic vision specifies primarily three elements:

1. Forming a mission statement that defines what business the company presently is in and who we are and where we are now?
2. Using this mission statement as base to define long term path by indicating choices about where we are going?
3. Finally, communicating above strategic vision in clear and

committed term. Strategic Vision has important purpose, such as:

1. Clearly provide the direction that company wants to follow.
2. Identify the need of changing from existing direction or products, if stated in vision statement.
3. Create conducive environment to steer the company with great excitement in selected direction.
4. Promote creativity in every member of company to prepare company for future.

Mission

Mission is an element of company vision. Management develops a vision based on their capabilities, experience and changes it visualise in future. Based on this vision company formulate a mission statement which becomes the basis for future orientation or direction of company.

Mission is a part of vision where company wants to be in future. Some of important features of mission are;

- It is an expression of company vision, future position and growth ambition

- It tries to combine the expansion of existing business portfolio to the preferred future portfolio, where company wants to make its presence.

- It provides a guiding principle and common purpose to each member of organization
- It provides foundation to the future aim of organization

Guidelines for formulation of Mission Statement

Organization can not declare the mission just on some great whim and fancy. Mission should be based on organization's existing capabilities and should be achievable.

A few guiding factors for formulation of mission statement are:

- It should be based on existing business capabilities Who we are and what we do?
- It should follow the long term strategy principles.
- Profit making should not be the only mission of organization.
- It should be logical extension of business existing capabilities.
- It should clearly and precisely present the future orientation of business.
- It should include achievable missions.
- It should be stated in a form that it becomes the motivating force to every member of organization.
- Mission statement once formed shall be communicated to every member of organizations.
- It should include interest of customers and society.

What Business Are We In?

Company	Production-oriented answer	Marketing-oriented answer
AT&T	We operate a long-distance telephone company.	We provide multiple forms of reliable, efficient and inexpensive
Indian Oil	We produce oil and gasoline products	We provide various types of safe and cost-effective energy.
Indian Railways	We run a railroad	We offer a transportation and material-handling system
Eastman	We make cameras and film.	We help preserve beautiful memories
Kodak		
Revlon	In the factory, we make cosmetics.	In the drugstore, we sell hope

UNIT-3

STRATEGIC ANALYSIS

After formulating strategy including VISION, MISSION AND OBJECTIVES, next step is analysis of every step or processes to achieve those objectives and for the same critical analysis of our environment is necessary to formulate a long term strategy as per changed environment.

Two most important analyses of external and internal environments respectively are:

(1) Industry and Competitive analysis and

(2) Analysis of organization's core competitive capabilities, resources, internal strengths and weaknesses and market position or situations.

Issues to consider

Strategy analysis and then revision of strategy formulated originates through a continuous interaction between management and organization's capabilities and environment and is assisted by a few analysis tools. These strategic analysis tools are as discussed below:

1. PEST Analysis: It is a technique for understanding the environmental factors like political, economic, social and Technology in which a business operates.

2. Five Forces Analysis: it is a technique for identifying the forces which affect the level of competition in an industry level and business level.

3. Market Segmentation: It is a technique which seeks to identify similarities and differences between groups of customers or users of company's products and services.

4. Competitor Analysis: It is a wide range of techniques and analysis that seeks to summarize a businesses' overall competitive position in business level and industry level.

5. Critical Success Factor Analysis: it is a technique to identify those areas in which a business must outperform the competition in order to succeed in the market and business.

SWOT Analysis: it is a useful summary technique for summarizing the key issues arising from an assessment of a business's "internal" position and "external" environmental influences to company.
Strategic Choice: This process involves understanding the nature of stakeholder expectations along with identifying strategic options, and then evaluating and selecting strategic options in the business.
Strategy Implementation: it is often the hardest part in strategic analysis.

When a strategy has been analyzed and selected, this task is ready to put the resultant into organizational action.

Following issues should be considered for strategic analysis:

1. Timeline: Strategy analysis and formulation is the effect of various steps and stages and takes times to come in perfect shape. It's a matter of experiences, various past decisions, a bit of prediction and projections, and includes even certain routine decisions.
2. Balance: Perfection is Vision and not a stage to be achieved. Our strategy should be finely balanced based on our potential and considering weaknesses as far as practicable to optimum harness of the opportunities of the external environment.
3. Risks: Environmental dynamism is what everybody is certain. And because of interaction and integration of different factors environmental complexity it posses various changed shape and degree of risk in the form of competition, boom, recession and technological changes, etc.

   Strategic Analysis fulfill this gap by identifying these risks and their consequences on business. Strategic analysis helps us to plan and reduce the gap between the internal/external environment and internal strength. Risks can be classified as internal and external, further, short term and long term.

Time

Short Term Long Term

Errors in interpreting the environment cause strategic failure.	Changes in the environment lead to obsolescence of strategy.
Organizational capacity is unable to cope up with strategic demands.	Inconsistencies with the strategy are developed on account of changes in internal capacities and preferences

Short term risks have implications to organization for small period of time, but short term inconsistencies, causing risks if not corrected immediately or within reasonable time period, may affect organization in long run also.

SITUATION ANALYSIS

Strategic analysis involves study of organization's situation or position with respect to environment.

External and internal environment presents various uncertainties and complexities and only their clear understanding helps in correct strategy formulation.

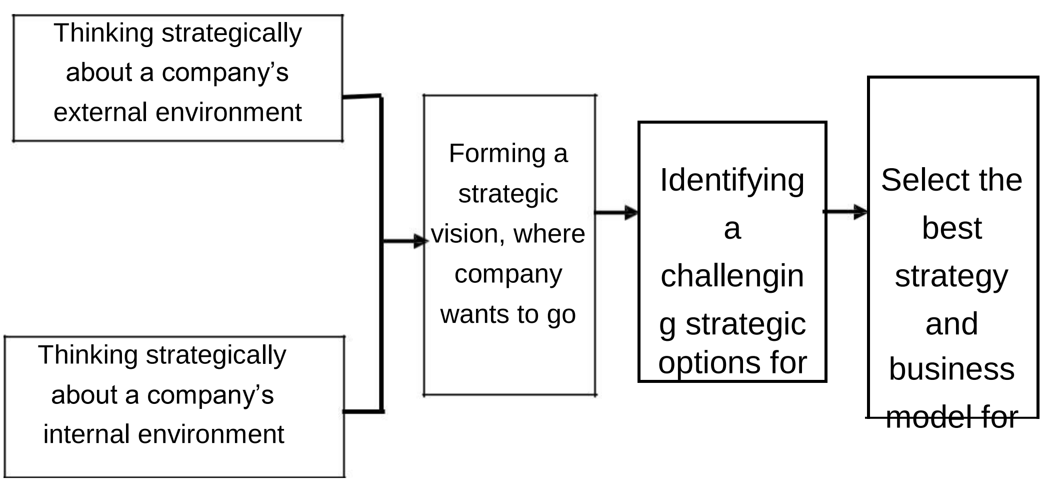


Fig.: Thinking strategically for choosing a strategy

The situational analysis is performed on consideration of various elements in and around the company and the important ones are:

1. Product Position: The type of products produced by company, i.e. Core products (main product, directly used by consumers) and Non Core or allied products (used in other products as one of the component); customers' preferences for the product, their utility, pricing, etc.

2. Competition Situation: The level of competition, main competitors, expected moves and competitive advantages, etc.

3. Distribution Situation: The company distribution channel plays an important role in availability of product/services and thus the market share.

4. Environment: All internal and external environment factors and their possible influences should be analyzed.
5. Opportunities and Issues analysis: It's the next stage wherein environmental situation analysis is given shape by concluding all the possible opportunities and threats to company and the possibility to materialize the opportunities and handling of threats.

SWOT ANALYSIS

The analysis of strengths, weaknesses, opportunities and threats is known as SWOT analysis. The components of SWOT analysis are:

1. Strength: Strength is an inherent capability of an organisation/firm to gain strategic advantages over others.
2. Weakness: Weakness is the limitation within an organization that are responsible for strategic disadvantages.
3. Opportunity: Opportunity is favorable condition for organization that can be harnessed or availed by the organization utilised its' strength to make its position stronger in the industry.
4. Threat: Threat is an unfavorable situation, creating some risks which arises due to one or other

limitations or weakness with the organization.

SWOT analysis enables a firm in identifications and selection of various strategic alternatives, by analyzing its internal strengths and weaknesses and at the same time by considering external opportunities and threats.

To identify various alternatives strategies the managers need to identify the set of strategies to create and sustain competitive advantages. These set of strategies are:

Functional-Level Strategy: This is formed to improve the effectiveness of operation within a company,e.g. - manufacturing, marketing, CRM, MM and R&D.

SIGNIFICANCE OF SWOT ANALYSIS

SWOT analysis help business managers to design business model that helps to gain a competitive advantage within its industry and also overall and also helps to increase profitability and achieve growth in fast changing global business environment. Following are the significance of SWOT analysis:

Logical Framework:

SWOT analysis provides a logical framework for systematic and clear understanding of all the issues which may have implications for organization in short and long term. It provides various strategic alternatives and their impacts on business. The alternatives are derived based on internal strengths and weakness and available opportunities with possible threats

SWOT analysis provides an important tool in the hand of managers to analyses the different combination between high and low or positive and negative strengths and weaknesses or opportunities or threats and then a careful calculated selection of strategy can be done. Strategy Identification:

The detailed analysis of all logical frameworks and the impact of that framework due to the SWOT leads to identification of all possible outcome when faced in different situation or examined for different criteria and the best possible strategy could be chosen.

Potential Resource Strengths and Competitive	Potential Resource Weaknesses and Competitive
A	B
Potential Compan	Potential External Threats to Company's Well-
C	D

EXAMPLES OF SWOT ANALYSIS

Potential Resources Strengths and Competitive Capabilities

A powerful strategy supported by competitively valuable skills and experience in key areas.

1. A strong financial condition; ample financial resources to grow the business.
2. Strong brand name, image/company reputation.
3. Ability to take advantage of economies of scale and/or learning and experience curve. Cost advantages.
4. Strong advertising and promotion.
5. Sophisticated use of e-commerce technologies and processes.
6. Better product quality relative to rivals.
7. Wide geographic coverage and/or strong global distribution capability.

Potential Resource Weaknesses and Competitive Deficiencies

1. No clear strategic direction.
2. Obsolete facilities.

3. A weak balance sheet, burdened with too much debt.
4. Higher overall unit costs relative to key competitors.
5. Weak brand image or reputation.
6. Short on financial resources to fund promising strategic initiatives.
7. Not attracting new customers as rapidly as rivals.

1. Expanding the company's product line to meet a broader range of customer needs.
2. Utilizing existing company skills or technological know-how to enter new product lines/businesses.
3. Using the internet and e-commerce technologies to cut costs and pursue new sales opportunities.
4. Integrating forward or backward.
5. Falling trade barriers in attractive foreign markets.
6. Joint ventures t o expand market coverage or g a i n competitive capability.
7. Openings to exploit emerging new technologies.
8. Market openings to extend the company's brand name or reputation to new geographic areas.

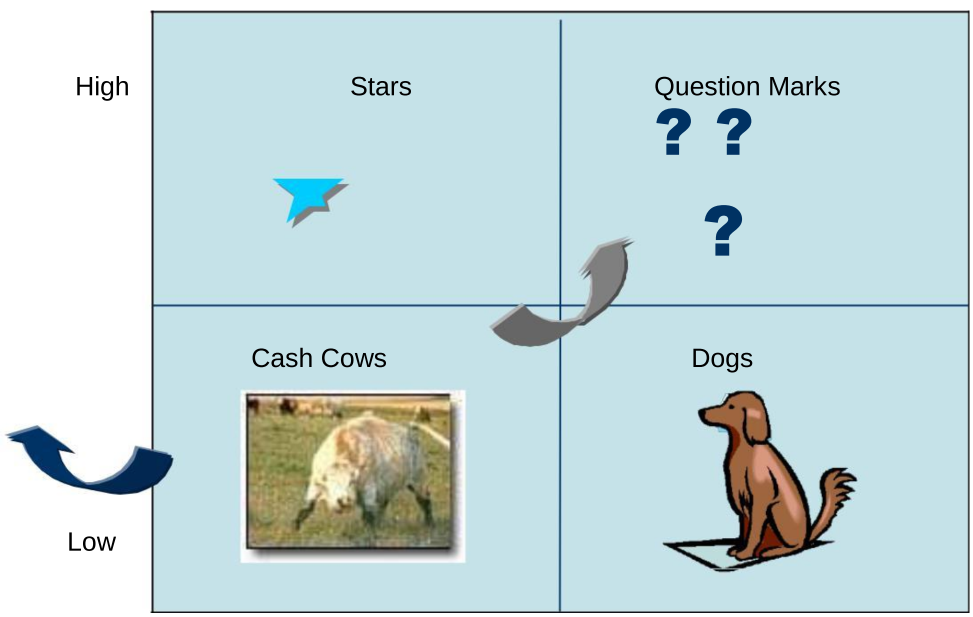
Potential External Threats to Company's Well-Being

1. Chances of entry of prospective or new competitors.
2. Loss of sales to substitute products.
3. Technological changes or product innovations that undermine demand for the firm's product.
4. Slowdowns in market growth.
5. Adverse shifts in foreign exchange rates and trade policies of foreign governments.
6. Growing bargaining power of customers or suppliers.
7. A shift in buyer needs and tastes away from the industry's product.

BOSTON CONSULTING GROUP (BCG) GROWTH-SHARE MATRIX

Bigger Companies that are having units to be organized into strategic business units face the challenge of allocating resources among themselves and thus compete even within the group. In the early 1970's the Boston Consulting Group developed a model for managing a portfolio of different business units (or major product lines). The BCG growth share matrix displays the various business units on a graph of the market growth rate vs. market share relative to competitors:

1. Cash Cow- a business unit that has a large market share in a mature, slow growing industry. Cash cows require little investment and generate cash that can be used to invest in other business units.
2. Star- a business unit that has a large market share in a fast growing industry. Stars may generate cash, but because the market is growing rapidly they require investment to maintain their lead. If successful, a star will become a cash cow when its industry matures.
3. Question Mark/Wildcats/Problem Child- a business unit that has a small market share in a high growth market. These business units require resources to grow market share, but whether they will succeed and become stars is unknown.
4. Dog- a business unit that has a small market share in a mature industry. A dog may not require substantial cash, but it ties up capital that could better be deployed elsewhere. Unless a dog has some strategic purpose, it should be liquidated if there is little prospect for it to gain market share.



High

RELATIVE MARKET SHARE

Fig. : BCG Growth-Share Matrix

THE VALUE CHAIN ANALYSIS

An organization undertakes several activities to produce final product or services. They can be related to each other in the form of a chain and from this set of activities organization has to analyze activities that are necessary to add value to organization. This analysis is known as value chain analysis.

Value chain analysis is used as a means of assessing the competitive strength of an organization based on its activities.

Michel Porter divided company activities into two set of activities:

(i) Primary Activities (ii) Support Activities

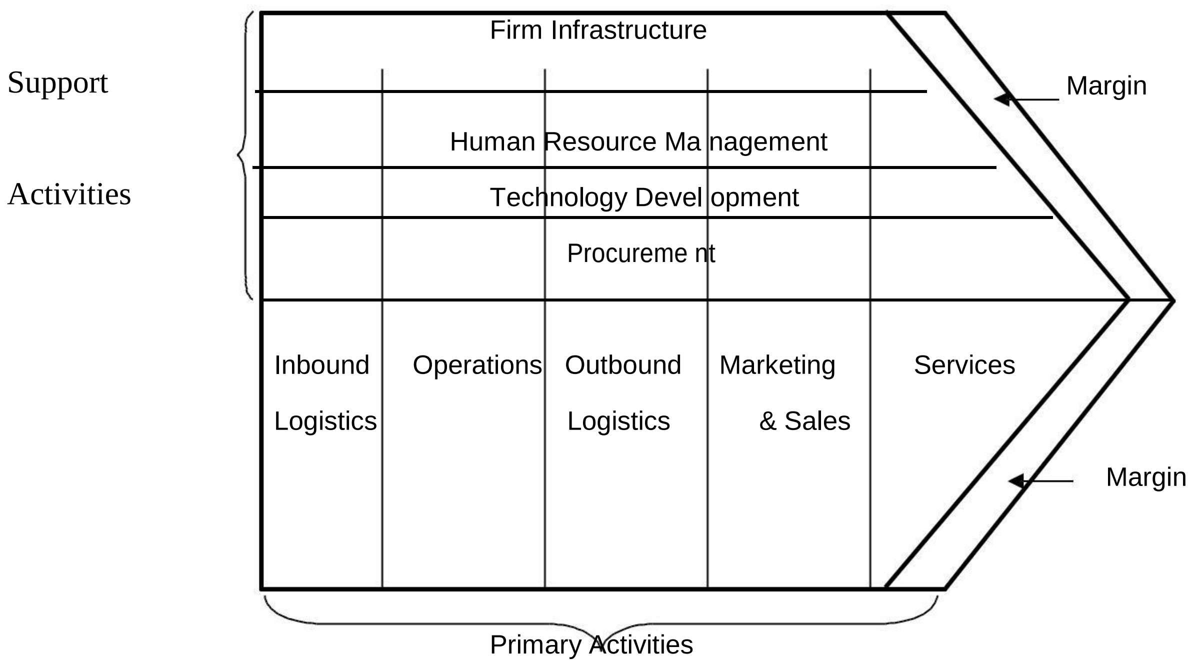


Fig.: Value Chain (Michael Porter)

he primary activities of the organization are grouped into five main areas:

1. Inbound logistics are the activities concerned with receiving, storing and distributing the inputs to the product/service. This includes materials handling, stock control, transport etc.

Operations transform various inputs into the final product or service: machining, packaging, assembly, testing etc.

2. Outbound logistics collect, store and distribute the product to customers. For tangible products this would be warehousing, materials handling, transport, etc. In the case of services, it may

be more concerned with arrangements for bringing customers to the service if it is a fixed location (e.g. sports events).

3. Marketing and sales provide the means whereby consumers/users are made aware of the product/service and are able to purchase it. This would include sales, administration, advertising, selling and so on.

Services are all those activities, which enhance or maintain the value of a product/service, such as installation, repair, training and spares.

Each of these groups of primary activity is linked to support activities that can be divided into four areas:

1. Procurement: This refers to the processes for acquiring the various resource inputs to the primary activities (not to the resources themselves). As such, it occurs in many parts of the organization.
2. Technology development: All value activities have a 'technology', even if it is simply know-how. The key technologies may be concerned directly with the product (e.g. R&D product design) or with processes (e.g. process development) or with a particular resource (e.g. raw materials improvements).
3. Human resource management: This is particularly an important area which transcends all primary activities. It is concerned with those activities involved in recruiting, managing, training, developing and rewarding people within the organization.
4. Infrastructure: The systems of planning, finance, quality control, information management, etc. are crucially important to an organization's performance in its primary activities. Infrastructure also consists of the structures and routines of the organization which sustain its culture.

Unit 4

Strategy Implementation: Implementation is putting in place the planned or formulated strategy into action.

Obviously planning is much easier in comparison to execution which is faced with several factors that might creep up after strategy formulation and before implementation or even before strategy formulation (which was ignored or was missed out in giving effect to strategy formulation) or during continuity of strategy implementation or carrying of. So, the decided or formulated strategy is reviewed or revised in the light of existing scenario and this existing situation monitoring is termed as system control.

ISSUES IN STRATEGY IMPLEMENTATION:

Implementation of strategies is not limited to formulation of plans, programs and projects. It also requires resources. Apart from all the above things even a proper organizational structure is required to be designed, systems to be installed and functional policies devised so that plans may work.

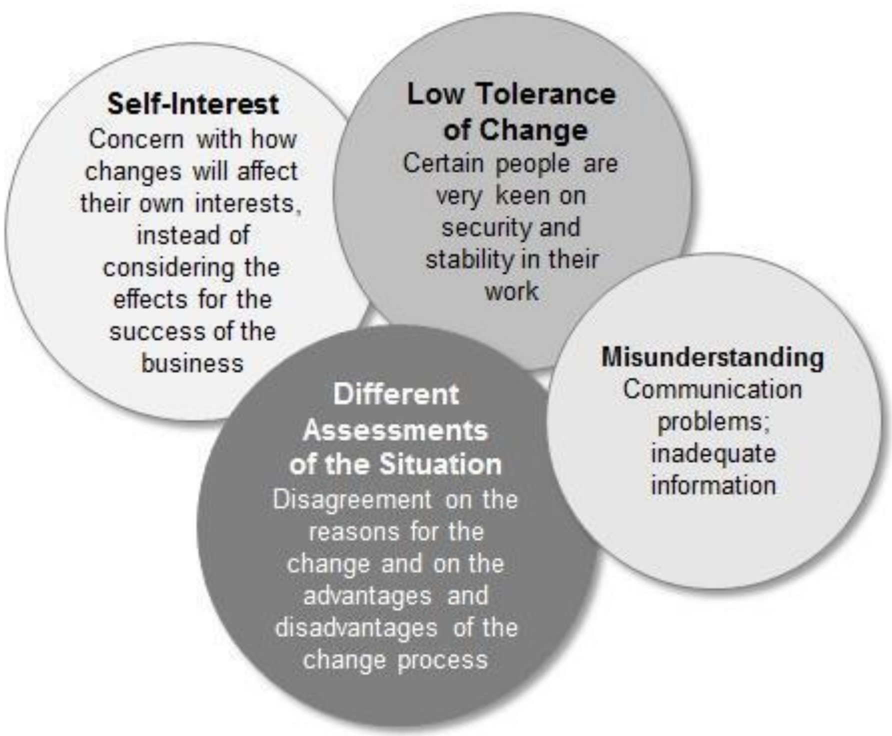
Given below are some issues in strategy implementation which are to be considered in sequence as it indicates the shift of steps and responsibilities and is not meant that only after completion of one the other can be undertaken:

- Project implementation i.e. group of activities
- Procedural implementation i.e. method of conducting different activities
- Resource allocation
- Structural implementation i.e. organization structure
- Functional implementation
- Behavioral implementation

Managers and employees throughout the organization should participate in strategy implementation and this can be much effective if they do have prior involvement in strategy-formulation activities. The rationale for objectives and strategies should be clearly communicated and understood throughout the organization. Major competitors' accomplishments, products, plans, actions, and performance should be apparent to all organizational members. Major external opportunities and threats should be clear, and managers and employees' questions should be answered. Top-down flow of communication is essential for developing bottom-up support.

Strategies for Managing Resistance to Change

Stakeholder resistance, if it gains a foothold on a large scale, can threaten to derail even the most positive change effort. There are four primary reasons[1] that people resist change. Once you know what types to look for, you will be better equipped to spot change resistance in your organization.



After you have identified the types of change resistance present in your organization, employ a mix of strategies to counter the negative forces. Following are six classic strategies[1] for dealing with change resistance (in order from least to most extreme) – use them to develop action plans that address the resistance within your organization.

- **Education & Communication**: One of the best ways to overcome resistance to change is to educate people about the change effort beforehand. Up-front communication and education helps employees see the logic in the change effort. This reduces unfounded and incorrect rumors concerning the effects of change in the organization.
- **Participation & Involvement**: When employees are involved in the change effort they are more likely to buy into change rather than resist it. This approach is likely to lower resistance more so than merely hoping people will acquiesce to change.
- **Facilitation & Support**: Managers can head-off potential resistance by being supportive of employees during difficult times. Managerial support helps employees deal with fear and anxiety during a transition period. This approach is concerned with provision of special training, counseling, time off work.
- **Negotiation and Agreement**: Managers can combat resistance by offering incentives to employees not to resist change. This can be done by allowing change resistors to veto elements of change that are threatening, or change resistors can be offered incentives to go elsewhere in the company in order to avoid having to experience the change effort. This approach will be appropriate where those resisting change are in a position of power.
- **Manipulation and Cooptation**: "Cooptation" (no it's not misspelled) involves the patronizing gesture of bringing a person into a change management planning group for the sake of appearances rather than their substantive contribution. This often involves selecting leaders of the resisters to participate in the change effort. These leaders can be given a symbolic role in decision making without threatening the change effort.
- **Explicit and Implicit Coercion**: Managers can explicitly or implicitly force employees into accepting change by making clear that resisting change can lead to losing jobs, firing, or not promoting employees.

Strategy and support structure

Strategy and structure are married to each other. If you change one you have to change the other.

For too long, structure has been viewed as something separate from strategy. Revising structures are often seen as ways to improve efficiency, promote teamwork, create synergy or reduce cost. Yes, restructuring can do all that and more. What has been less obvious is that structure and strategy are dependent on each other. You can create the most efficient, team oriented, synergistic structure possible and still end up in the same place you are or worse.

The Connection between Strategy and Structure

Structure is not simply an organization chart. Structure is all the people, positions, procedures, processes, culture, technology and related elements that comprise the organization. It defines how all the pieces, parts and processes work together (or don't in some cases). This structure must be totally aligned with strategy for the organization to achieve its mission and goals. Structure supports strategy.

If an organization changes its strategy, it must change its structure to support the new strategy. When it doesn't, the structure acts like a bungee cord and pulls the organization back to its old strategy. Structure supports strategy. What the organization does defines the strategy. Changing strategy means changing what everyone in the organization does.

When an organization changes its structure and not its strategy, the strategy will change to fit the new structure. Strategy follows structure. Suddenly management realizes the organization's strategy has shifted in an undesirable way. It appears to have done it on its own. In reality, an organization's structure is a powerful force. You can't direct it to do something for any length of time unless the structure is capable of supporting that strategy.

A Science Fiction and Real World Example

Let's look at an imaginary example using the human body. Suppose science figured out how to create a living tissue arm to replace one's existing arm that could perform 300% better in strength, responsiveness and dexterity. The strategy here is to restructure the body with this super arm so it can do more. The scientists successfully replace an existing arm with this new super arm.

What will happen? The rest of the body remains as it was before. So the heart, circulation system, nervous system and brain are still structured to support a regular arm. This new arm requires more and faster blood flow, faster neuron responses in the brain and so on to support its functions. Over time, the super arm will evolve back into a regular arm because the rest of the body cannot support its enhanced capabilities. For this science fiction example to work, scientist would need to restructure the entire human body, not just one part of it.

What happens when you restructure sales channels resulting in large sales increases but nothing is changed in order processing, customer support, engineering or manufacturing? You end up with a lot of unhappy customers because the company can’t deliver on its promise. How many times have we seen something like this happen?

Or what happens when you add a new offering that goes to a new target customer? Maybe a company has a sales force that sells to small businesses and lower management in larger organizations. They add a new offering that is targeted at top executives. The existing sales force / sales channels cannot effectively sell to that new target. This has happened just a few too many times. And, of course, what happens when a firm makes a major push to upgrade its quality and service without improving everything in the organization that supports products and service? Disaster. Plain and simple.

Strategy is the Structure

The sum total of how an organization goes about its work is its strategy. Structure and strategy are married to each other. When a company makes major changes, it must carefully think out every aspect of the structure required to support the strategy. That is the only way to implement lasting improvements. Every part of an organization, every person working for that organization needs to be focused on supporting the vision and direction. How everything is done and everything operates needs to be integrated so all the effort and resources support the strategy.

It takes the right structure for a strategy to succeed. Management that is solely focused on results can have a tendency to direct everyone on what they need to do without paying attention to the current way the organization works. While people may carry out these actions individually, it is only when their daily way of working is integrated to support strategy that the organization’s direction is sustainable over time.

Implementing Change As Important As Strategy Itself

During the last 27 years, we’ve worked with organizations in over 30 industries to help them find more ways to increase sales, growth rates and market share. Improving existing strategies and creating new strategies that can spur exceptional growth reflect our firms main mission. But, over the years, we began to notice that some clients were not successful in implementing new strategies. That is what led us to look deeper into the cause behind this.

Top management can't just send out a proclamation about a new strategy, direction and vision and expect everyone to follow it. To implement such a strategic shift requires a complete change within the organization itself. The organization's DNA has to be rebuilt or its existing DNA structure will cause the new strategy to fail and revert back to the old strategy. And that will happen without top management's involvement.

Leadership and people issues turn out to be much more important than we may have realized. On the surface, everyone talks about the importance of people and leadership but too often, management puts this on the back burner when the heats on to deliver quarterly results or meet the guidance. Structure is strategy.

That's why we realized our focus on increasing our client's revenue had to be balanced by an equal focus on implementing change. We didn't want to leave clients with reports that weren't implemented or worse implemented through directives that ultimately failed. So many years ago we became project managers for our client's implementation efforts to insure that their new strategies designed to increase revenue actually rang the cash register. You can't improve strategy, increase revenue, even enhance the performance of a sales force without addressing the structural, people, cultural, communication, measurement and leadership aspects of the organization or at least that part of the organization you are changing.

Strategy and structure are married to each other. A decision to change one requires an all out effort to change the other. But that structural change must be well thought out and based on a thorough cause and effect analysis. You don't just change a structure to change it. You have to make sure the changes will support that strategy. At the same time, you don't just implement a better leadership and engagement approach in a company or alter the organizational chart without evaluating how that is going to effect the firms ability to carry out its current strategies.

Questions?

Raise the Customer's Perceptions of Value to Close More Sales

Closing the sale is about raising the customer's perceptions of value as high as possible. This article summarizes 28 years of First Concept's research about how customer's figure out their perceptions of value and how this can be applied to get them to say yes more often.

Customer Value…The Ultimate Path To The Best Strategies, Products and Services

Why do the same strategies succeed in one business and fail in another? Why do the strategies and success stories from best selling books work sometimes and fail other times? Is there a more universal principle for creating strategies that work all the time? This article will show you what that is and why it works.

Build Trust to Boost Employee Retention and Customer Service

Studies show a strong connection between employee trust, employee retention, customer satisfaction, sales and profits. Based on First Concepts primary research, it appears that effective leadership is a key reason employees trust where they work. What are the leadership characteristics that build trust? This article explores these relationships and the role of a leader's character in building the type of trust that produces better results.

Find The Stealth Customer Value To Increase Sales (And Your Prices)

Hidden customer value exists inside every customer and company selling to those customers that could increase sales and justify higher prices. This article clarifies what customer value is, why it's so important and includes a checklist of ideas and questions for uncovering stealth customer value.

Closing The Sale: Salespeople's Choices Are The Key

Closing the sale is more about the choices salespeople make then the techniques they use. This article explores what affects a prospect and customers decision to buy and what can help salespeople to close more sales. The concepts discussed can also be applied to all elements of marketing.

We Need People Who Can Lead Regardless Of Their Title

Leadership isn't about ones title or authority. It's about who you are inside. Everyone in an organization needs to lead some of the time and those in positions of authority need to lead all of the time. Explores some deeper truths about leadership and leadership development that have a major impact on results.

It's All About Thinking

Every result can be traced back to a decision that was based on a thought. Every strategy starts with the application or misapplication of thinking. Every decision about how to implement strategy and structure (or fail to change the structure when the strategy was changed) grew out of the thinking processes used by management. Don Shapiro has been studying and applying thinking processes since the age of 15. Every organization can improve its results, its strategy, its structure if it applies the right combination of thinking processes

HUMAN RESOURCE STRATEGY FORMULATION

Human resources are considered as biggest assets to any organization success. Strategic responsibilities of the human resource manager include assessing the staffing needs and developing a staffing plan for effectively implementing the other formulated strategies.

The HRS develops performance incentives that clearly link performance with pay. The process of empowering managers and employees through their involvement yields the greatest benefits to organizations. A well-designed strategic-management system can fail if insufficient attention is given to the human resource dimension.

Organization should have effective human resource planning, employment, training, appraisal and rewarding system. An organization's recruitment, selection, training, performance appraisal, and compensation practices can have a strong influence on employee competence.

The following points are important:

- Recruitment and selection: The workforce will be more competent if a firm can successfully identify, attracts, and select the most competent applicants.
- Training: The workforce will be more competent if employees are well trained to perform their jobs properly.
- Appraisal of Performance: The performance appraisal is to identify any performance deficiencies experienced by employees due to lack of competence. Such deficiencies: once identified, can often be solved through counseling, coaching or training.
- Compensation: A firm can usually increase the competency of its workforce by offering pay and benefit packages that are more attractive than those of their competitors. This practice enables organizations to attract and retain the most capable people.

Strategy and Human Resource Management

An effective human resource strategy includes the way in which the organization plans to develop its employees and provide them suitable opportunities and better working conditions so that their optimal contribution is ensured. This implies selecting the best available personnel; ensuring a fit between the employee and the job and retaining, motivating and empowering employees to perform well in direction of corporate objectives. Right men, right job and right compensation.

Strategic human resource management may be defined as the linking of human resource management with strategic goals and objectives to improve business performance.

Strategic Role of Human Resource Management

The prominent areas where the human resource manager can play strategic role are as follows:

Providing purposeful direction
Creating competitive atmosphere
Facilitation of change
Diversified workforce
Empowering human resources
Building core competency
Developing ethical work culture

Areas of Human Resources Management

- Providing purposeful direction: The human resource management must be able to lead people and the organization towards the desired direction. The management have to ensure that

  the objectives of an organization becomes the objectives of each person working in the organization.

- Creating competitive atmosphere by creating committed and competitive atmosphere through opportunities organisation can groom the employees.
- Facilitation of change: The Human resources are more concerned with substance rather than form, accomplishments rather than activities, and practice rather than theory. The human resources should be provided enough opportunities for the same.
- Diversified workforce: In the modern organization management of diverse workforce is a great challenge. Workforce diversity can be observed in terms of male and female workers, young and old workers, educated and uneducated workers, unskilled and professional employee, etc.
- Empowering human resources: Empowerment means authorizing everyone to take decision to certain extent.
- Developing ethical work culture: A vibrant work culture should be developed in the organizations to

create an atmosphere of trust among people and to encourage creative ideas by the people.

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