Course Portfolio

STRATEGIC MANAGEMENT
ADMN 315

Level 6

Bachelor of Business Administration

Jazan Uiniversity, Jazan
Kingdom of Saudi Arabia

Strategic Management
Code: ADMN 315

Course Name: Strategic Management Course Type:
Core

Pre-Requisite:
Concentration

Course Level:

Year 1: Semester		**Semester 1**		**Semester 2**		**Summer**
Year 2: Semester		**Semester 1**		**Semester 2**		**Summer**
Year 3: Semester		**Semester 1**		**Semester 2**		**Summer**
Year 4: Semester		**Semester 1**		**Semester 2**		**Summer**

Course Description:

This course is designed to give the students experience in strategic analysis and decision making using the case study method. Students will learn to identify analyze, propose alternative solutions and make effective decisions for the business.

The syllabus is devoted to create an understanding of the basic issues involve Business Policy and Strategic Management. Unit 1 is designed to introduce the concept of Strategic Management and it explains nature, importance, purpose and objective of the course. Unit2 gives the basic planning process and factors associated with planning. Unit 3 explains formulation of strategies it also focus different alternatives of strategies and environmental analysis. Unit 4 rests on implementing strategy and various portfolio analyses, this unit also focus on evaluation and control process.

Objectives:

- The objective is to develop an understanding of the concept of corporate strategy formulation, implementation and its evaluation.
- To make them understand the significance of Strategic management in the modern business scenario.
- To inculcate the habit of effective decision making among the future business managers.

Learning Outcomes:

This course will helps to identify various opportunities available for a expanding business and at the same time it helps to understand the threats and weakness of an organization. The course is designed in such a manner that after passing this course students will me position to critically analyze business and based on that they to opt such strategy which can return profit to the business. The inculcated knowledge helps an entrepreneurs and managers for strategic analysis and effective decision making for making there business profitable.

Skills to be developed throughout the Course:

Students will develop their analytical and oral communication skills via case study work carried out in seminar sessions. Information technology and written communication skills will be developed when completing the written assignment which will also test student's creative skills and their abilities to present theoretical information in practical situations. Students are encouraged to make use of IT facilities particularly web sites to support research and reading.

Learning Resources:

1. **Text Books**

Author	**Title**	**Publisher**	**Year**	ISBN No
A. Kazmi	Business Policy & strategic Management	Tata Mcgrawhill Publications	2nd Edition Reprint 2006	0-07-044470-6
Richard Lynch	Corporate Strategy	Prentice hall.	4th Edition 2006	0-27-370178-9
Anthony Henry	Strategic management	Oxford University Press	1st Edition 2008	13-978-0-0-19-928830-4
P.K Ghosh	Strategic Management	Sultan Chand and Sons	2007	

2. **e- Library Reserves**
   - http://www.emeraldinsight.com/insight
   - http://www.en.wikipedia/wiki/listof_management_topics

3. **Internet**
   - Ebsco Business Source Premier: A database containing several hundred key business and management journals with full text articles updated daily.
   - Courseware: Specific research support resources and documents, selectively posted to complement and build upon materials available in proctor's methodological text. Such documentation will typically be posted regularly.
   - www.decalibrary.org

- www.ipl.org
- www.lisa.lsbu.ac.uk

4. **Journals**
   - Strategic Management
   - Harvard Business Review
   - The Journal of Strategic Information System
   - Journals of Operations Management

Delivery and Teaching Strategy: (Lecture, Online, Physical, blended, self directed through CD, web based courses and DVD)

Methods of Instruction: It would be based on Lecture, demonstration and assignment review. Questions are encouraged and participation is expected.

Assessment Strategy:

a. First Mid Term Exam: 20 Marks to be held on..…….Day,…….Month, 20..
b. Second Mid Term Exam: 20 Marks to be held on……Day,……Month, 20..
c. Attendance, Participation & Assignment: 10 Marks
d. Final Exam: 50 Marks
e. Total: 100 Marks

Course Contents:

Introduction to Strategic Management: Nature, Objectives, scope of Strategic Management, Importance of Strategic Management
Strategic Planning: Corporate Planning, Concept of planning, Planning Process, Types of Planning, Strategic Planning
Formulation of Strategy: Different Types of Strategies- Stability, Expansion, Retrenchment, Environmental Analysis/Scanning, Internal and External Environment of a Firm, Need for Environmental Analysis, Techniques for Environmental Analysis: SWOT, PEST, Porters' 5 Force Analysis Environmental Threat and Opportunity Profile (ETOP).
Implementation of Strategies: Implementing Strategy, Business Unit Strategy, BCG Matrix and other Portfolio Models, Control and Strategic actions- Mergers, Acquisitions, Diversification. **Evaluation and control Process**.

<u>Syllabus Change Policy:</u> This syllabus is a guide for the course and is subject to change with advanced notice. Contents are available in the books mentioned in the column.

Unit No	Syllabus Content	No. Lectures	Study Material Page Number	Books
I	**Introduction to Strategic Management**: Nature, Objectives, scope of Strategic Management, Importance of Strategic Management	1-2	6-11	Azhar Kazm
II	**Strategic Planning**: Corporate Planning, Concept of planning, Planning Process, Types of Planning, Strategic Planning	3-7	12-16	Azhar Kazmi
III	**Formulation of Strategy**: Different Types of Strategies- Stability, Expansion, Retrenchment, Environmental Analysis/Scanning, Internal and External Environment of a Firm, Need for Environmental Analysis, Techniques for Environmental Analysis, Environmental Threat and Opportunity Profile (ETOP).	8-16	17-35	Azhar Kazmi
IV	**Implementation of Strategies**: Implementing Strategy, Business Unit Strategy, BCG Matrix and other Portfolio Models, Control and Strategic actions- Mergers, Acquisitions, Diversification. **Evaluation and control Process**.	17- 28	36-41	P. K Ghosh

Unit – I

Introduction to Strategic Management

Strategic Management Definition:

Systematic analysis of the factors associated with customers and competitors (the external environment) and the organization itself (the internal environment) to provide the basis for rethinking the current management practices. Its objective is to achieve better alignment of corporate policies and strategic priorities.

ROLE OF STRATEGIC MANAGEMENT: -

1) Due to increase in the competition, in 1960's there was a demand for critical look at the bane corrupt of business.
2) The environment played an important role in the business.
3) The relationship of business with the environment lead to the concept of strategy.
4) In early sixties, this helped the management to manage between the business and the environment.
5) In early eighties, as many companies were globalised which lead to the competition of the rivals access the world.
6) Japanese companies along with other Asian companies unleashed a force across the world and posed a threat for the US and European companies, which led to the current thinking.

Strategy evaluation and choice

An environmental scan will highlight all pertinent aspects that affect an organization, whether external or sector/industry-based. Such an occurrence will also uncover areas to capitalise on, in addition to areas in which expansion may be unwise.

These options, once identified, have to be vetted and screened by an organization. In addition to ascertaining the suitability, feasibility and acceptability of an option, the actual modes of progress have to be determined. These pertain to:

The basis of competition

Companies derive competitive advantage from how an organization produces its products, how it acts within a market relative to its competitors, or other aspects of the business. Specific approaches may include:

- Differentiation, in which products compete by offering a unique combination of features.
- Cost, in which products compete to offer an acceptable list of features at the lowest possible cost.
- Segmentation, in which products are tailored for the unique needs of a specific market, instead of trying to serve all consumers.

Suitability

Suitability deals with the overall rationale of the strategy.

- Does the strategy address the mission?
- Does it reflect the organization's capabilities?
- Does it make economic sense?

Evaluation tools include strength, weakness, opportunity, threat (SWOT) analysis.

Feasibility

Feasibility is concerned with whether the organization has the resources required to implement the strategy. Resources include capital, people, time, market access and expertise.

Evaluation tools include :

- cash flow analysis and forecasting
- break-even analysis
- resource deployment analysis

this has to be inline with demand forecasting.

Acceptability

Acceptability is concerned with the expectations of the identified stakeholders (shareholders, employees and customers, etc.) with the expected financial and non-financial outcomes. Return deals with stakeholder benefits. Risk deals with the probability and consequences of failure. Employees are particularly likely to have concerns about non-financial issues such as working conditions and outsourcing.

Evaluation tools include:

- what-if analysis
- stakeholder mapping

Implementation

While products and services that fit the strategy may receive additional investment, those that don't must also be addressed, either via consolidation with another product/service, divestment to another firm, immediate retirement or harvesting without further investment.

Additionally, the exact means of implementing a strategy needs to be considered. These points range from:

- Alliances with other firms to fill capability/technology/legal gaps
- Investment in internal development
- Mergers/acquisitions of products or firms to reduce time to market

Countries such as India and China require market entrants to operate via partnerships with local firms.

Strategic implementation and control

Implementing a strategy involves organising, resourcing and employing change management procedures.

Organizing

Implementing a strategy may require organizational changes, such as creating new units, merging existing ones or even switching from a geographical structure to a functional one or vice versa. Organizing also involves bringing together factors and arranging them in the preferred order and also setting things straight.

Resourcing

Implementation may require significant budget shifts, impacting human resources and capital expenditure.

Change management

Implementing a strategy may have effects that ripple across an organization. Minimizing disruption can reduce costs and save time. One approach is to appoint an individual to champion the changes, address and eventually enlist opponents and proactively identify and mitigate problems.

Alignment

In 2010 the Rotterdam School of Management together with the Erasmus School of Economics introduced the *S-ray Alignment Scan*, which is a visual representation of strategy measured against the level of understanding and implementation of various parts of the organization. In 2011 Erasmus University of Rotterdam introduced *S-ray Diagnostics*, a spin-off of this cooperation, focused on measuring strategic alignment of organizations

Nature of Strategic Management

Management is everywhere in our life. Day to day management is required at the personal life as well as in corporate life. Strategic management is related to the formal and organized sector, especially in corporate sectors.

Furthermore, strategic level refers top-level, thus, this management process is very comprehensive. It covers all the areas of the business. It is not specific but a holistic in nature. A broad and top-level strategic management can be compared with the specific and functional management sectors. Strategic management is relatively more important than any special functional area because all the functional areas come under the strategic management focus. Strategic management gives the ideology and basic guideline to all other functional areas. Nowadays, each functional area is directed towards the strategic focus. Subjects such as finance, marketing, accounting areas are shaping into strategic finance, strategic marketing, and strategic accounting. Generally, strategic management focuses into long-term goals, relatively broad, and is also very important for the success of an organization. Hence, strategic management is concerned to whole organization whereas operational management is related to any specific functional area. Further, it is more complex and ambiguous than the operational managements. In general, strategic management covers all the areas of business and focuses into the broad organizational issues.

Objectives of Strategic Management/ Importance of Strategic Management

I. It help in attainment of organizational goal.
II. It helps in allocation of resources and time optimally.
III. It coordinates the plan and in proper execution of the plan to achieve the organizational goal.
IV. It helps in finding solution to a problem.
V. Creates a framework for internal communication among personnel.

VI. Signals those problems may arise before they happen.
VII. It gives the firm advantage over competition.
VIII. It allows integrating all the business activity for smooth operation.
IX. It enables for clear understanding of the business.
X. Alerts the organization to changes and allows action in response to change.

Scope of Strategic Management

No business organization can either survive or grow without a definite objective which can only accomplish by applying different policies from time to time depending upon the working condition. Business policies are the guidelines for organizational thinking. Policies are framed such that all the aspects of an organization are considered. Person concerned with any type of activity ether commercial or any will have to think of clear cut policies right from the formulation stage to the widening up of the proposed project.

Importance of Strategic Management

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Unit – II

Strategic Planning

Concept of Planning: Definition-

A basic management function involving formulation of one or more detailed plans to achieve optimum balance of needs or demands with the available resources. The planning process

(1) identifies the goals or objectives to be achieved,

(2) Formulates strategies to achieve them,

(3) Arranges or creates the means required, and

(4) Implements, directs, and monitors all steps in their proper sequence.

Objectives of Planning

1. It reduces uncertainty and chance element
2. It brings cooperation and coordination among various departments of an enterprise.
3. Planning helps in economic operation.
4. It helps in achieving predetermined goal.
5. It helps to reduce competition.

Importance and Advantages of Planning

1. Planning focus attention on the enterprise objectives.
2. Planning is necessary because of uncertainty and change.
3. Planning is necessary even in routine operation for increasing the efficiency of the organization.
4. Planning is economical in cost reduction.
5. Planning is the basis of management control.

Essential Elements of Planning

1. **Forecasting** – It is the basic element of planning where the business bases its future course of action.
2. **Objectives** – Objective is the goal for which an organization is working for.
3. **Procedures** – A procedure is the series related task that make up the chronological sequence and the established way of performing the work to be accomplished.
4. **Programmes** – Programs are laid down within the frame work of the plan for a complete and orderly course of action.
5. **Rules** – Rules are the prescribed guidelines for operating a business.
6. **Budget** – Budget is the estimated figure of expense which an organization bears to spend.
7. **Strategies** – It is the policy that has been formulated by the top management level for effective achievement of goal.

Types of Business Planning

1. Plans for doing current business

   Plans for doing current business are functional or operating plans. They focus in immediate customer support and operating efficiently.
2. Plans for continuing business

   Plans are meant for continuing the business, meeting the challenge of day to day change activity in an organization.
3. Plans for growth and development

   This strategy is framed for development and growth of the business organization. Growth can be obtained in two ways 1. Internal Growth – Growth made by product improvement, product line extension etc, 2. External growth – it is made through product acquisition and corporate acquisitions.

Corporate Planning

Corporate planning is the comprehensive planning process which involves continued formulation of objectives and the guidance of affairs towards their attainment. It is a systematic and disciplined exercise designed to help identification of objectives of an organization. It is taken by the top management of the company. The objective of the corporate planning is to identify new areas of investment and marketing, imposition of a planning discipline on the present operation.

Strategic Planning

Strategic planning covers all important areas of business activities such as profit, capital expenditure for growth, organization structure, pricing, finance, personnel, advertising, labor relation, technological capabilities, research and development etc. A strategy is a plan how organization can achieve its desired goal in a particular span of time.

What is Strategic Planning?

Strategic planning is an organizational management activity that is used to set priorities, focus energy and resources, strengthen operations, ensure that employees and other stakeholders are working toward common goals, establish agreement around intended outcomes/results, and assess and adjust the organization's direction in response to a changing environment. It is a disciplined effort that produces fundamental decisions and actions that shape and guide what an organization is, who it serves, what it does, and why it does it, with a focus on the future. Effective strategic planning articulates not only where an organization is going and the actions needed to make progress, but also how it will know if it is successful.

What is a Strategic Plan?

A strategic plan is a document used to communicate with the organization the organizations goals, the actions needed to achieve those goals and all of the other critical elements developed during the planning exercise.

What Are the Steps in Strategic Planning & Management?

There are many different frameworks and methodologies for strategic planning and management. While there is no absolute rules regarding the right framework, most follow a similar pattern and have common attributes. Many frameworks cycle through some variation on some very basic phases:

1) analysis or assessment, where an understanding of the current internal and external environments is developed,

2) strategy formulation, where high level strategy is developed and a basic organization level strategic plan is documented

3) strategy execution, where the high level plan is translated into more operational planning and action items, and

4) evaluation or sustainment / management phase, where ongoing refinement and evaluation of performance, culture, communications, data reporting, and other strategic management issues occurs.

What Are the Attributes of a Good Planning Framework?

The Association for Strategic Planning (ASP), Ensure that the ASP Body of Knowledge is continuously updated to include frameworks that meet these criteria.

- Maintain a list of qualifying commercial and academic frameworks recommended for study and training, to prepare participants to sit for the three ASP certification examinations.
- Provide a resource and "check list" for practitioners as they refine and improve their organization's systems and for consultants as they improve their product and service offerings.

The criteria developed by the ASP are:

1. Uses a Systems Approach that starts with the end in mind.
2. Incorporate Change Management and Leadership Development to effectively transform an organization to high performance.

3. Provide Actionable Performance Information to better inform decision making.
4. Incorporate Assessment-Based Inputs of the external and internal environment, and an understanding of customers and stakeholder needs and expectations.
5. Include Strategic Initiatives to focus attention on the most important performance improvement projects.
6. Offer a Supporting Toolkit, including terminology, concepts, steps, tools, and techniques that are flexible and scalable.
7. Align Strategy and Culture, with a focus on results and the drivers of results.
8. Integrate Existing Organization Systems and Align the Organization Around Strategy.
9. Be Simple to Administer, Clear to Understand and Direct, and Deliver Practical Benefits Over the Long-Term.
10. Incorporate Learning and Feedback, to Promote Continuous Long-term Improvement.

Strategic Management Process:

There are many approaches to strategic planning but typically one of the following approaches is used:

Situation-Target-Proposal

- **Situation** - evaluate the current situation and how it came about.
- **Target** - define goals and/or objectives (sometimes called ideal state)
- **Path / Proposal** - map a possible route to the goals/objectives

Draw-See-Think-Plan

- **Draw** - what is the ideal image or the desired end state?
- **See** - what is today's situation? What is the gap from ideal and why?
- **Think** - what specific actions must be taken to close the gap between today's situation and the ideal state?
- **Plan** - what resources and steps are required to execute the 'plan'?

Unit – III

Write a detailed note on Goals and Objectives.

Goals: -

Goal – Target

a) It's a target that a company wants to achieve in a future period of time.

b) An organization sets a combination of goals, which might be Qualitatively, Quantitative, and Financial & Non Financial. These Goals must be clear and unambiguous.

c) On an organizational level goals are broad in nature and they could set goals on turnover, profits, returns on assets/equity, market share, Customer satisfaction, Employee satisfaction.

d) Goals should be limited, manageable, and clear& Consistent with each other, otherwise it may lead to confusion & Contradictions.

e) Goals may be Qualitative, Quantitative in specification.

Objectives:

a) Objectives are the ends that specify how the goals shall be achieved.

b) They are concrete and specific and they are in contrast with the goals.

c) Objectives make the goals operational and tend to Quantitative in specifications.

d) Objectives are set in a way that what the organisation has to achieve for it employees, shareholders, customers etc.,

e) Objectives are in relation with the environment. They are the brains of Strategic Decision Making.

f) They are framed in line with the vision/mission of the organization and it help to pursue them.

g) Objectives are invariably Quantitative and provide clear measures and standards for performance.

h) It helps to see whether the Organisation is in right track or not.

i) Objectives should be concrete, specific, and understandable & should have clearly defined time frame.

j) It must be measurable, actionable, challenging but controllable.
k) There must be co-relation with other objectives.
l) While setting objectives these are the factors to be evaluated. It should be

specific at the level, which it is being set. It should not be either too narrow or too broad.

m) There need to be multiplicity of objectives.
n) It should be formulated at different time frames like short term, medium term, and long term & should be linked & consistent.
o) Since its in relation with the environment it needs to check whether they are fulfilling the needs of customers, share holders etc.,

Formulation of Strategy

It is useful to consider strategy formulation as part of a strategic management process that comprises three phases: diagnosis, formulation, and implementation. Strategic management is an ongoing process to develop and revise future-oriented strategies that allow an organization to achieve its objectives, considering its capabilities, constraints, and the environment in which it operates.

Diagnosis includes: (a) performing a situation analysis (analysis of the internal environment of the organization), including identification and evaluation of current mission, strategic objectives, strategies, and results, plus major strengths and weaknesses; (b) analyzing the organization's external environment, including major opportunities and threats; and (c) identifying the major *critical issues*, which are a small set, typically two to five, of major problems, threats, weaknesses, and/or opportunities that require particularly high priority attention by management.

Formulation, the second phase in the strategic management process, produces a clear set of recommendations, with supporting justification, that revise as necessary the mission and objectives of the organization, and supply the strategies for accomplishing them. In formulation, we are trying to modify the current objectives and strategies in ways to make the organization more successful. This includes trying to create "sustainable" competitive advantages -- although most competitive advantages are eroded steadily by the efforts of competitors.

A good recommendation should be: effective in solving the stated problem(s), practical (can be implemented in this situation, with the resources available), feasible within a reasonable time frame, cost-effective, not overly disruptive, and acceptable to key "stakeholders" in the organization. It is important to consider "fits" between resources plus competencies with opportunities, and also fits between risks and expectations.

There are four primary steps in this phase:

* Reviewing the current key objectives and strategies of the organization, which usually would have been identified and evaluated as part of the diagnosis
* Identifying a rich range of strategic alternatives to address the three levels of strategy formulation outlined below, including but not limited to dealing with the critical issues
* Doing a balanced evaluation of advantages and disadvantages of the alternatives relative to their feasibility plus expected effects on the issues and contributions to the success of the organization
* Deciding on the alternatives that should be implemented or recommended.

In organizations, and in the practice of strategic management, strategies must be *implemented* to achieve the intended results. The most wonderful strategy in the history of the world is useless if not implemented successfully. This third and final stage in the strategic management process involves developing an implementation plan and then doing whatever it takes to make the new strategy operational and effective in achieving the organization's objectives.

The remainder of this chapter focuses on strategy formulation, and is organized into six sections:
Three Aspects of Strategy Formulation, Corporate-Level Strategy, Competitive Strategy, Functional Strategy, Choosing Strategies, and Troublesome Strategies.

THREE ASPECTS OF STRATEGY FORMULATION

The following three aspects or levels of strategy formulation, each with a different focus, need to be dealt with in the formulation phase of strategic management. The three sets of recommendations must be internally consistent and fit together in a mutually supportive manner that forms an integrated hierarchy of strategy, in the order given.

Corporate Level Strategy: In this aspect of strategy, we are concerned with broad decisions about the total organization's scope and direction. Basically, we consider what changes should be made in our growth objective and strategy for achieving it, the lines of business we are in, and how these lines of business fit together. It is useful to think of three components of corporate level strategy: (a) growth or directional strategy (what should be our growth objective, ranging from retrenchment through stability to varying degrees of growth - and how do we accomplish this), (b) portfolio strategy (what should be our portfolio of lines of business, which implicitly requires reconsidering how much concentration or diversification we should have), and (c) parenting strategy (how we allocate resources and manage capabilities and activities across the portfolio -- where do we put special emphasis, and how much do we integrate our various lines of business).

Competitive Strategy (often called Business Level Strategy): This involves deciding how the company will compete within each line of business (LOB) or strategic business unit (SBU).

Functional Strategy: These more localized and shorter-horizon strategies deal with how each functional area and unit will carry out its functional activities to be effective and maximize resource productivity.

1. Setting Organizations' objectives - The key component of any strategy statement is to set the long-term objectives of the organization. It is known that strategy is generally a medium for realization of organizational objectives. Objectives stress the state of being there whereas Strategy stresses upon the process of reaching there. Strategy includes both the fixation of objectives as well the medium to be used to realize those objectives. Thus, strategy is a wider term which believes in the manner of deployment of resources so as to achieve the objectives.

   While fixing the organizational objectives, it is essential that the factors which influence the selection of objectives must be analyzed before the selection of objectives. Once the objectives and the factors influencing strategic decisions have been determined, it is easy to take strategic decisions.

2. Evaluating the Organizational Environment - The next step is to evaluate the general economic and industrial environment in which the organization operates. This includes a review of the organizations competitive position. It is essential to conduct a qualitative and quantitative review of an organizations existing product line. The purpose of such a review is to make sure that the factors important for competitive success in the market can be discovered so that the management can identify their own strengths and weaknesses as well as their competitors' strengths and weaknesses.

   After identifying its strengths and weaknesses, an organization must keep a track of competitors' moves and actions so as to discover probable opportunities of threats to its market or supply sources.

3. Setting Quantitative Targets - In this step, an organization must practically fix the quantitative target values for some of the organizational objectives. The idea behind this is to compare with long term customers, so as to evaluate the contribution that might be made by various product zones or operating departments.
4. Aiming in context with the divisional plans - In this step, the contributions made by each department or division or product category within the organization is identified and accordingly strategic planning is done for each sub-unit. This requires a careful analysis of macroeconomic trends.
5. Performance Analysis - Performance analysis includes discovering and analyzing the gap between the planned or desired performance. A critical evaluation of the organizations past performance, present condition and the desired future conditions must be done by the organization. This critical evaluation identifies the degree of gap that persists between the actual reality and the long-term aspirations of the organization. An attempt is made by the organization to estimate its probable future condition if the current trends persist.
6. Choice of Strategy - This is the ultimate step in Strategy Formulation. The best course of action is actually chosen after considering organizational goals, organizational strengths, potential and limitations as well as the external opportunities.

Strategic Formulation Process

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Different Types of Strategies

Grand Strategy

1. Stability Strategy
2. Expansion / Growth Strategy
3. Retrenchment Strategy

Grand Strategy

Grand strategy is a general term for a broad statement of strategic action. A grand strategy states the means that will be used to achieve long-term objectives. Examples of business grand strategies that can be customized for a specific firm include: concentration, market development, product development, innovation, horizontal integration, divestiture, and liquidation.

1. Stability Strategy

When firms are satisfied with their current rate of growth and profits, they may decide to use a stability strategy. This strategy is essentially a continuation of existing strategies. Such strategies are typically found in industries having relatively stable environments. The firm is often making a comfortable income operating a business that they know, and see no need to make the psychological and financial investment that would be required to undertake a growth strategy.

2. Expansion / Growth Strategy

Growth strategies are designed to expand an organization's performance, usually as measured by sales, profits, product mix, market coverage, market share, or other accounting and market-based variables.

3. Retrenchment Strategy

Retrenchment strategies involve a reduction in the scope of a corporation's activities, which also generally necessitates a reduction in number of employees, sale of assets associated with discontinued product or service lines, possible restructuring of debt through bankruptcy proceedings, and in the most extreme cases, liquidation of the firm.

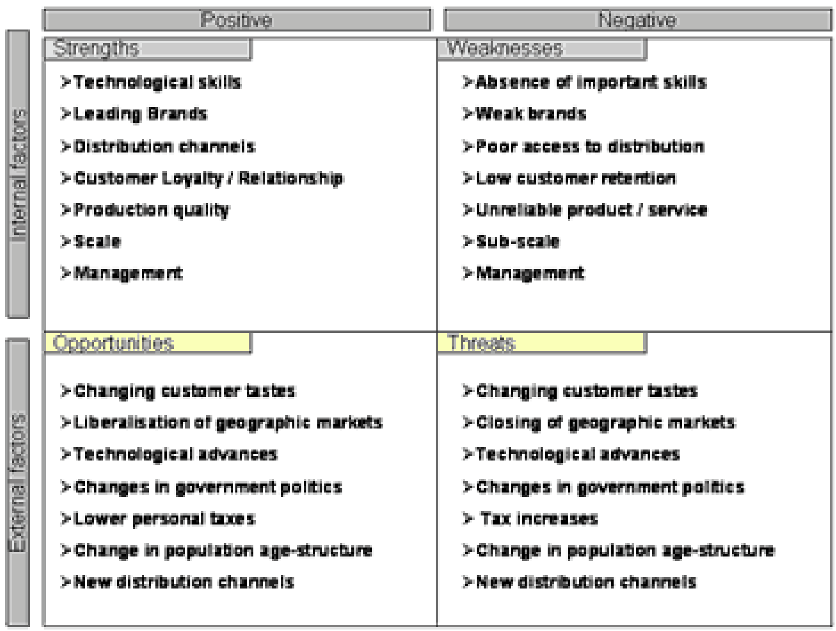
Environmental Analysis/Scanning

It is the process through by which an organization monitors and understands various environmental factor and determines the opportunities, threats, strengths and weakness by those factors. This process is also known as environmental diagnosis.

Different types of environmental analysis

1) SWOT Analysis
2) PEST Analysis
3) ETOP
4) Porter’s 5 Force Analysis

1. SWOT Analysis

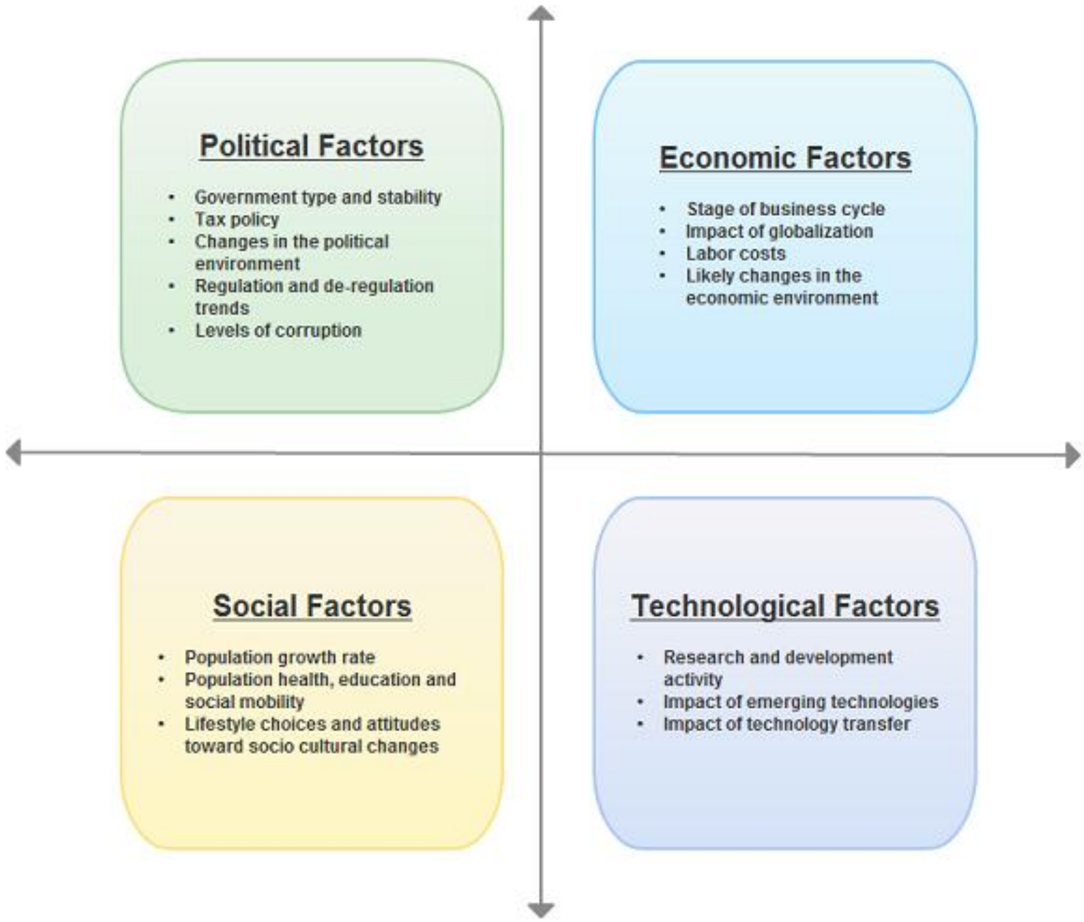


SWOT when broken down simply means analysing the:

- Strengths – The advantages you have over the competition concerning this project.
- Weaknesses – The disadvantages you have internally compared with your competitors.
- Opportunities – Current external trends which are waiting to be taken advantage of.
- Threats – External movements which may cause a problem and have a negative impact on your business.

The SWOT analysis method can help you to put things into perspective for your business. It allows you to improve your position within your niche market too. This is a type of do it on your own step by step guide that can help you to see where you are doing well and where you should make some improvements.

2. PEST Analysis



PEST stands for the analysis of the external factors which is beneficial when conducting research before beginning a new project or to help conduct market research. These factors are:

- Political – Laws, global issues, legislation and regulations which may have an effect on your business either immediately or in the future.
- Economic – Taxes, interest rates, inflation, the stock markets and consumer confidence all need to be taken into account.
- Social – The changes in lifestyle and buying trends, media, major events, ethics, advertising and publicity factors.
- Technological – Innovations, access to technology, licencing and patents, manufacturing, research funding, global communications.

3 . ETOP

- Environment means the surroundings, external objects, influences or circumstances under which someone or some thing exits.
- Environmental scanning is a process of gathering, analyzing, and dispensing information for tactical or strategic purposes.

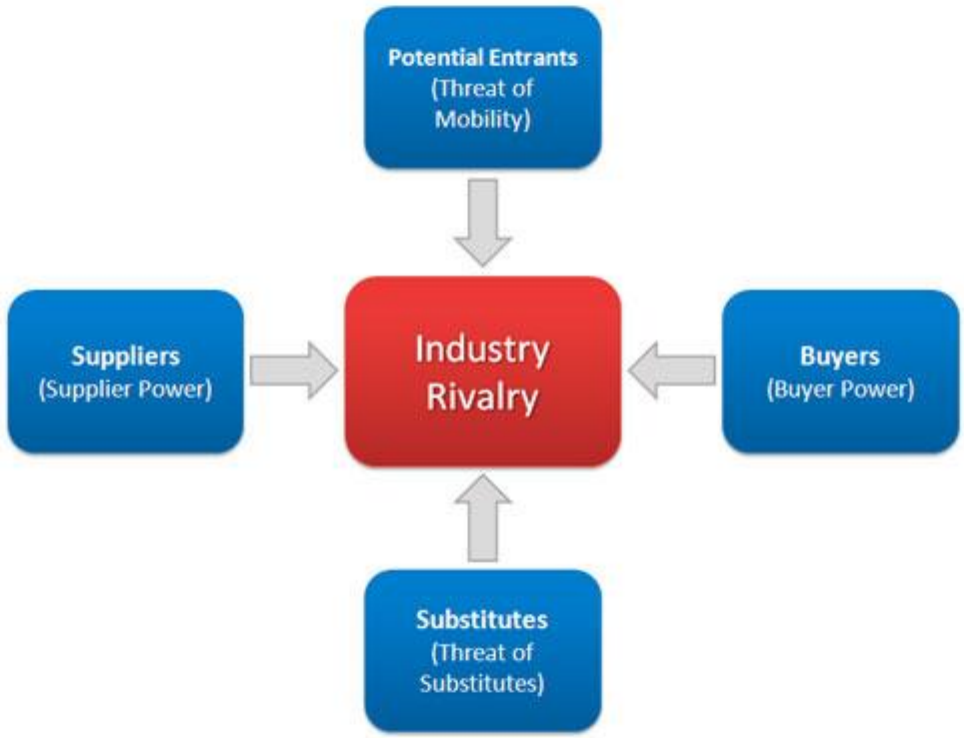
It is a process of dividing the environment into different sectors and then analyzing the impact of each sector on the organization.

Environmental sectors	Nature of impact	Impact of each sector
Economic	↑	Growing affluence among urban consumers, rising disposable incomes & living standards.
Market	→	Organized sector a virtual oligopoly with 4 major manufacturers, buyers critical & better informed, overall industry growth rate not encouraging, growth rate for niche market like sports, trekking etc is high.
International	↓	Global imports growing but India's share shrinking, major importers are the US & EU but India exports mainly to Africa.

Political	→	Bicycle principal mode of transport for low & middle income, Industry too small to draw attention.
Regulatory	→	Parts & components reserved for SSI, bicycle industry a thrust area for exports,
Social	↑	Environment & health friendly transport option, wide usage, as recreation, convenient in traffic, customers preference
Supplier	→	Mostly ancillaries in small-scale sector supply parts & components, rising steel prices, industrial concentration in Punjab & Tamilnadu.
Technological	↑	Up gradation in progress, import of machinery simple, product innovations ongoing like battery operated & lightweight foldable cycles

ETOP provides a clear picture to the strategists about which sectors & different factors in each sector, have a favorable impact on the organization

3 . Porter's 5 Force Analysis / Model



Porters Model is considered an important part of planning tool set. When you're clear about where the power lies, you can take advantage of your strengths and can improve the weaknesses and can compete efficiently and effectively.

Porters model of competitive forces assumes that there are **five competitive forces** that identifies the competitive power in a business situation. These **five competitive forces identified by the Michael Porter** are:

1. Threat of substitute products
2. Threat of new entrants
3. Intense rivalry among existing players
4. Bargaining power of suppliers
5. Bargaining power of Buyers

Internal & External Environment of a Firm

TYPES OF ENVIRONMENT

On the basis of the extent of intimacy with the firm , the environmental factors may be classified into different types-internal and external.

INTERNAL ENVIRONMENT

The internal environment is the environment that has a direct impact on the business. Here there are some internal factors which are generally controllable because the company has control over these factors. It can alter or modify such factors as its personnel, physical facilities, and organization and functional means, like marketing, to suit the environment. The important internal factors which have a bearing on the strategy and other decisions of internal organization are discussed below.

Value system

The value system of the founders and those at the helm of affairs has important bearing on the choice of business, the mission and the objectives of the organization, business policies and practices.

Mission and vision and objectives

Vision means the ability to think about the future with imagination and wisdom. Vision is an important factor in achieving the objectives of the organization. The mission is the medium through which the objectives are achieved way.

Management structure and nature

The structure of the organization also influences the business decisions. The organizational structure like the composition of board of directors , influences the decisions of business as they are internal factors . The structure and style of the organization may delay a decision making or some other helps in making quick decisions.

Internal power relationships

The relationship among the three levels of the organization also influences on the business. The mutual co-ordination among those three is an important need for a business. The relationship among the people working in the three levels of the organization should be cordial.

Human resource

The human resource is the important factor for any organization as it contributes to the strength and weakness of any organization . the human resource in any organization must have characteristics like skills, quality, high morale, commitment towards the work ,attitude, etc. T he involvement and initiative of the people in an organization at different levels may vary from organization to organization. The organizational culture and over all environment have bearing on them.

Company image and brand equity

The image of the company in the outside market has the impact on the internal environment of the company. It helps in raising the finance , making joint ventures , other alliances, expansions and acquisitions , entering sale and purchase contracts , launching new products, etc. Brand equity also helps the company in same

EXTERNAL ENVIRONMENT

It refers to the environment that has an indirect influence on the business.
The factors are uncontrollable by the business. There are two types of external environment.

Micro Environment

The micro environment is also known as the task environment and operating environment because the micro environmental forces have a direct bearing on the operations of the firm

“The micro environment consist of the actors in the company’s immediate environment that affect the performance of the company. These include the suppliers, marketing intermediaries, competitors, customers and the public” The micro environmental factors are more intimately linked with the company than the macro factors. The micro forces need not necessarily affect all the firms in a particular industry in the same way. Some of the micro factors may be particular to a firm. When the competing firms in an industry have the same micro elements, the relative success of the firms depends on their relative effectiveness in dealing with these elements

Suppliers

An important force in the micro environment of a company is the suppliers, i.e., those who supply the inputs like raw materials and components to the company. The importance of reliable source/sources of supply to the smooth functioning of the business is obvious.

Customer

The major task of a business is to create and sustain customers. A business exists only because of its customers. The choice of customer segments should be made by considering a number of factors including the relative profitability, dependability, stability of demand, growth prospects and the extent of competition. Competition not only include the other firms that produce same product but also those firms which compete for the income of the consumers the competition here among these products may be said as desire competition as the primary task here is to fulfill the desire of the customers. The competition that satisfies a particular category desire then it is called generic competition.

Marketing Intermediaries

The marketing intermediaries include middlemen such as agents and merchants that help the company find customers or close sales with them. The marketing intermediaries are vital links between the company and the final consumers .

Financiers

The financiers are also important factors of internal environment. Along with financing capabilities of the company their policies and strategies, attitudes towards risk , ability to provide non-financial assistance etc. are very important.

Public

Public can be said as any group that has an actual or potential interest in or on an organization's ability to achieve its interest. Public include media and citizens. Growth of consumer public is an important development affecting business.

Macro Environment

Macro environment is also known as General environment and remote environment. Macro factors are generally more uncontrollable than micro environment factors. When the macro factors become uncontrollable , the success of company depends upon its adaptability to the environment. Some of the macro environment factors are discussed below:

Economic Environment

Economic environment refers to the aggregate of the nature of economic system of the country, business cycles, the socio-economic infrastructure etc. The successful businessman visualizes the external factors affecting the business, anticipating prospective market situations and makes suitable to get the maximum with minimize cost.

Social Environment

The social dimension or environment of a nation determines the value system of the society which, in turn affects the functioning of the business. Sociological factors such as costs structure, customs and conventions, mobility of labour etc. have far-reaching impact on the business. These factors determine the work culture and mobility of labour, work groups etc.

Political Environment

The political environment of a country is influenced by the political organizations such as philosophy of political parties, ideology of government or party in power, nature and extent of bureaucracy influence of primary groups etc. . The political environment of the country influences the business to a great extent.

Legal Environment

Legal environment includes flexibility and adaptability of law and other legal rules governing the business. It may include the exact rulings and decision of the courts. These affect the business and its managers to a great extent.

Technical Environment

The business in a country is greatly influenced by the technological development. The technology adopted by the industries determines the type and quality of goods and services to be produced and the type and quality of plant and equipment to be used. Technological environment influences the business in terms of investment in technology, consistent application of technology and the effects of technology on markets.

Need For Environmental Analysis

Environmental analysis for a business looks at the factors inherent in a business's environment that may have some impact thereof. This type of analysis is relatively qualitative and involves the identifying, scanning, analyzing and forecasting of the environmental variables.

Unit – IV

Implementation of Strategy

Implementation of strategy is the process through which a chosen strategy is put into action. It involves the design and management of systems to achieve the best integration of people, structure, processes and resources in achieving organizational objectives.

Business Unit Strategy

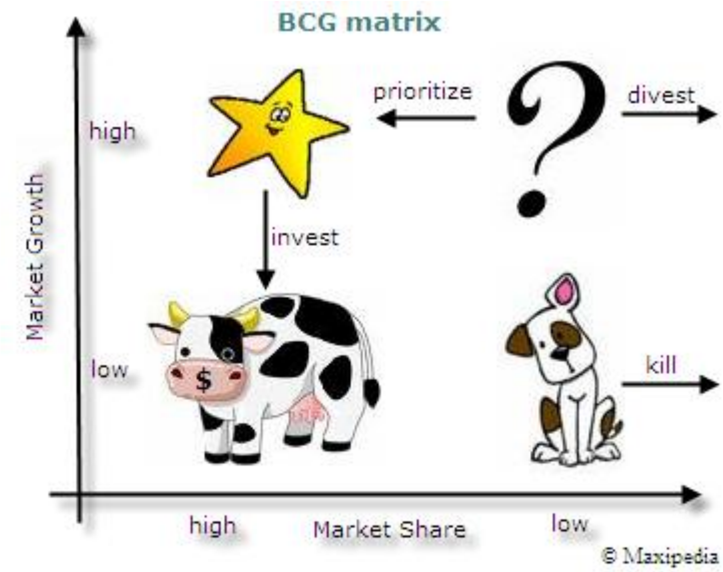
The guiding principles and planned objectives set by management to be followed by an autonomous division of a company. A separate business unit strategy for each division will often be prepared and used by larger companies that have considerably different objectives among their various divisions.

It is understood as a business unit within the overall corporate identity which is distinguishable from other business because it serves a defined external market where management can conduct strategic planning in relation to products and markets. The unique small business unit benefits that a firm aggressively promotes in a consistent manner. When companies become really large, they are best thought of as being composed of a number of businesses (or SBUs).In the broader domain of strategic management, the phrase "Strategic Business Unit" came into use in the 1960s, largely as a result of General Electric's many units. These organizational entities are large enough and homogeneous enough to exercise control over most strategic factors affecting their performance. They are managed as self contained planning units for which discrete business strategies can be developed. A Strategic Business Unit can encompass an entire company, or can simply be a smaller part of a company set up to perform a specific task. The SBU has its own business strategy, objectives and competitors and these will often be different from those of the parent company.

Portfolio Models

1. BCG Matrix
2. GE Model
3. Ansoff Model

1. BCG Matrix



BCG STARS (high growth, high market share)

- Stars are defined by having high market share in a growing market.
- Stars are the leaders in the business but still need a lot of support for promotion a placement.
- If market share is kept, Stars are likely to grow into cash cows.

BCG QUESTION MARKS (high growth, low market share)

- These products are in growing markets but have low market share.
- Question marks are essentially new products where buyers have yet to discover them.
- The marketing strategy is to get markets to adopt these products.
- Question marks have high demands and low returns due to low market share.
- These products need to increase their market share quickly or they become dogs.
- The best way to handle Question marks is to either invest heavily in them to gain market share or to sell them.

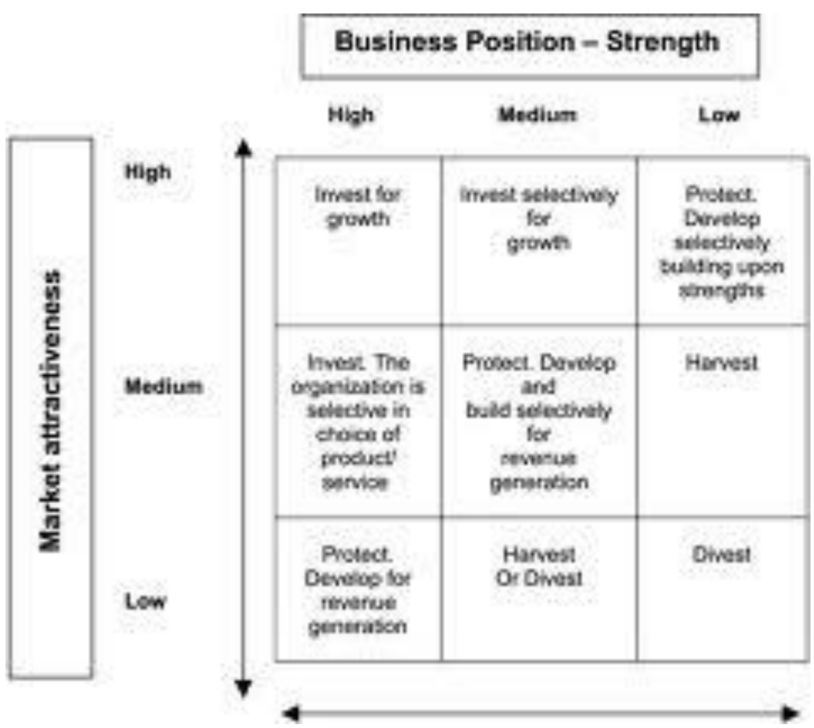
BCG CASH COWS (low growth, high market share)

- Cash cows are in a position of high market share in a mature market.
- If competitive advantage has been achieved, cash cows have high profit margins and generate a lot of cash flow.
- Because of the low growth, promotion and placement investments are low.
- Investments into supporting infrastructure can improve efficiency and increase cash flow more.
- Cash cows are the products that businesses strive for.

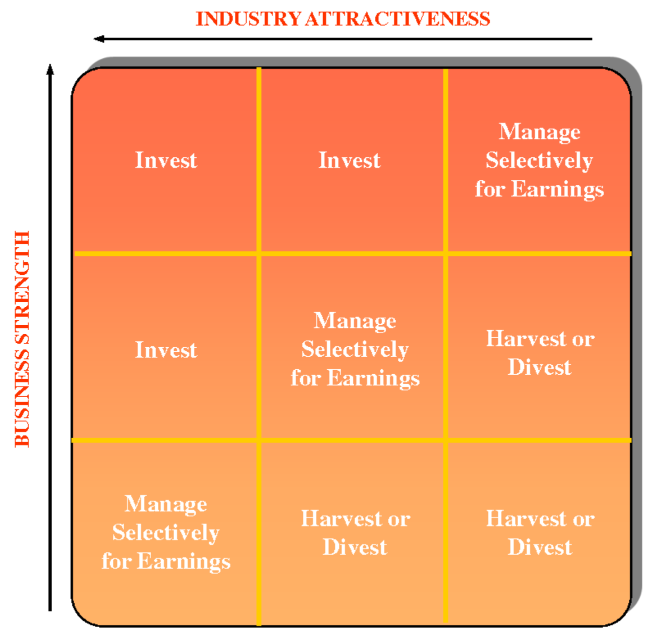
BCG DOGS (low growth, low market share)

- Dogs are in low growth markets and have low market share.
- Dogs should be avoided and minimized.
- Expensive turn-around plans usually do not help.

2. GE Model



GE / McKinsey Multifactor Portfolio Matrix



Merger

The combining of two or more companies, generally by offering the stockholders of one company securities in the acquiring company in exchange for the surrender of their stock.

Example
A merger between Coca-Cola and the Pepsi beverage division, for example, would be horizontal in nature. The goal of a horizontal merger is to create a new, larger organization with more market share. Because the merging companies' business operations may be very similar, there may be opportunities to join certain operations, such as manufacturing, and reduce costs.

Acquisition

The act of acquiring or gaining possession.

Example

American Multinational Corporation, Apple's business philosophy is to acquire small companies that can be easily integrated into existing company projects. For example, Apple acquired Emagic and its professional music software, Logic Pro, in 2002.

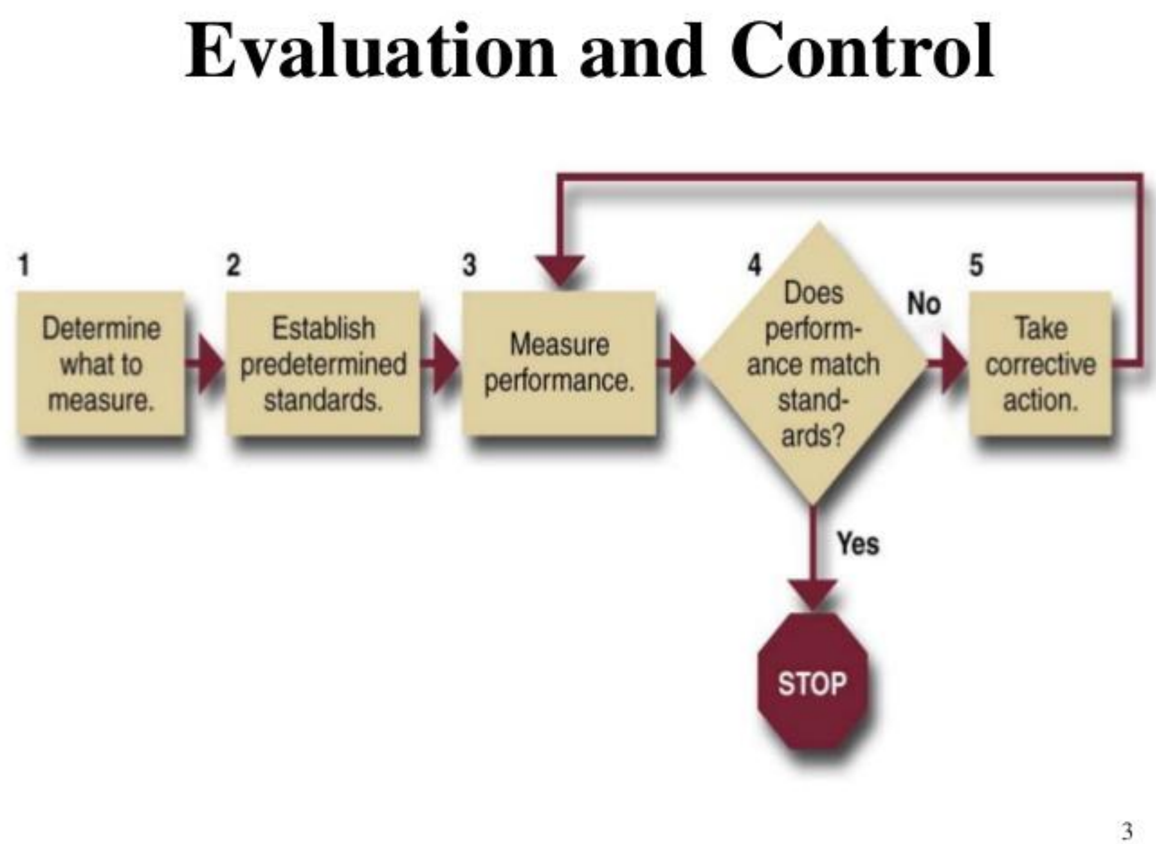
Diversification

A firm operating in different sectors is said to be a diversified company.

Ex: Reliance is operating in energy, communication, retail etc.

Evaluation and control Process

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 chosen strategy 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.



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