STRATEGIC MANAGEMENT

Unit-1

Introduction to Strategic management

Strategic management:

What Is Strategic Management?

Strategic management is the management of an organization's resources to achieve its goals and objectives.

Strategic management involves setting objectives, analyzing the competitive environment, analyzing the internal organization, evaluating strategies, and ensuring that management rolls out the strategies across the organization.

Example of Strategic Management

For example, a for-profit technical college wishes to increase new student enrollment and enrolled student graduation rates over the next three years. The purpose is to make the college known as the best buy for a student's money among five for-profit technical colleges in the region, with a goal of increasing revenue.

In that case, strategic management means ensuring the school has funds to create high-tech classrooms and hire the most qualified instructors. The college also invests in marketing and recruitment and implements student retention strategies. The college’s leadership assesses whether its goals have been achieved on a periodic basis.

Process of Strategic management:

There are four process of strategic management. They are

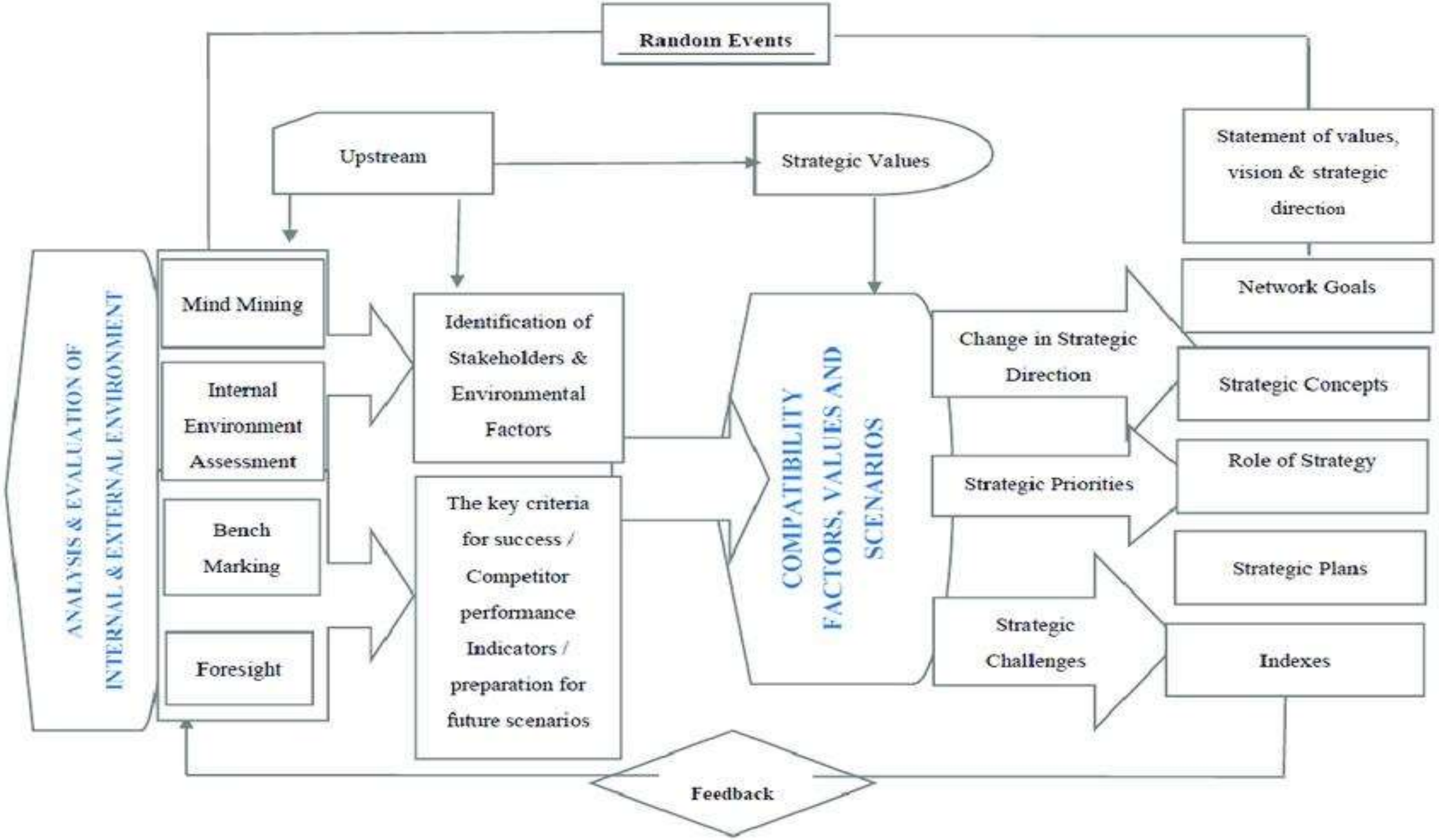
1. Environmental scanning
2. Strategy formulation
3. Strategy implementation
4. Strategy evaluation

Strategic Management Process

Elements of Strategic management:

Vision
Business aspiration
Mission
Why the company exists and what the founders envisioned
Objectives
Result that a company aims to achieve
Strategy
Long term plan designed to achieve objectives
Approach
Methodology for executing the long-term plan
Tactics
Smaller, focused action plans that support the overall strategy

Conceptual framework for Strategic management



STRATEGIC DECISION MAKING:

WHAT IS STRATEGIC DECISION MAKING?

Strategic decision-making is a process of understanding the interaction of decisions and their impact upon the organization to gain an advantage. Wrong decisions taken at the wrong time, may result in catastrophic consequences. In other words, the power of strategic thinking lies in combining the power of the right decision with the right time.


Strategic Decision Making
IDENTIFY PROBLEMS
SEEK INFORMATION
BRAINSTORM SOLUTIONS
CHOOSE AN ALTERNATIVE
IMPLEMENT THE PLAN
EVALUATE OUTCOMES
What's the IMPACT?

ISSSUES IN STRATEGIC DECISION MAKING:

Issues in strategic decision-making

- Criteria for decision-making
- Rationality in decision-making
- Creativity in decision-making
- Variability in decision-making
- Person-related factors in decision-making
- Individual versus group decision-making.

STRATEGIC FORMULATION PROCESS:

WHAT IS STRATEGY FORMULATION?

Strategy formulation is the process of using available knowledge to document the intended direction of a business and the actionable steps to reach its goals.

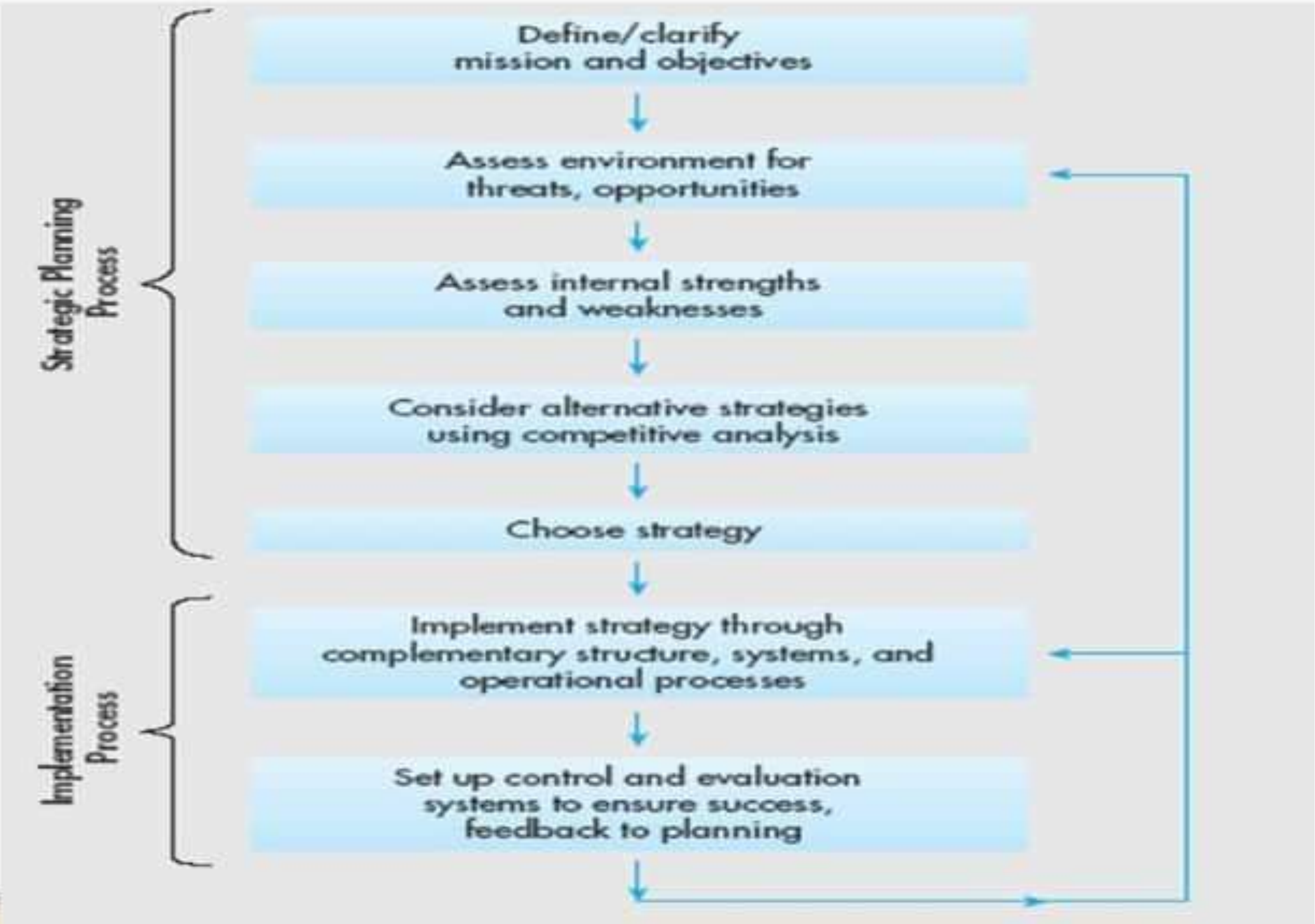
This process is used for resource allocation, prioritization, organization-wide alignment, and validation of business goals.

A successful strategy can allow your organization to share one clear vision, catch biases by examining the reasoning behind goals, and track performance with measurable key performance indicators (KPIs).

Tips for successful Strategic formulation process:

1. Start with purpose
2. Consider current events
3. Consider data, case studies and trends
4. Set and Effectively communicate goals
5. Think of strategy as an ongoing process

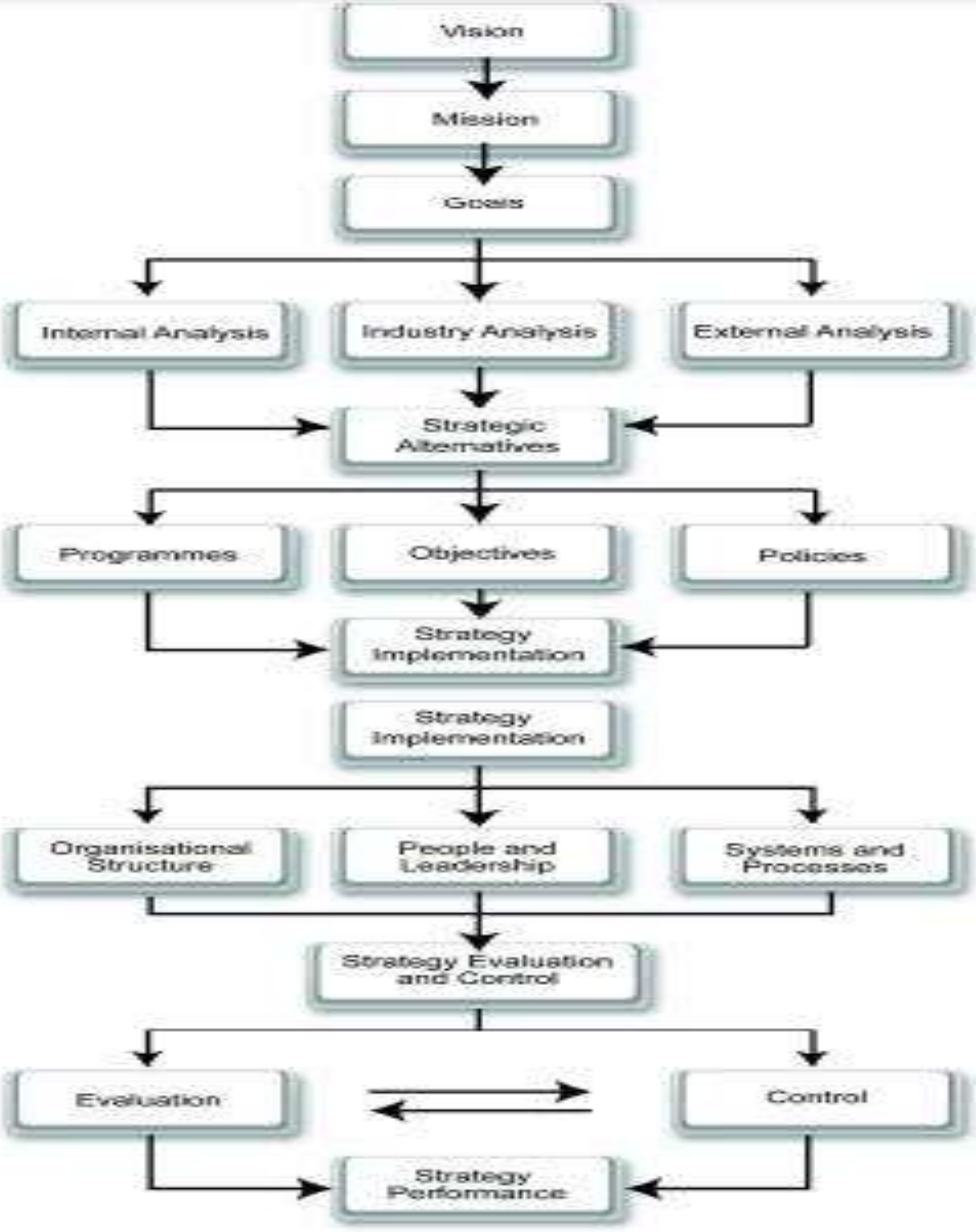
Strategic Formulation Process

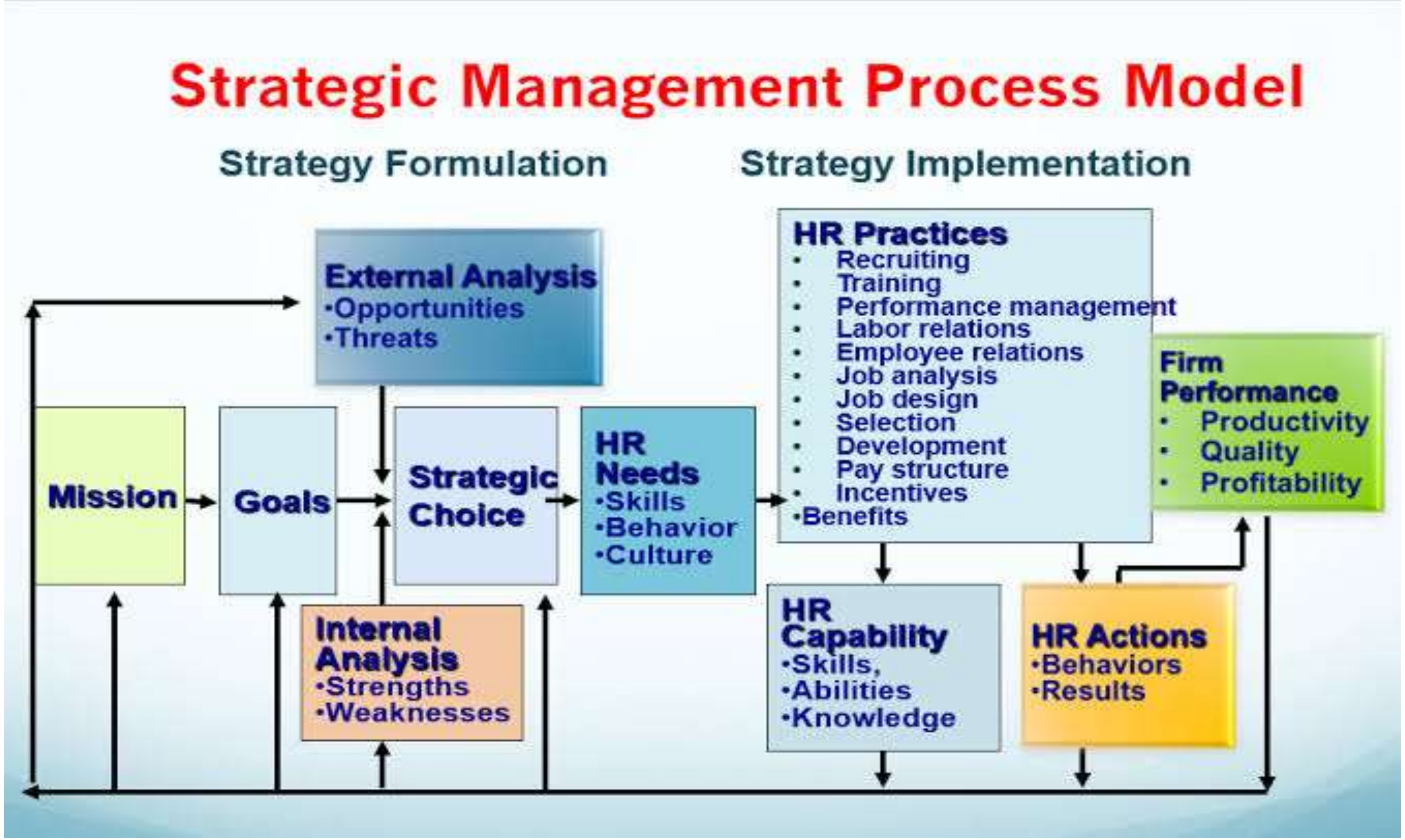


Strategic management models:

Strategic management involves making decisions and taking actions that can help organisations achieve their objectives by adopting a systematic way of formulating the strategy, implementing the strategy, and evaluating and controlling the strategy implemented. Strategic management, therefore, integrates various functional areas like marketing, management, finance, accounting, human resources, production and information systems in a formal and systematic manner consistent with the objectives of the organisation and superior performance. This definition also suggests that strategic management comprises three key components, namely, strategy formulation, strategy implementation and strategy evaluation and control.

There are three major components in strategic management, namely, strategy formulation, strategy implementation and strategy evaluation.


Vision
Mission
Goals
Internal Analysis
Industry Analysis
External Analysis
Strategic Alternatives
Programmes
Objectives
Policies
Strategy Implementation
Strategy Implementation
Organisational Structure
People and Leadership
Systems and Processes
Strategy Evaluation and Control
Evaluation
Control
Strategy Performance



Strategic Management Process Model
Strategy Formulation
Strategy Implementation
External Analysis
•Opportunities
•Threats
Mission
Goals
Strategic Choice
HR Needs
•Skills
•Behavior
•Culture
HR Practices
• Recruiting
• Training
• Performance management
• Labor relations
• Employee relations
• Job analysis
• Job design
• Selection
• Development
• Pay structure
• Incentives
•Benefits
Firm Performance
• Productivity
• Quality
• Profitability
Internal Analysis
•Strengths
•Weaknesses
HR Capability
•Skills,
•Abilities
•Knowledge
HR Actions
•Behaviors
•Results

Corporate Governance:

Definition:

Corporate governance, in strategic management, refers to the set of internal rules and policies that determine how a company is directed. Corporate governance decides, for example, which strategic decisions can be decided by managers and which decisions must be decided by the board of directors or shareholders.

Principles of Corporate Governance:

Principles of Corporate Governance

- **Sustainable development of all stake holders-** to ensure growth of all individuals associated with or effected by the enterprise on sustainable basis
- **Effective management and distribution of wealth** – to ensue that enterprise creates maximum wealth and judiciously uses the wealth so created for providing maximum benefits to all stake holders and enhancing its wealth creation capabilities to maintain sustainability

Elements of Corporate Governance

UNIT-2

STRATEGIC FORMULATION

Business level strategy:

Meaning:

Business level strategies refer to the combined set of moves and actions taken with an aim of offering value to the customers and developing a competitive advantage, by using the firm's core competencies, in the individual product or service market. It determines the market position of the enterprise, in relation to its rivals.

Business-Level Strategies are mainly concerned with the firms having multiple businesses and each business is considered as **Strategic Business Unit (SBU)**.


Business Level Strategy
Competitive Advantage
Cost
Uniqueness
Broad Market
Narrow Market
Target Market (Competitive Scope)
Cost Leadership
* Amazon
* McDonald's
* Coco-Cola
Differentiation
* Apple
* Toyota
Integrated Cost Leadership/ Differentiation
Focused Cost Leadership
* Costco
* Southwest Airlines
Focused Differentiation
* Rolls Royce
* Louis Vuitton

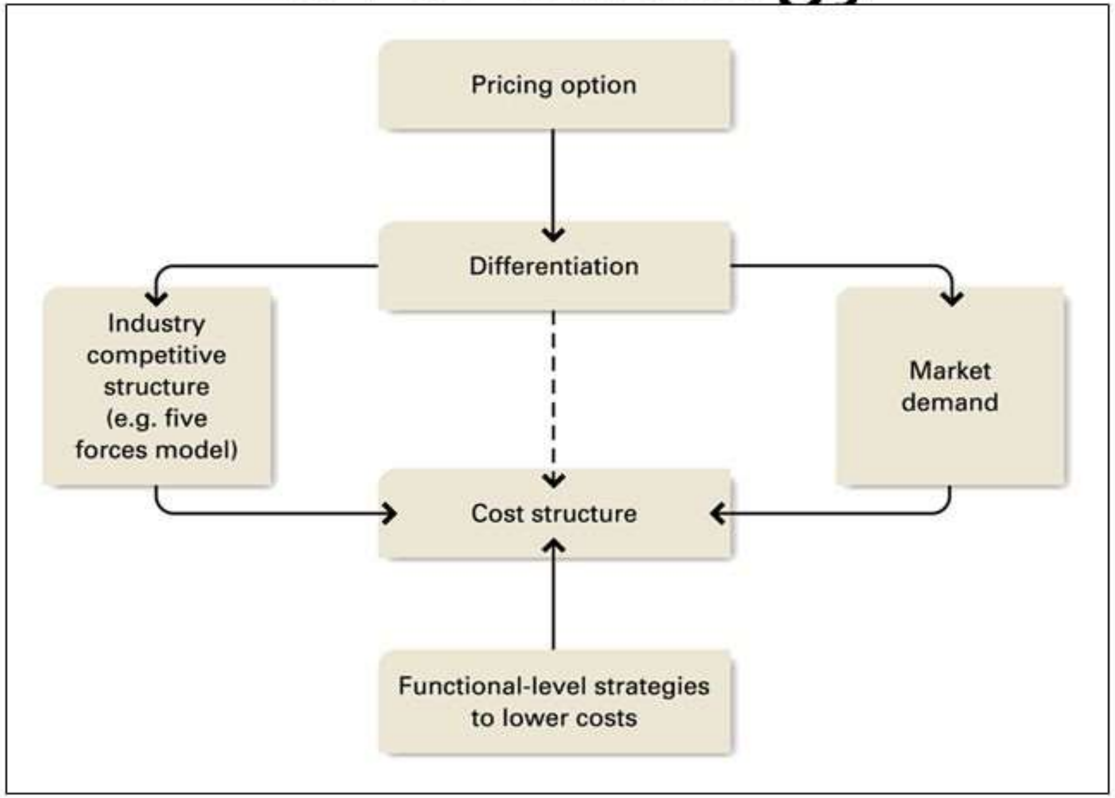
Dynamics of Business level strategy:

Definition:

Strategy Dynamics explains how business performance has developed up to the current date, and how to develop and implement strategies to improve future performance. The approach emphasises building and sustaining the resources and capabilities needed to succeed.

Strategy Dynamics focuses on performance over time.

The Dynamics of Business-Level Strategy



Source: Copyright © C. W. L. Hill and G. R. Jones, "The Dynamics of Business-Level Strategy," (unpublished manuscript, 2002).

Corporate level strategy:

What Is a Corporate-Level Strategy?

A corporate-level strategy can be instrumental in outlining your company's goal for the following year. You need to break down all steps that make it clear for your employees the path they're supposed to take. The type of corporate-level strategy you select can be an indicator of the company's financial success and the method they take to generate profits.

Characteristics of corporate-level strategy:

- When you're considering the corporate-level strategies you should undertake, keep these characteristic examples in mind:
- Diversification
- Forward or backward integration
- Horizontal integration
- Profit
- Turnaround
- Divestment
- Market penetration
- Liquidation
- Concentration
- Investigation
- No change

Types of Corporate-level strategy:

Expansion Strategy:

What is an Expansion Strategy?

An expansion strategy is synonymous with a growth strategy. A firm seeks to achieve faster growth, compete, achieve higher profits, grow a brand, capitalize on economies of scale, have greater impact, or occupy a larger market share. This may entail acquiring more market share through traditional competitive strategies, entering new markets, targeting new market segments, offering new produce or services, expanding or improving current operations.

Types of Expansion Strategy:

REASONS TO PURSUE EXPANSION STRATEGY

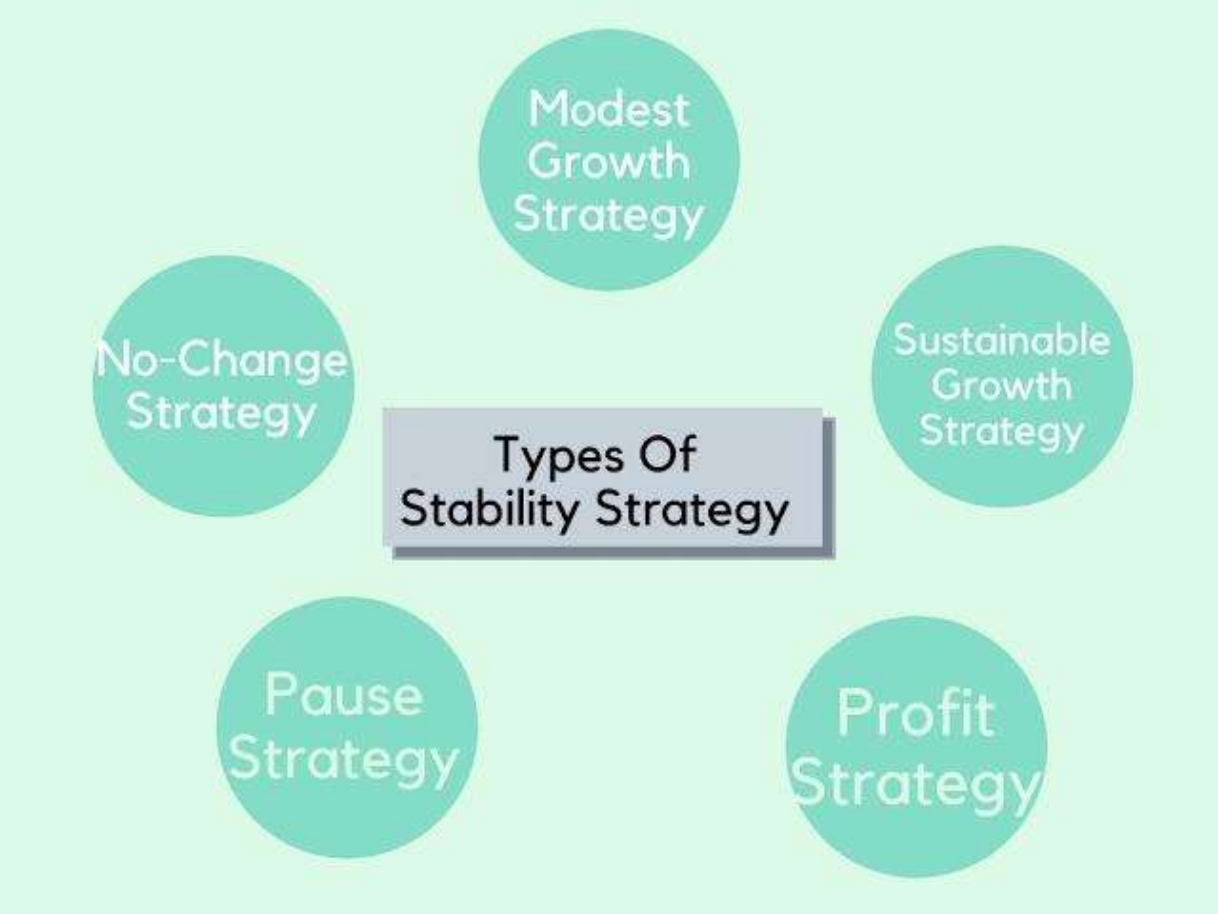
- **Create strength** : growth company is well known and attracts better management.
- **Necessary for survival** : frequent changes in technology.
- **Employee satisfaction** : large size -> high executive compensation -> more power and recognition.
- **Increases productivity** : better at what it is doing -> reduces cost -> improves productivity.

Stability Strategy:

What is a Stability Strategy?

As the name implies, a stability business strategy seeks to maintain operations and market size and position. This strategy is characteristic of small risk-averse firms or firms operating in a very precarious market that is comfortable with its current position.

Types of Stability Strategy:



Advantage

- The firm successfully runs and objectives are achieved and there is satisfactory performance
- A stability strategy is less risky unless the conditions are really bad.
- When pursuing this strategy there is no disruption of routine work.
- Most suitable in short run.

Retrenchment Strategy:

What is a Retrenchment Strategy?

A redemption strategy seeks to restructure, sell or otherwise divest a business unit. The purpose is to reduce costs, streamline operations, or stabilize cash flow.

The three major types of retrenchment strategies are;

1. Turnaround strategy
2. Divestment strategy
3. Liquidation strategy

Types of Retrenchment strategy:

Retrenchment Strategy and its Challenges

- Retrenchment strategy is a strategy that is geared towards reducing expenditures; withdraw products or services from the market and to reduce the size of diversity.
  - Retrenching strategy is also known as downsizing and cutback initiatives.
- The many challenges that are associated with retrenching are as follows:
  - Growth decline.
  - Smaller workforce.
  - Inability to meet consumer demands with smaller workforce.
  - Lack of diversity.
  - Decrease in profitability.

Diversification and Strategic alliances:

What is diversification?

Diversification is a business development strategy in which a company develops new products and services, or enters new markets, beyond its existing ones.

Diversification strategy can kick-start a struggling business, or it can further extend the success of already highly profitable companies. There are four key reasons why businesses adopt a diversification strategy:

1. The company wants more revenue
2. The company wants less economic risk
3. The company's core business is in decline
4. The company wants to exploit potential synergies

.

Diversifying Strategic Alliances

Diversifying Strategic Alliance

- Allows a firm to expand into new product or market areas without completing a merger or an acquisition.
- Provides some of the potential synergistic benefits of a merger or acquisition, but with less risk and greater levels of flexibility.
- Permits a “test” of whether a future merger between the partners would benefit both parties.

The Role of Diversification

- **Diversification strategies play a major role in the behavior of large firms**
- **Product diversification concerns:**
  - ➢ **The scope of the industries and markets in which the firm competes**
  - ➢ **How managers buy, create and sell different businesses to match skills and strengths with opportunities presented to the firm**

Strategic Motives for Diversification

To Enhance Strategic Competitiveness:

- **Economies of scope (related diversification)**
  - Sharing activities
  - Transferring core competencies
- **Market power (related diversification)**
  - Blocking competitors through multipoint competition
  - Vertical integration
- **Financial economies (unrelated diversification)**
  - Efficient internal capital allocation
  - Business restructuring

Table 6.1a

Advantage and Disadvantage of diversification:

Advantages	Disadvantages
Cost • Economies of combined operations • Economies of internal control • Economies of avoiding the market	**Cost** • It may not be cheaper to do it oneself – especially if suppliers have economies of scale • Increased operating gearing • Dulled incentives • Capital investment • Reduced flexibility to switch to cheaper suppliers
Quality • Tap into technology – enhanced ability to differentiate	**Quality** • Cut off from suppliers/customers • Reduced flexibility to switch to better suppliers • Differing managerial requirements
Barriers • Assured supply/demand • Defence against lock-out • Create barriers by controlling supplies/distribution/retail outlets	**Barriers** • Much more difficult to exit the industry

Combination Related-Unrelated Diversification Strategies

- **Dominant-business firms**
  - One major core business accounting for 50 - 80 percent of revenues, with several small related or unrelated businesses accounting for remainder
- **Narrowly diversified firms**
  - Diversification includes a few (2 - 5) related or unrelated businesses
- **Broadly diversified firms**
  - Diversification includes a wide collection of either related or unrelated businesses or a mixture
- **Multibusiness firms**
  - Diversification portfolio includes several unrelated groups of related businesses

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DIVERSIFICATION STRATEGY

PROS

1. It eliminates the cyclical nature of the standard economy.
2. There will always be unpleasant surprises.
3. Certain investments make diversification easy for the casual investor.
4. Diversification helps to maximize the use of potentially underutilized resources.
5. Growth is based on the expertise of others.
6. It provides movement away from activities which may be declining.

CONS

1. It naturally limits your growth opportunities.
2. Even diversification can lose money over time.
3. Some ETF investments for diversification are too diversified.
4. There can be unexpected tax complications.
5. It adds complexity to the investment process.
6. There can be political and legal influences which change an investor's life.

source: brandongaille.com

UNIT-3

COMPETITIVE ADVANTAGE

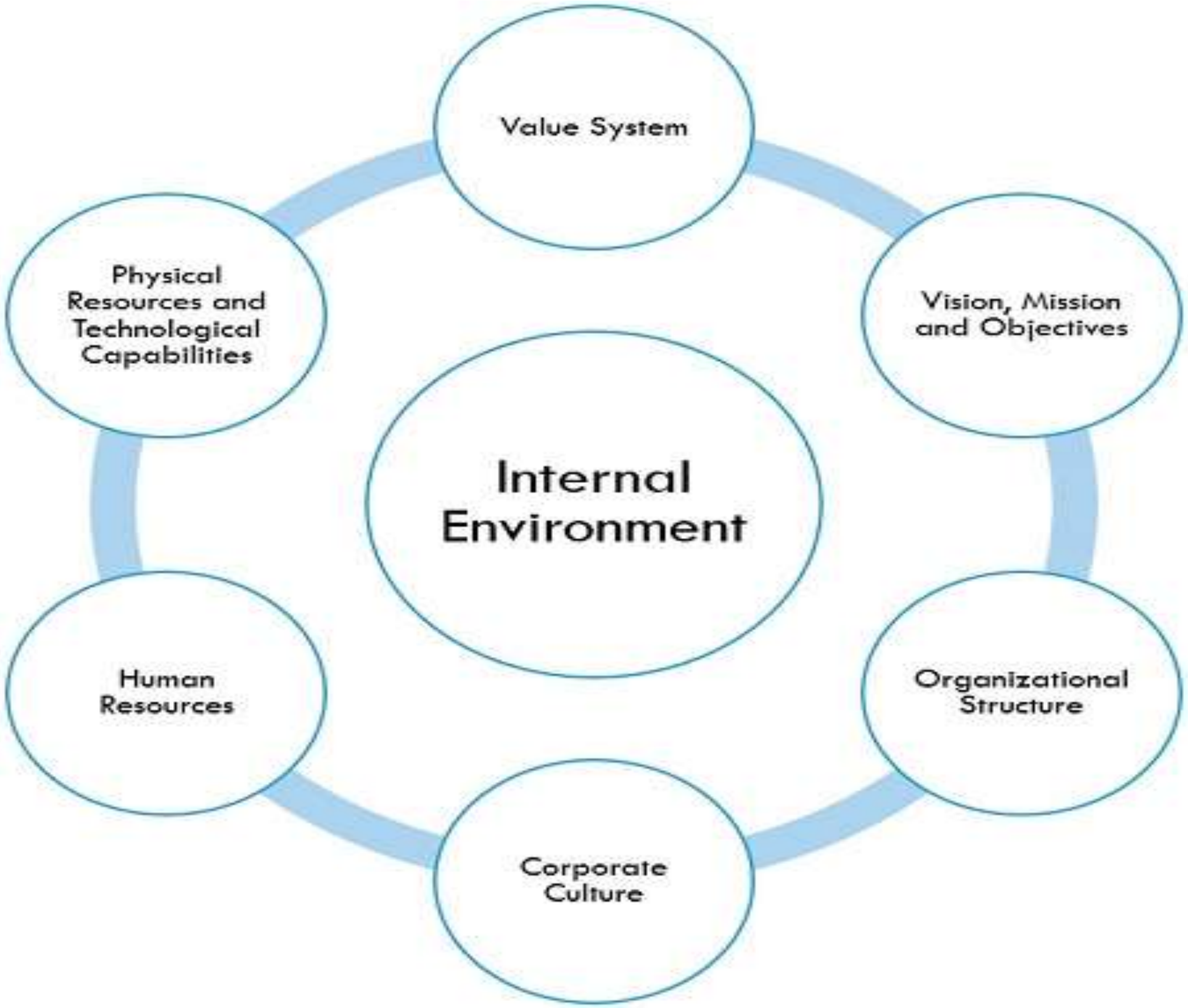
Dynamics of Internal Environment:

Meaning:

Internal environment is a component of the business environment, which is composed of various elements present inside the organization that can affect or can be affected with, the choices, activities and decisions of the organization.

It encompasses the climate, culture, machines/equipment, work and work processes, members, management and management practices.

Factors influencing Internal environment:



Porter’s five force model:

What Are Porter's Five Forces?

Porter's Five Forces is a model that identifies and analyzes five competitive forces that shape every industry and helps determine an industry's weaknesses and strengths. Five Forces analysis is frequently used to identify an industry's structure to determine corporate strategy.

Porter's model can be applied to any segment of the economy to understand the level of competition within the industry and enhance a company's long-term profitability. The Five Forces model is named after Harvard Business School professor, Michael E. Porter.

Porter's Five Forces Analysis
Threat of New Entry
• Economies of scale
• Proprietary product differences
• Brand identity
• Switching costs
• Capital requirements
• Access to distribution
• Absolute cost advantages
• Government policy
• Expected retaliation
Bargaining Power of Suppliers
• Differentiation of inputs
• Switching costs
• Presence of substitute inputs
• Supplier concentration
• Importance of volume to supplier
• Cost relative to total purchases
• Impact of inputs on cost or differentiation
• Threat of forward integration
Rivalry Among Existing Competitors
• Industry growth
• Fixed costs / value added
• Overcapacity
• Product differences
• Brand identity
• Switching costs
• Concentration and balance
• Informational complexity
• Diversity of competitors
• Corporate stakes
• Exit barriers
Bargaining Power of Customers
• Buyer concentration
• Buyer volume
• Buyer switching costs
• Buyer information
• Ability to integrate backward
• Substitute products
• Price / total purchases
• Product differences
• Brand identity
• Impact of quality / performance
• Buyer profits
Threat of Substitutes
• Relative price performance of substitutes
• Switching costs
• Buyer propensity to substitute

Strategies for local company competing with global company:

Local company:

Any company that provides goods or services to a local population is considered a **local business**. Often denoted by the phrase, "brick and mortar," a local business can be a locally owned business or a corporate business with multiple locations operating in a specific area.

Global company:

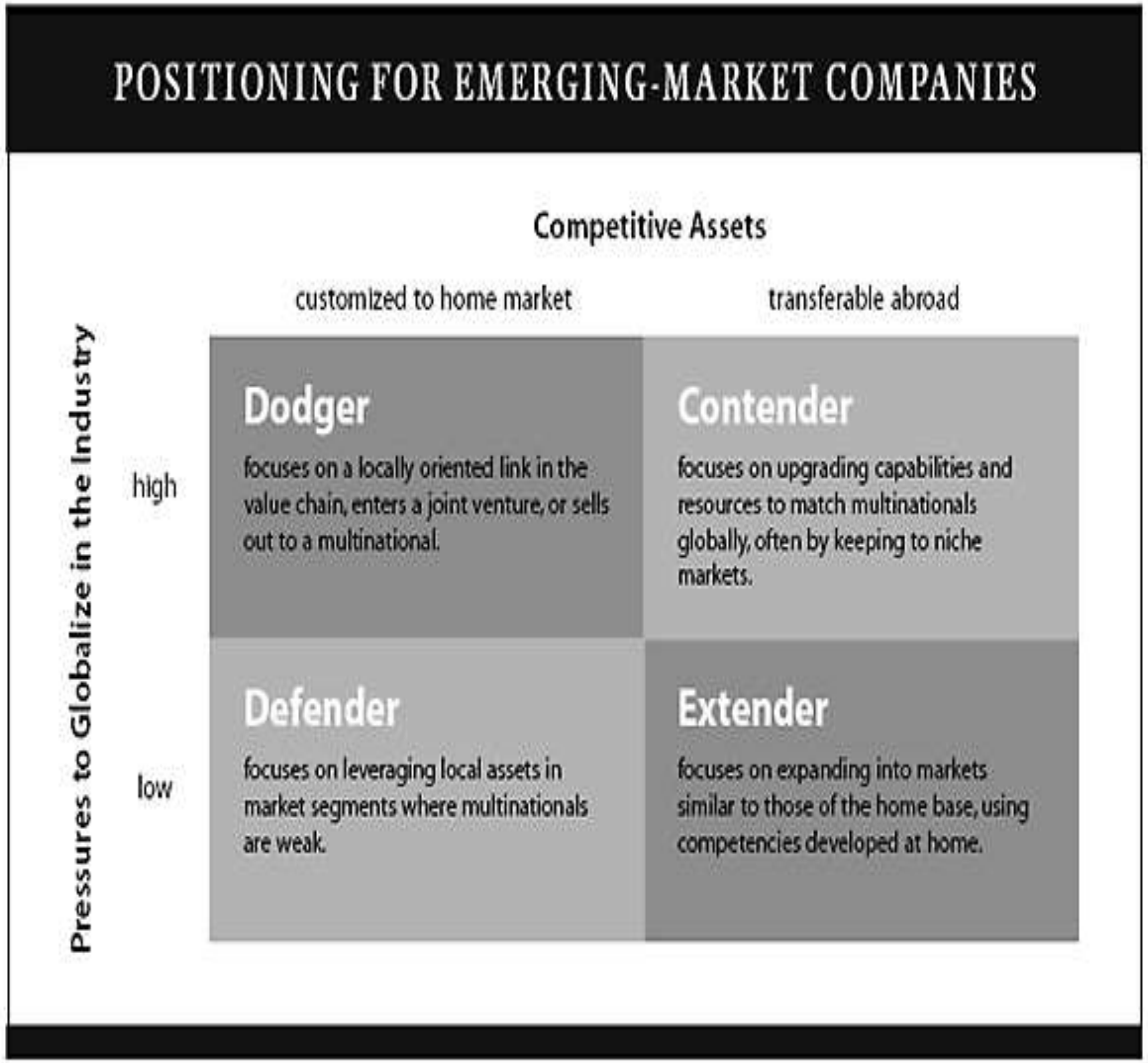
Global business generally refers to international trade. A company which is doing business all over the world, that business are called global enterprises. Earlier also there was the exchange of goods over great distances. Such trade, of course, was not by definition global but had the same characteristics.

Strategies:

As protectionist barriers crumble in emerging markets around the world, multinational companies are rushing in to find new opportunities for growth. Their arrival is a boon to local consumers, who benefit from the wider choices now available. For local companies, however, the influx often appears to be a death sentence.

Accustomed to dominant positions in protected markets, they suddenly face foreign rivals wielding a daunting array of advantages: substantial financial resources, advanced technology, superior products, powerful brands, and seasoned marketing and management skills. Often, the very survival of local companies in emerging markets is at stake.

- Despite the heated rhetoric surrounding globalization, industries actually vary a great deal in the pressures they put on companies to sell internationally.
- Two parameters—the strength of globalization pressures in an industry and the company’s transferable assets—can guide that company’s strategic thinking.
- Far from weighing down operations with low-margin sales, the company’s distribution network was the key to defending its home turf.



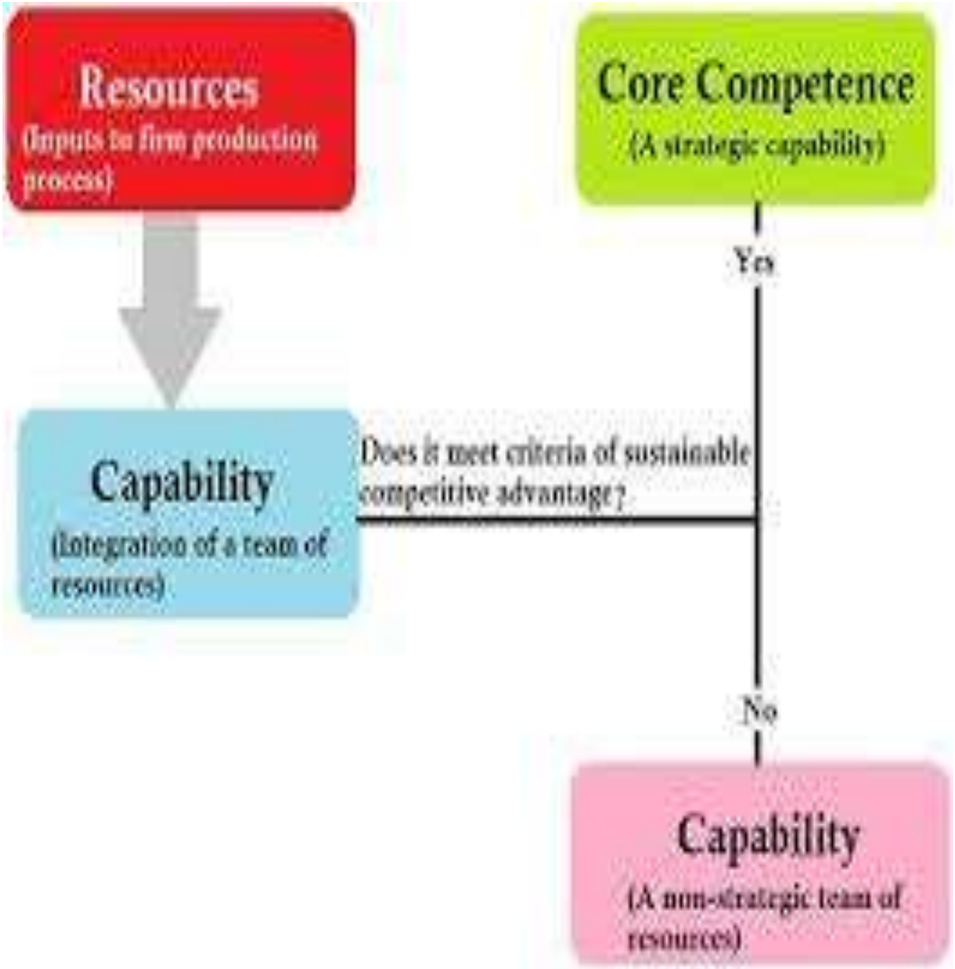
Capabilities and Competencies:

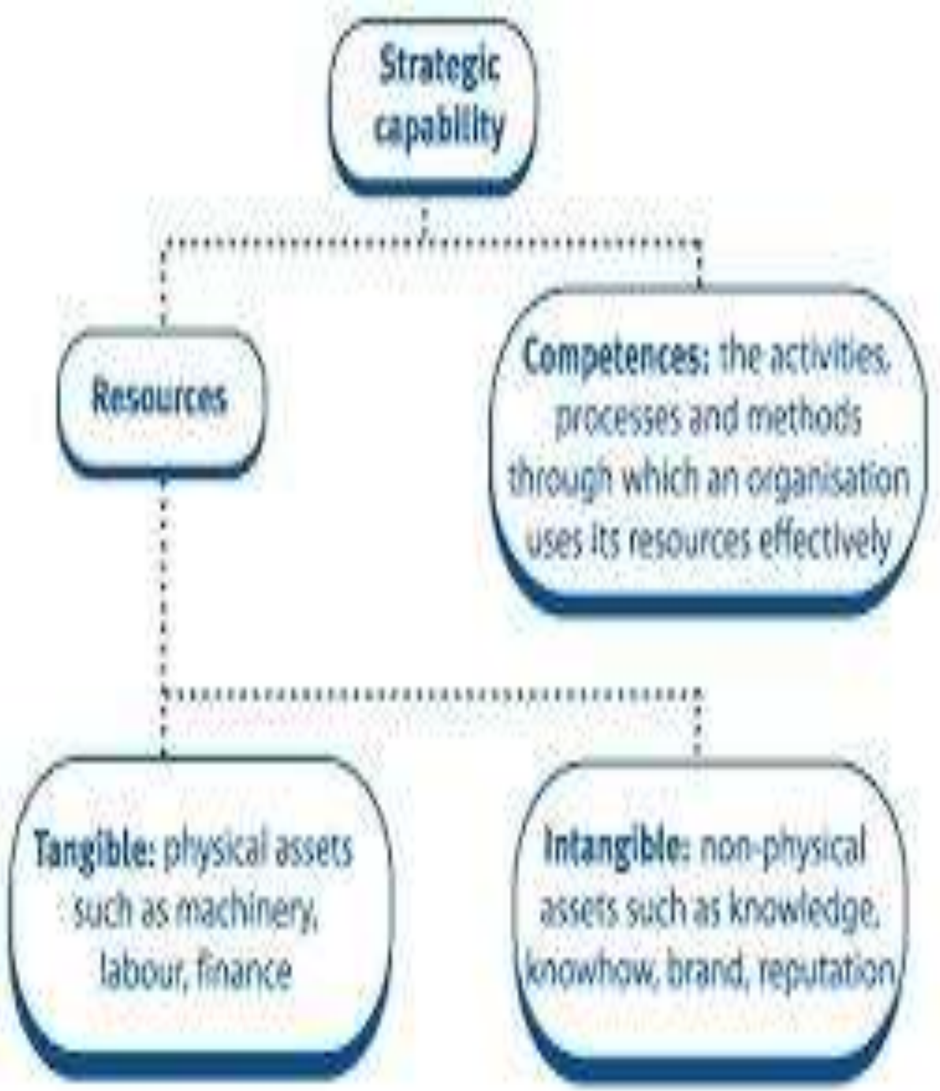
Capability-based strategies are based on the notion that internal resources and core competencies derived from distinctive capabilities provide the strategy platform that underlies a firm's long-term profitability.

Evaluation of these capabilities begins with a company capability profile, which examines a company's strengths and weaknesses in four key areas:

- Managerial
- Marketing
- Financial
- Technical


Strategy
Competitive Advantage
Organisational Delivery Mechanisms
Core Competencies
Resources


Resources
(Inputs to firm production process)
Core Competence
(A strategic capability)
Yes
Capability
(Integration of a team of resources)
Does it meet criteria of sustainable competitive advantage?
No
Capability
(A non-strategic team of resources)



Strategic capability
Resources
Competences: the activities, processes and methods through which an organisation uses its resources effectively
Tangible: physical assets such as machinery, labour, finance
Intangible: non-physical assets such as knowledge, knowhow, brand, reputation

Distinctive Competence:

What Is Distinctive Competence?

Distinctive competence refers to a superior characteristic, strength, or quality that distinguishes a company from its competitors. This distinctive quality can be just about anything—innovation, a skill, design, technology, name recognition, marketing, workforce, customer satisfaction, or even being first to market.

Via distinctive competency, a company can provide a premier value to customers. This unique aspect of the company, product, or service is difficult to imitate by the competition and creates a strong competitive advantage.

Why distinctive competencies is important?

Distinctive competencies enable companies to:

1. Increase competitive advantage
2. Improve customer delight and loyalty
3. Stand apart from competitors
4. Be difficult to imitate
5. Strengthen strategy

DISTINCTIVE COMPETENCIES

- Firm- Specific strengths that allow a company to differentiate its products and/or achieve lower costs than its rivals.
  - Arise from resources and capabilities
- Resources: Assets of a company.
  - Tangible resources: Physical entities.
    - Land, buildings, and inventory, and money.
  - Intangible resources: Nonphysical entities created by managers and other employees.
    - Brand names, company reputation, and intellectual property.

Resources and Capabilities:

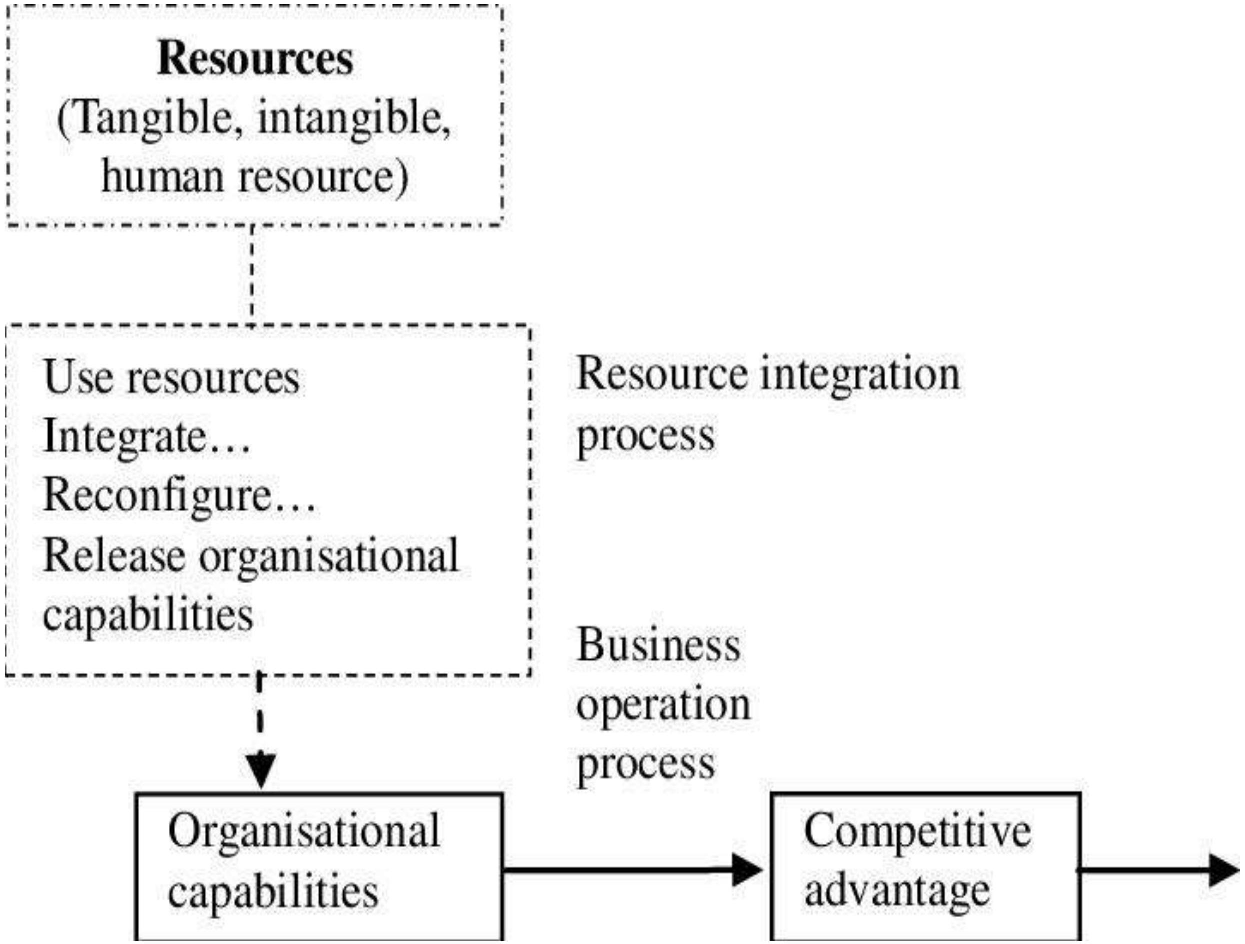
Resource-based theory can be confusing because the term *resources* is used in many different ways within everyday common language. It is important to distinguish *strategic resources* from other resources. To most individuals, cash is an important resource. Tangible goods such as one's car and home are also vital resources. When analyzing organizations, however, common resources such as cash and vehicles are not considered to be strategic resources. Resources such as cash and vehicles are valuable, of course, but an organization's competitors can readily acquire them. Thus an organization cannot hope to create an enduring competitive advantage around common resources.

A strategic resource is an asset that is valuable, rare, difficult to imitate, and nonsubstitutable.

While resources refer to what an organization owns, capabilities refer to what the organization can do.
More specifically, capabilities refer to the firm’s ability to bundle, manage, or otherwise exploit resources in a manner that provides value added and, hopefully, advantage over competitors.

Resources and Capabilities in relation to competitive advantage:

The Links Among Resources, Capabilities and Competitive Advantage in NOCs. The competitive advantage of an organisation arises from the resources and capabilities that are in place within the organisation. Competitive advantage leads to strategic success and a lack of it leads to a lack of success.



RESOURCES	CAPABILITIES
Definition: An asset or input to production that an organization owns, controls, or has access to on a semi-permanent basis (Helfat & Peteraf, 2003)	Definition: The ability of an organization to perform a coordinated set of tasks, utilizing organizational resources, for the purpose of achieving a particular end result (Helfat & Peteraf, 2003)
Types:	Types:

Tangible	**Intangible**	**Operational**	**Dynamic**
With physical existence	Without physical existence	Make a living	Alter how to make a living
Examples:	Examples:	Examples:	Examples:
• property	• knowledge	• administer	• orchestrate
• plant	• sales orientation	• operate	• adapt
• equipment	• client involvement	• govern	• innovate
• financial assets	• reputational capital	• purchase	• recognize opportunities
• IT systems	• leadership skills	• manufacture	

RESOURCES	CAPABILITIES
Illustrative literature: Gruber et al. (2010); Petrick et al. (1999)	Illustrative literature: Gebauer (2011); Teece (2014).

UNIT-4

Strategic Analysis

Strategic Analysis:

What is Strategic Analysis?

Strategic analysis refers to the process of conducting research on a company and its operating environment to formulate a strategy.

The definition of strategic analysis may differ from an academic or business perspective, but the process involves several common factors:

1. Identifying and evaluating data relevant to the company's strategy

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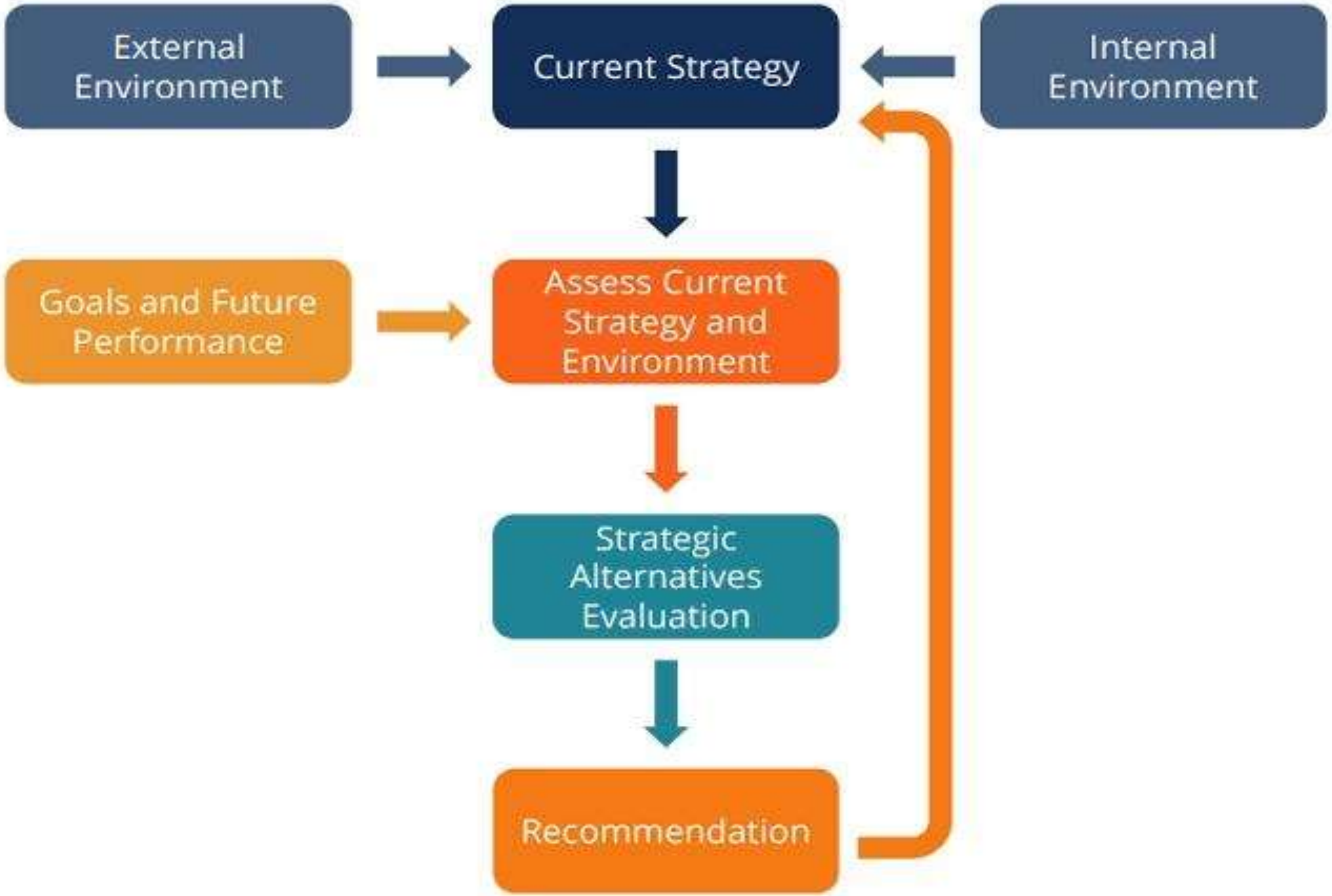
2. Defining the internal and external environments to be analyzed.

3. Using several analytic methods such as Porter's five forces analysis, SWOT analysis, and value chain analysis.

Levels of strategic analysis:



Tools and Techniques for Strategic analysis:

There are three major tools are used in strategic analysis. They are

1.Planning tools
2.Tracking tools
3.Managing tools

Strategic analysis

- Tools and techniques for strategic analysis
- Corporate portfolio analysis
  - GE nine-cell matrix
  - Corporate parenting analysis
- SWOT analysis
- Experience curve analysis
- Life cycle analysis
- Industry analysis
- Strategic groups analysis
- Competitor analysis

TOOLS AND TECHNIQUES OF STRATEGIC ANALYSIS

- Many techniques are used to assist in the analysis and evaluation of different options (choice) and others can assist in identifying problems in changing the organisation, designing new structures or assisting in resource allocation and control (all elements of implementation).

WARWICK


MOTIVATION
ACTIONS
Drivers
• Increase market share by 26% by the end of 2021
• Increase revenue by 5% in 2018
• Reduce cost by 10% in 2018
• Earnings through delivery service constitute 15% of the total revenue
• Reduce the number of employees by 5% by the end of 2010%
Current strategy
• Single queue system
• Provide delivery service
• Offers products that are relatively cheaper compared to competitors
• Broad differentiation of food categories
• Make the products offering distinct
• Self ordering service
COMPETITOR'S FUTURE STRATEGY
Management assumptions
• Despite controversy, single queue system is applicable (Good meal is worth the wait)
• Customer loyalty is high
• Customer loyalty will remain high
• They can react to changes quickly
Capabilities
• Quick reaction to changes
• Strong financials support
• Solid relationships with ingredients suppliers
• Low correlation with economic cycles

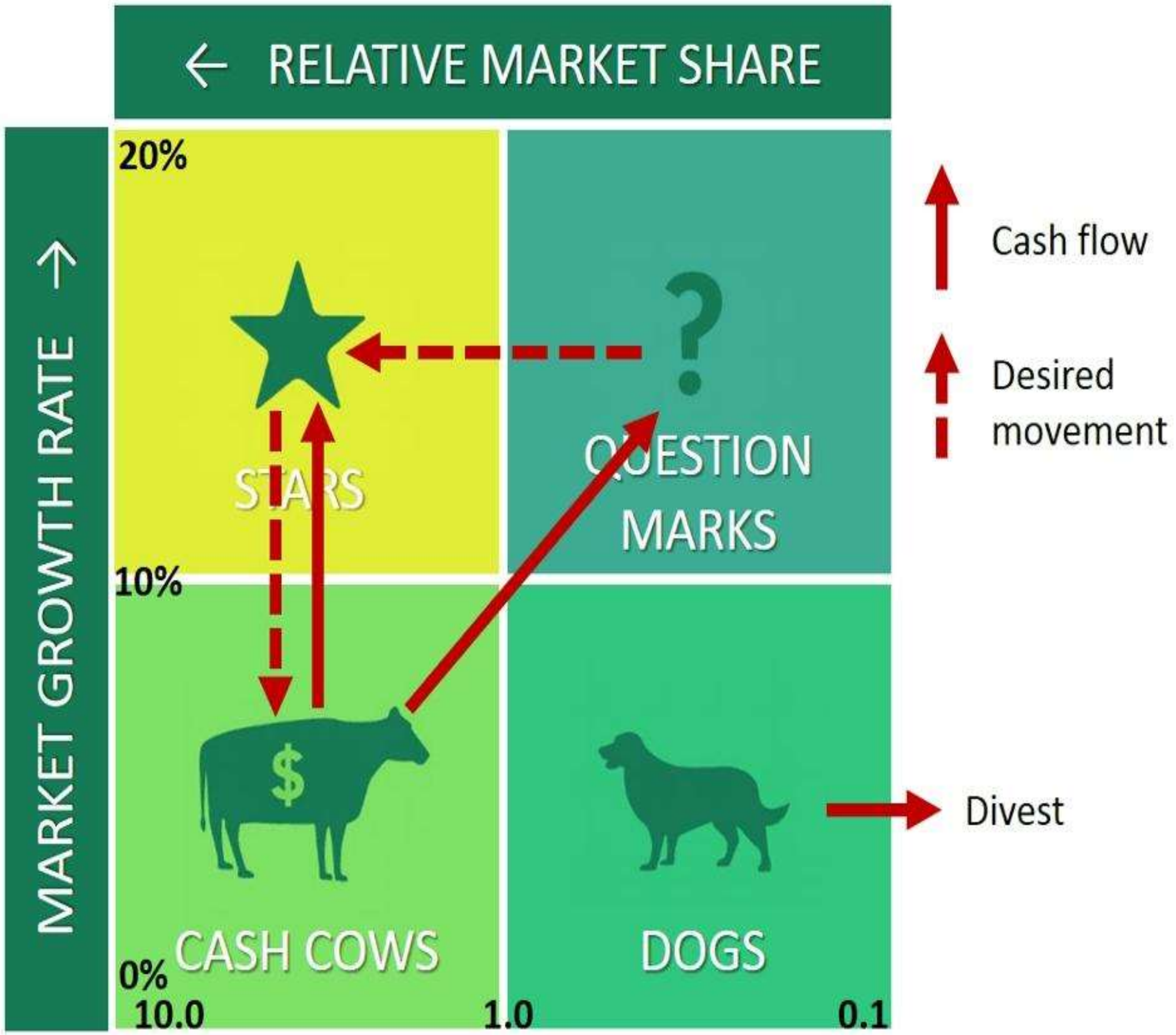
Corporate Portfolio analysis:

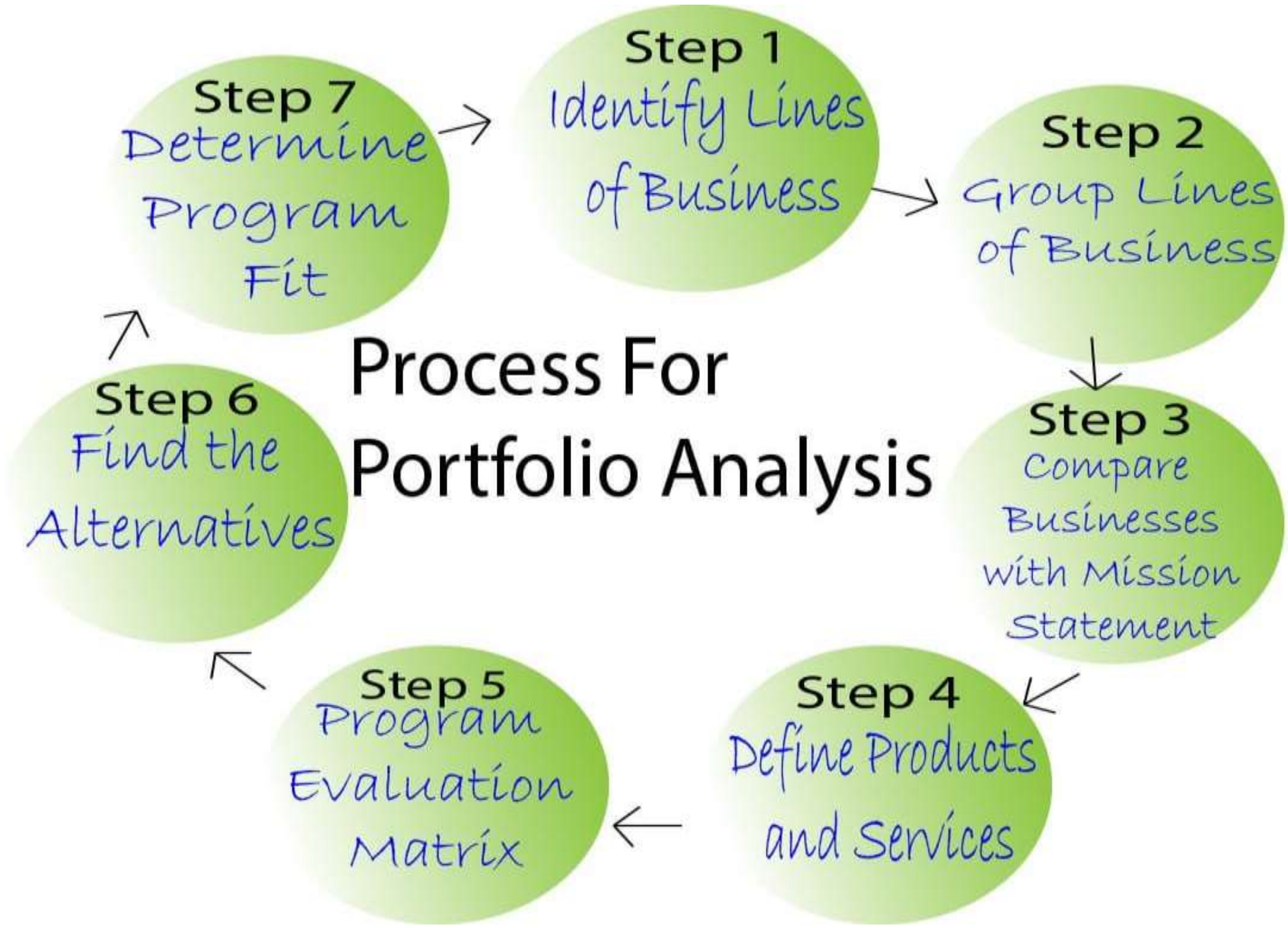
Corporate portfolio analysis is a set of techniques that help strategist in taking strategic decision regard to individual product or business in a firm’s portfolio.

Each segment of a company’s product line is evaluated including sales, market share, cost of production and potential market strength.

Techniques;

- BCG (Boston Consulting Group) Matrix
- GE(General Electric’s 9 cell) model
- Hofer’s Product Market Evolution
- Directional Policy & the strategic position


RELATIVE MARKET SHARE
MARKET GROWTH RATE
20%
10%
0%
10.0
1.0
0.1
STARS
QUESTION MARKS
CASH COWS
DOGS
$
Cash flow
Desired movement
Divest


Process For Portfolio Analysis
Step 1
Identify Lines of Business
Step 2
Group Lines of Business
Step 3
Compare Businesses with Mission Statement
Step 4
Define Products and Services
Step 5
Program Evaluation Matrix
Step 6
Find the Alternatives
Step 7
Determine Program Fit

Strength, Weakness, Opportunity, and Threat (SWOT) Analysis:

What Is SWOT Analysis?

SWOT (strengths, weaknesses, opportunities, and threats) analysis is a framework used to evaluate a company's competitive position and to develop strategic planning. SWOT analysis assesses internal and external factors, as well as current and future potential.

A SWOT analysis is designed to facilitate a realistic, fact-based, data-driven look at the strengths and weaknesses of an organization, initiatives, or within its industry. The organization needs to keep the analysis accurate by avoiding pre-conceived beliefs or gray areas and instead focusing on real-life contexts. Companies should use it as a guide and not necessarily as a prescription.


STEPS OF
SWOT ANALYSIS
EXTERNAL
ENVIRONMENTAL
INDUSTRY AND
COMPETITIVE
IDENTIFICATION OF
OPPORTUNITIES AND THREATS
INTERNAL ENVIRONMENTAL
AND IDENTIFICATION INTERNAL
STRENGTHS AND WEAKNESSES
CONCLUDING SWOT
ANALYSIS AND
DRAWING CONCLUSION

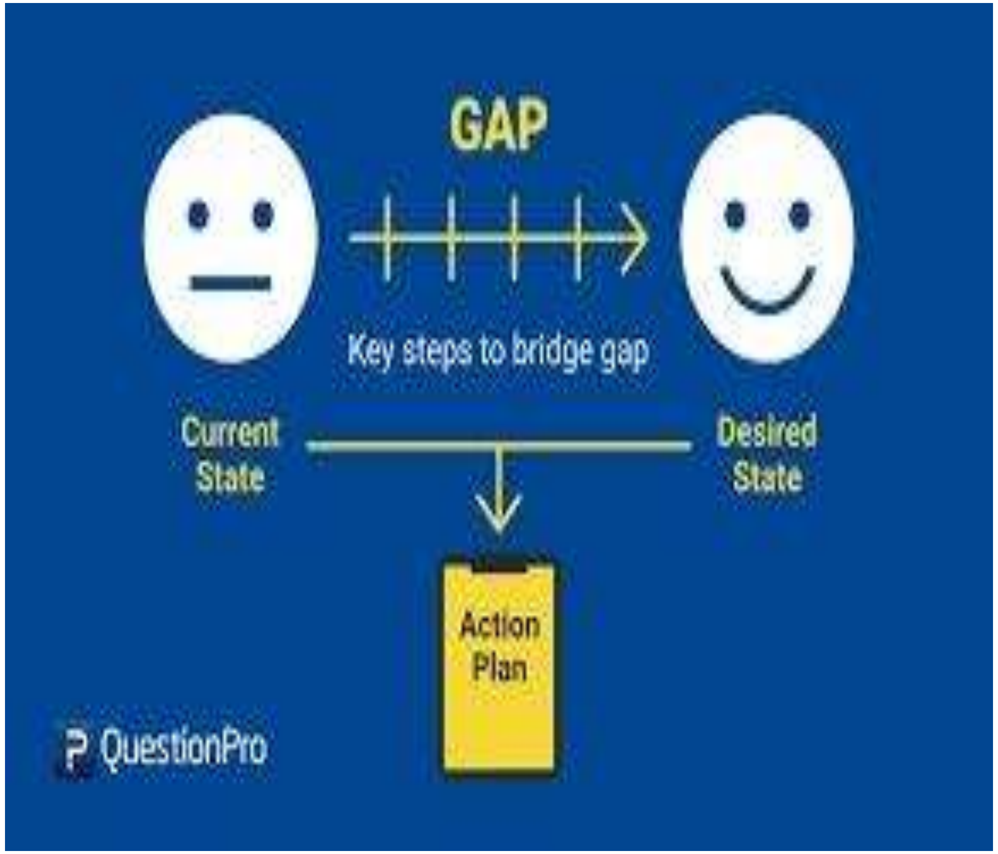
Gap Analysis:

What Is Strategic Gap Analysis?

Strategic gap analysis is a business management technique that requires an evaluation of the difference between a business endeavor's best possible outcome and the actual outcome. It includes recommendations on steps that can be taken to close the gap.

Strategic gap analysis aims to determine what specific steps a company can take to achieve a particular goal. A range of factors including the time frame, management performance, and budget constraints are looked at critically in order to identify shortcomings.


Sales Metrics
(Where We Want
To/Could Be)
Potential
The Gap
Performance
(Where we are
heading - If We Do
Nothing)
Time

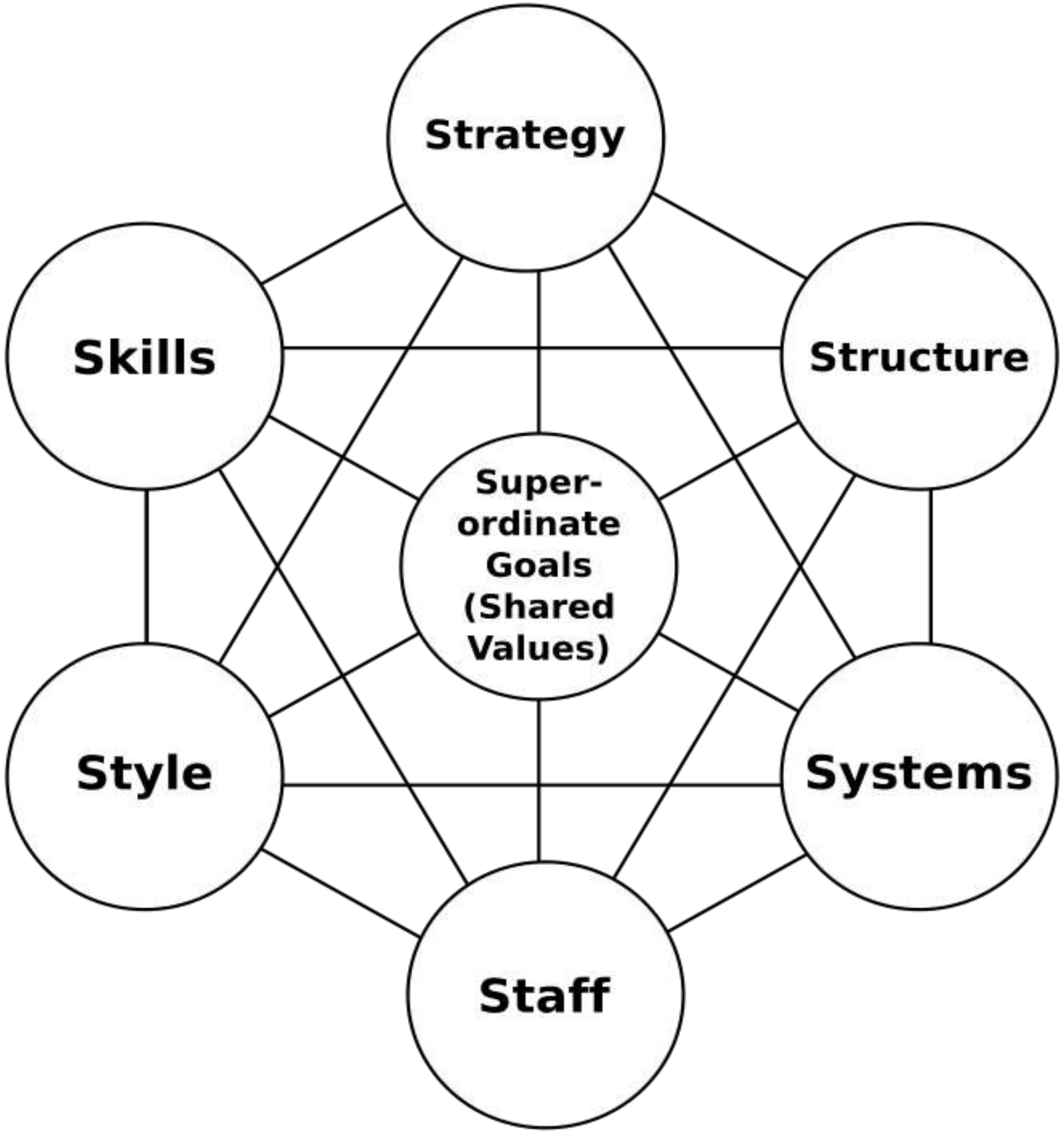

GAP
Key steps to bridge gap
Current
State
Desired
State
Action
Plan
QuestionPro

Steps in GAP Analysis:

McKinsey's 7s Framework:

The **McKinsey 7S Framework** is a management model developed by business consultants Robert H. Waterman, Jr. and Tom Peters (who also developed the MBWA-- "Management By Walking Around" motif, and authored *In Search of Excellence*) in the 1980s. This was a strategic vision for groups, to include businesses, business units, and teams. The 7 S's are structure, strategy, systems, skills, style, staff and shared values.

The model is most often used as an organizational analysis tool to assess and monitor changes in the internal situation of an organization. The model is based on the theory that, for an organization to perform well, these seven elements need to be aligned and mutually reinforcing.

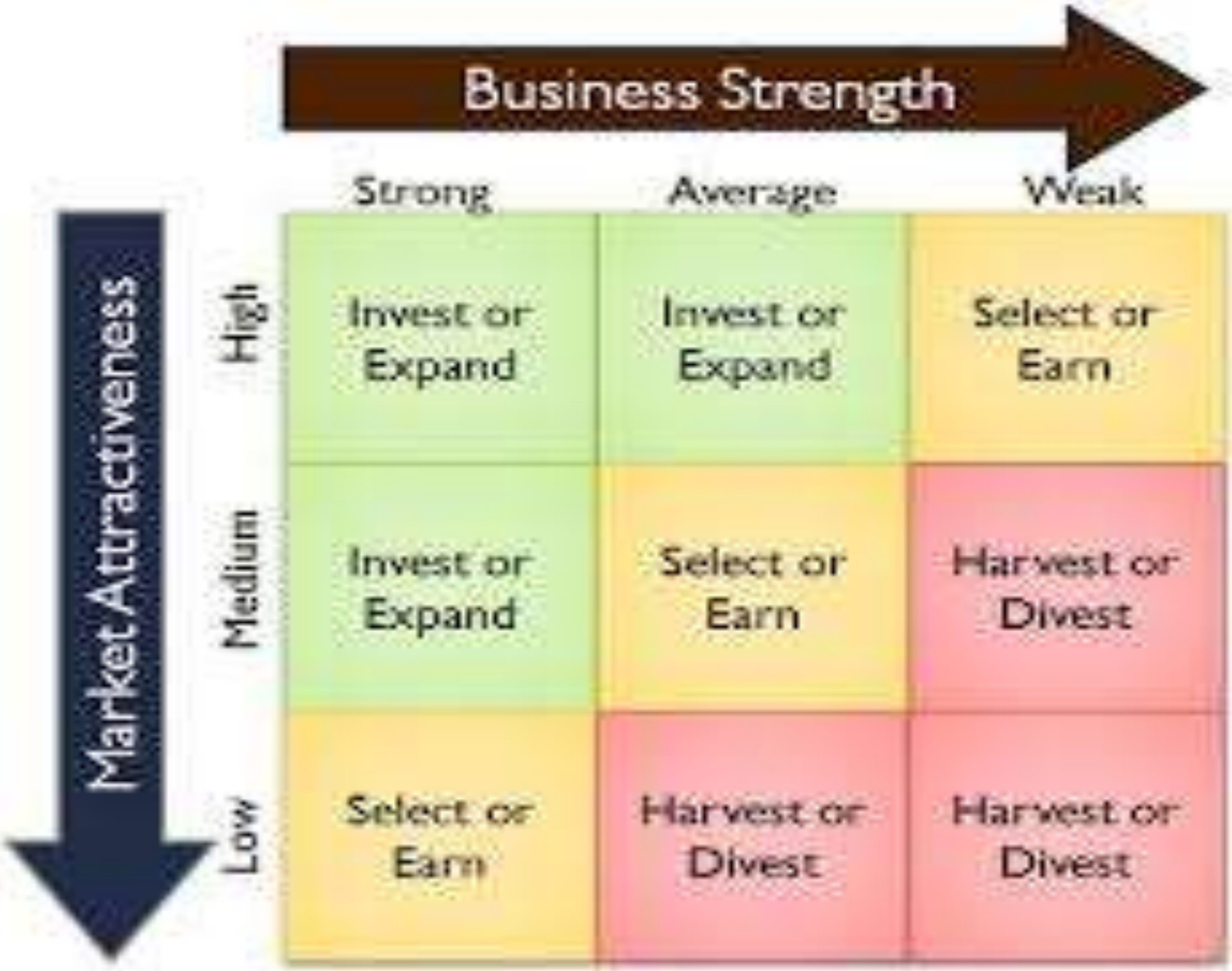

Strategy
Skills
Structure
Super-
ordinate
Goals
(Shared
Values)
Style
Systems
Staff

GE 9 Cell Model:

- The GE McKinsey Matrix is a useful tool for strategic planning.
- Organizations use the GE 9 Cell Matrix to determine their position in the market and then analyze strategies for growth.
- Developed by McKinsey for its client GE, the GE McKinsey Matrix helps business strategists analyze three factors: products and markets, competitors and organizational structure.

GE Nine Cell Matrix

Industry Attractiveness	Business Unit Strength		
	Strong	Average	Weak
High	*Grow*	*Grow*	*Hold*
Medium	*Grow*	*Hold*	*Harvest*
Low	*Hold*	*Harvest*	*Harvest*


Business Strength
Strong
Average
Weak
Market Attractiveness
High
Medium
Low
Invest or Expand
Invest or Expand
Select or Earn
Invest or Expand
Select or Earn
Harvest or Divest
Select or Earn
Harvest or Divest
Harvest or Divest

Distinctive Competitiveness:

Meaning:

Distinctive Competence is a set of unique capabilities that certain firms possess allowing them to make inroads into desired markets and to gain advantage over the competition; generally, it is an activity that a firm performs better than its competition. To define a firm‟s distinctive competence, management must complete an assessment of both internal and external corporate environments. When management finds an internal strength and both meets market needs and gives the firm a comparative advantage in the market place, that strength is the firm‟s distinctive competence.

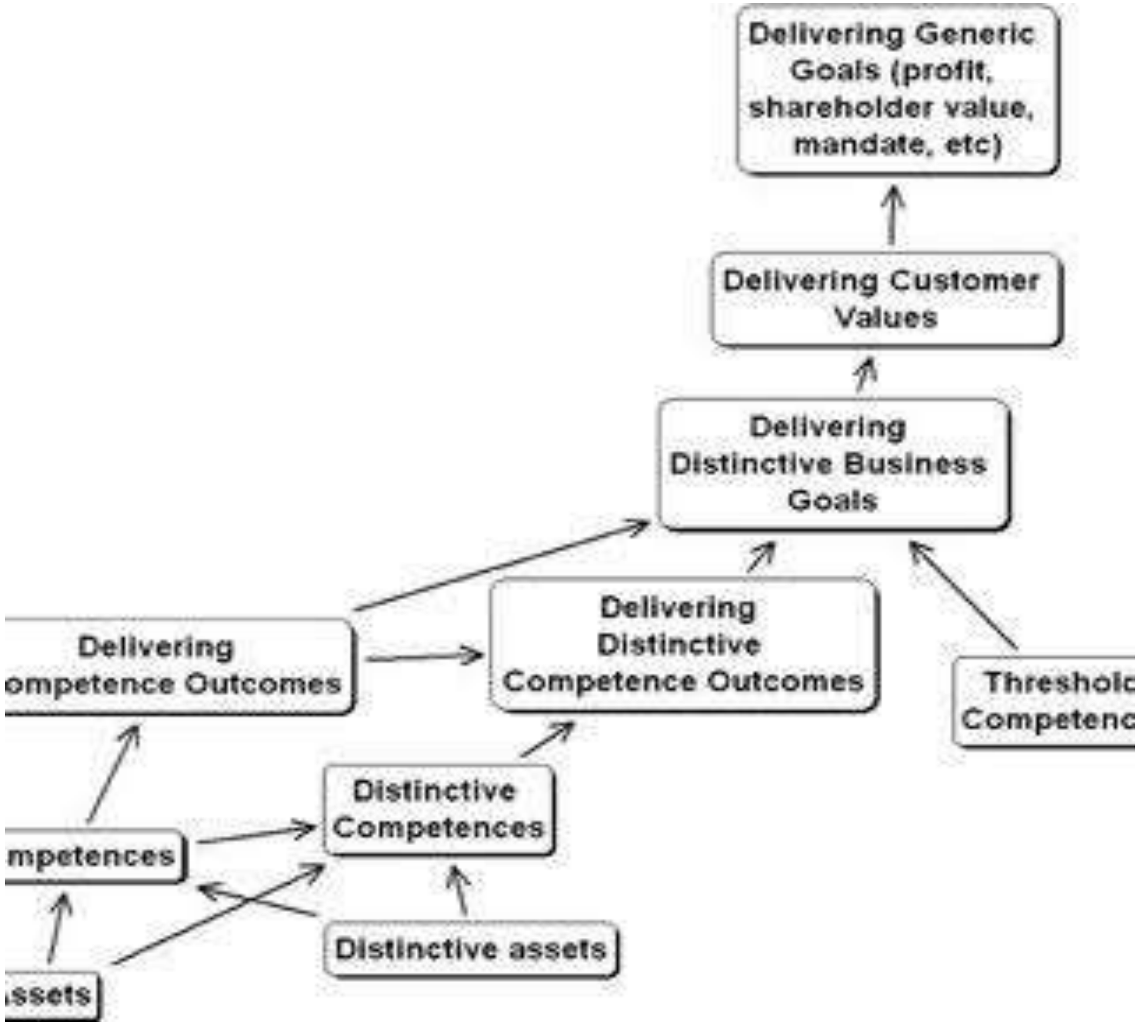
Defining and Building Distinctive Competence:

To define a company‟s distinctive competence, managers often follow a particular process.

1. They identify the strengths and weaknesses in the given marketplace.

2. They analyze specific market needs and look for comparative advantages that they have over the competition.

Strategic Management for Competitive Advantage



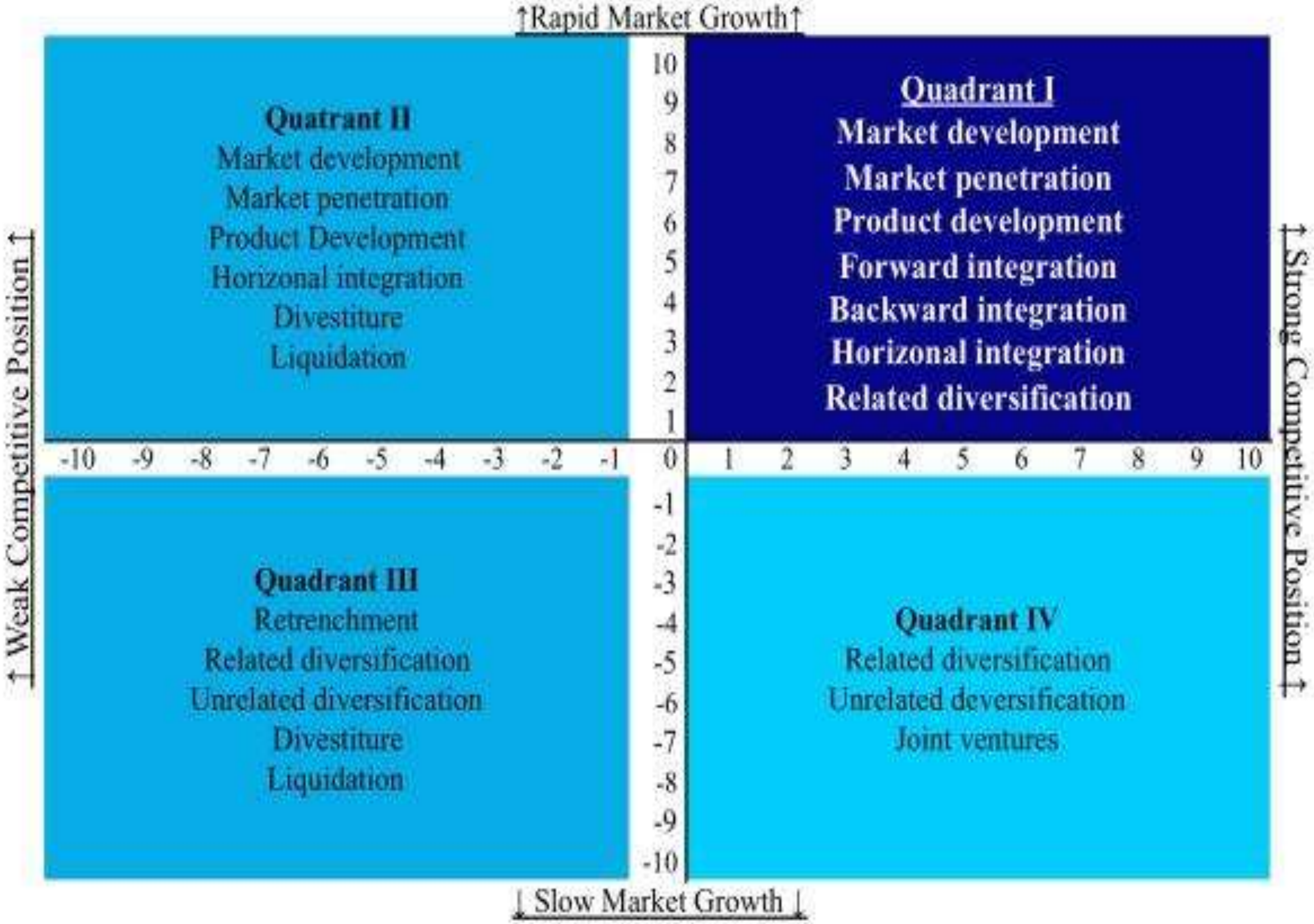
Grand strategy selection matrix:

Defintion:

Grand strategy selection matrix is a popular tool for developing feasible strategies with the help of the SWOT Analysis, BCG Matrix, IE Matrix, and SPACE Matrix. It is also known as the grand strategy matrix. It is the instrument to create alternative and various strategies for the company. This strategy matrix is developed in 2 dimensions: market growth and competitive position. Data required for placing SBUs (Strategic Business Units) in this matrix is got from the portfolio analysis. Grand strategy matrix gives feasible strategies for organizations that are listed in attractiveness's sequential order in the matrix's each quadrant.

The **grand strategy selection matrix** has become a powerful tool in developing alternative strategies for companies. Basically, this strategy matrix is based on 4 crucial elements:

1. Rapid Market Growth
2. Slow Market Growth
3. Strong Competitive Position
4. Weak Competitive Position


↑Rapid Market Growth↑
Quatrant II
Market development
Market penetration
Product Development
Horizonal integration
Divestiture
Liquidation
Quadrant I
Market development
Market penetration
Product development
Forward integration
Backward integration
Horizonal integration
Related diversification
Quadrant III
Retrenchment
Related diversification
Unrelated diversification
Divestiture
Liquidation
Quadrant IV
Related diversification
Unrelated deversification
Joint ventures
↓ Slow Market Growth ↓
↑ Weak Competitive Position ↑
↑ Strong Competitive Position ↑
-10 -9 -8 -7 -6 -5 -4 -3 -2 -1 0 1 2 3 4 5 6 7 8 9 10

Balanced Scorecard:

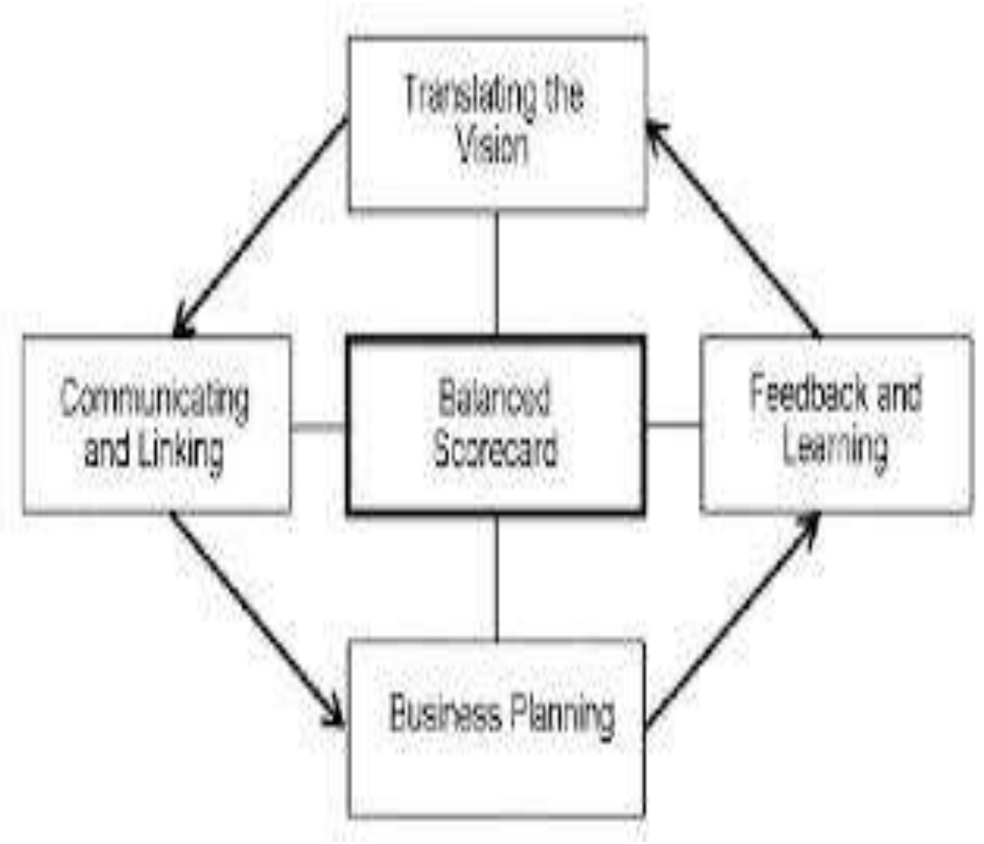
What Is a Balanced Scorecard (BSC)?

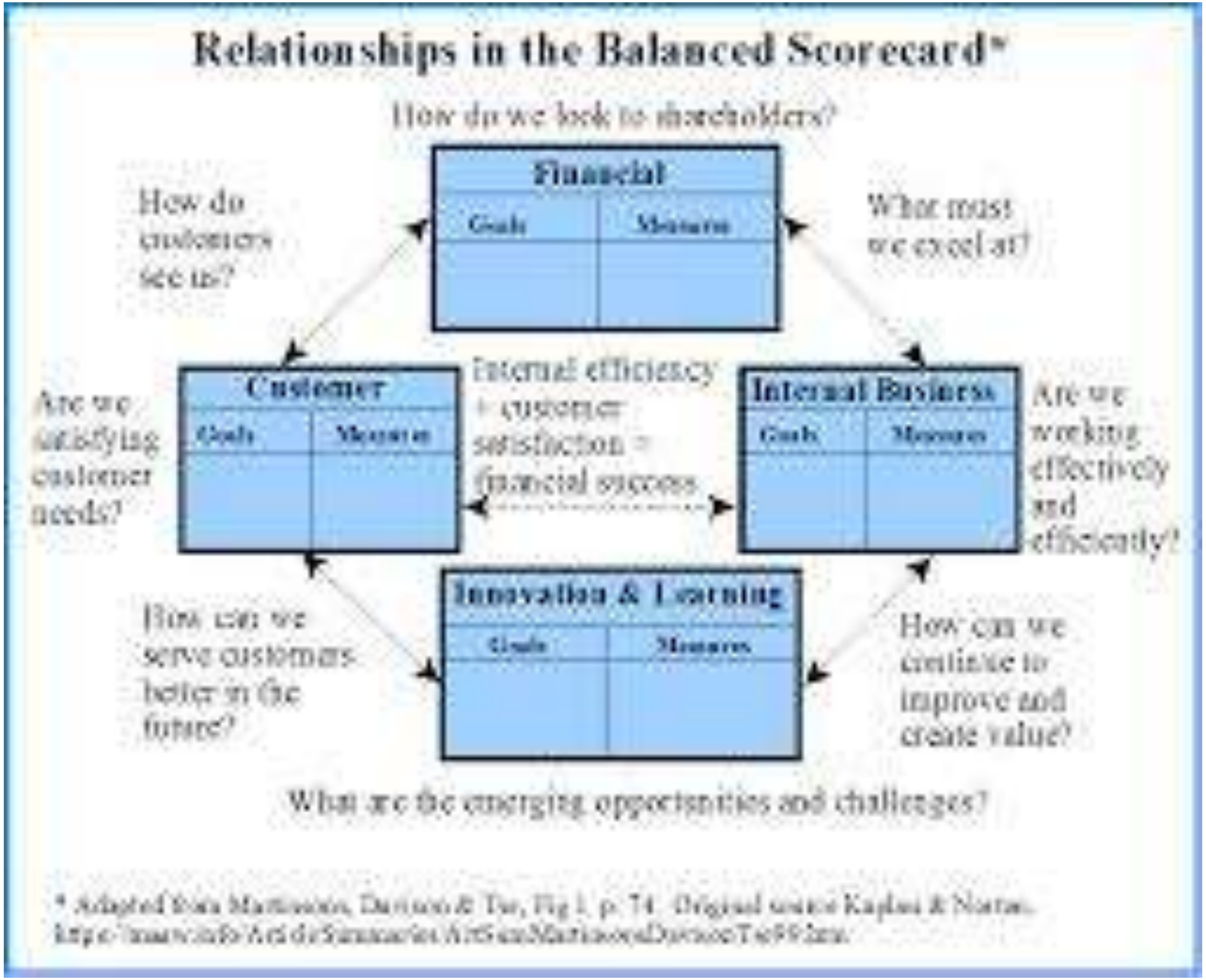
The term balanced scorecard (BSC) refers to a strategic management performance metric used to identify and improve various internal business functions and their resulting external outcomes. Used to measure and provide feedback to organizations, balanced scorecards are common among companies in the United States, the United Kingdom, Japan, and Europe.

Data collection is crucial to providing quantitative results as managers and executives gather and interpret the information. Company personnel can use this information to make better decisions for the future of their organizations.

The balanced scorecard model reinforces good behavior in an organization by isolating four separate areas that need to be analyzed. These four areas, also called legs, involve:

- Learning and growth
- Business processes
- Customers
- Finance[1]





Relationships in the Balanced Scorecard*
How do we look to shareholders?
Financial
Goals
Measures
How do customers see us?
What must we excel at?
Customer
Goals
Measures
Internal efficiency + customer satisfaction = financial success
Internal Business
Goals
Measures
Are we satisfying customer needs?
Are we working effectively and efficiently?
Innovation & Learning
Goals
Measures
How can we serve customers better in the future?
How can we continue to improve and create value?
What are the emerging opportunities and challenges?

UNIT-5

Strategy Implementation and Evaluation

Strategic implementation:

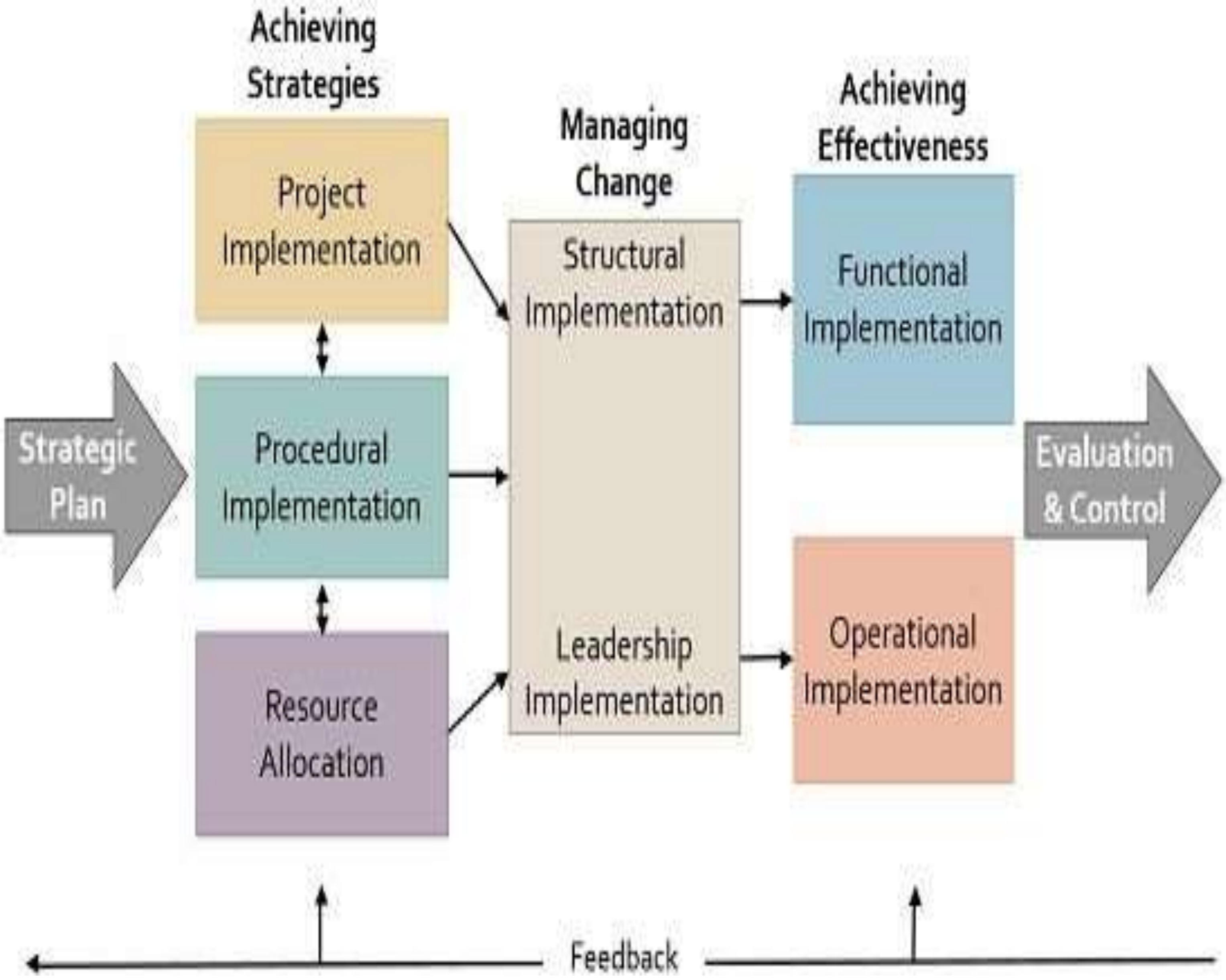
Meaning:

Strategic implementation refers to the process of executing plans and strategies. These processes aim to achieve long-term goals within an organization.

Strategic implementation, in other words, is a technique through which a firm develops. It utilizes and integrates new processes into the structure of an organization.

Process of Strategy Implementation:

- Building an organization, that possess the capability to put the strategies into action successfully.
- Supplying resources, in sufficient quantity, to strategy-essential activities.
- Developing policies which encourage strategy.
- Such policies and programs are employed which helps in continuous improvement.
- Combining the reward structure, for achieving the results.
- Using strategic leadership.


Achieving Strategies
Project Implementation
Procedural Implementation
Resource Allocation
Strategic Plan
Managing Change
Structural Implementation
Leadership Implementation
Achieving Effectiveness
Functional Implementation
Operational Implementation
Evaluation & Control
Feedback

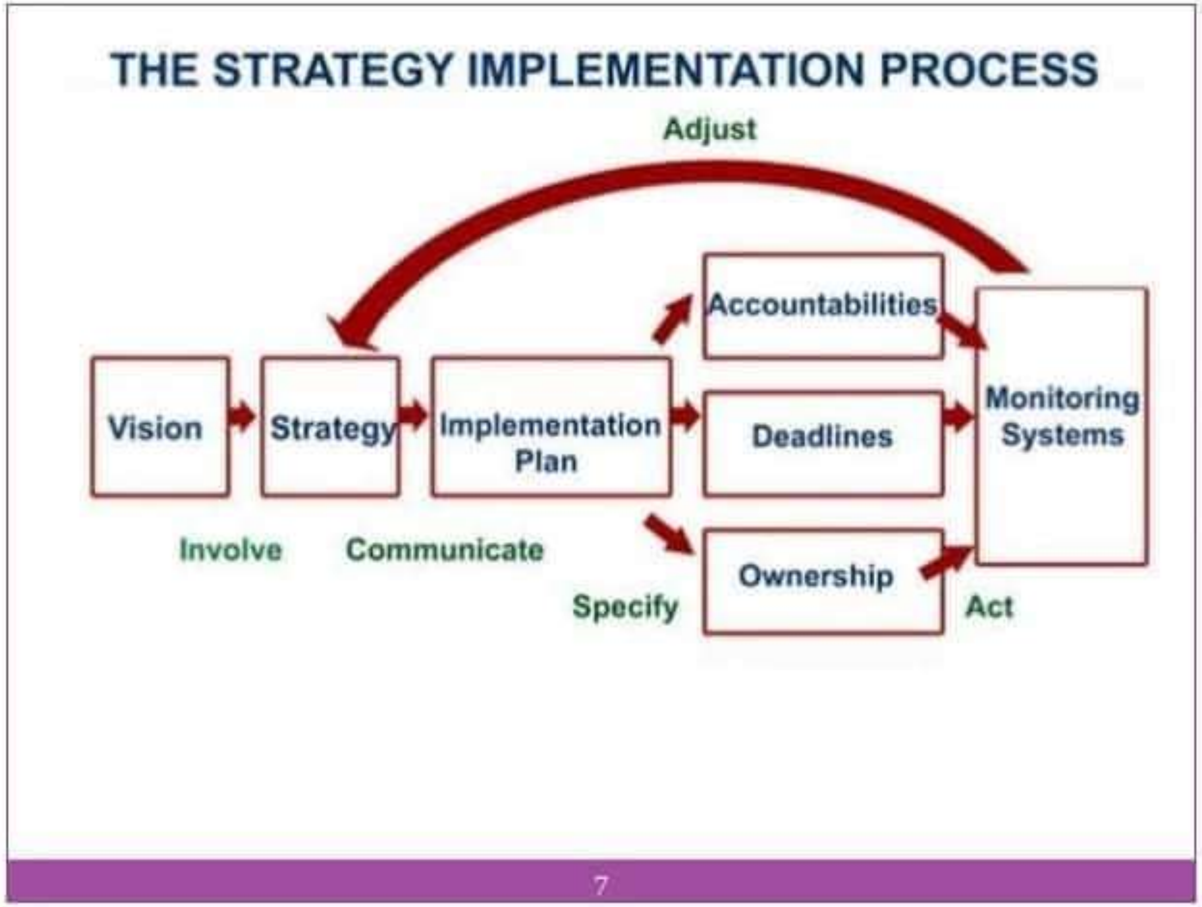
Nature of strategy implementation:

It is possible to turn strategies and plans into individual actions, necessary to produce a great business performance. But it's not easy. Many companies repeatedly fail to truly motivate their people to work with enthusiasm, all together, towards the corporate aims. Most companies and organizations know their businesses, and the strategies required for success. However many corporations - especially large ones - struggle to translate the theory into action plans that will enable the strategy to be successfully implemented and sustained. Here are some leading edge methods for effective strategic corporate implementation. These advanced principles of strategy realization are provided by the very impressive Foresight Leadership organization, and this contribution is gratefully acknowledged.
Most companies have strategies, but according to recent studies, between 70% and 90% of organizations that have formulated strategies fail to execute them.
A Fortune Magazine study has shown that 7 out of 10 CEOs, who fail, do so not because of bad strategy, but because of bad execution.
In another study of Times 1000 companies, 80% of directors said they had the right strategies but only 14% thought they were implementing them well.

THE NATURE OF STRATEGY IMPLEMENTATION

- Strategy formulation is positioning forces before the action.
- Strategy implementation is managing forces during the action.
- Strategy formulation focuses on effectiveness.
- Strategy implementation focuses on efficiency.

Strategy Implementation Process:

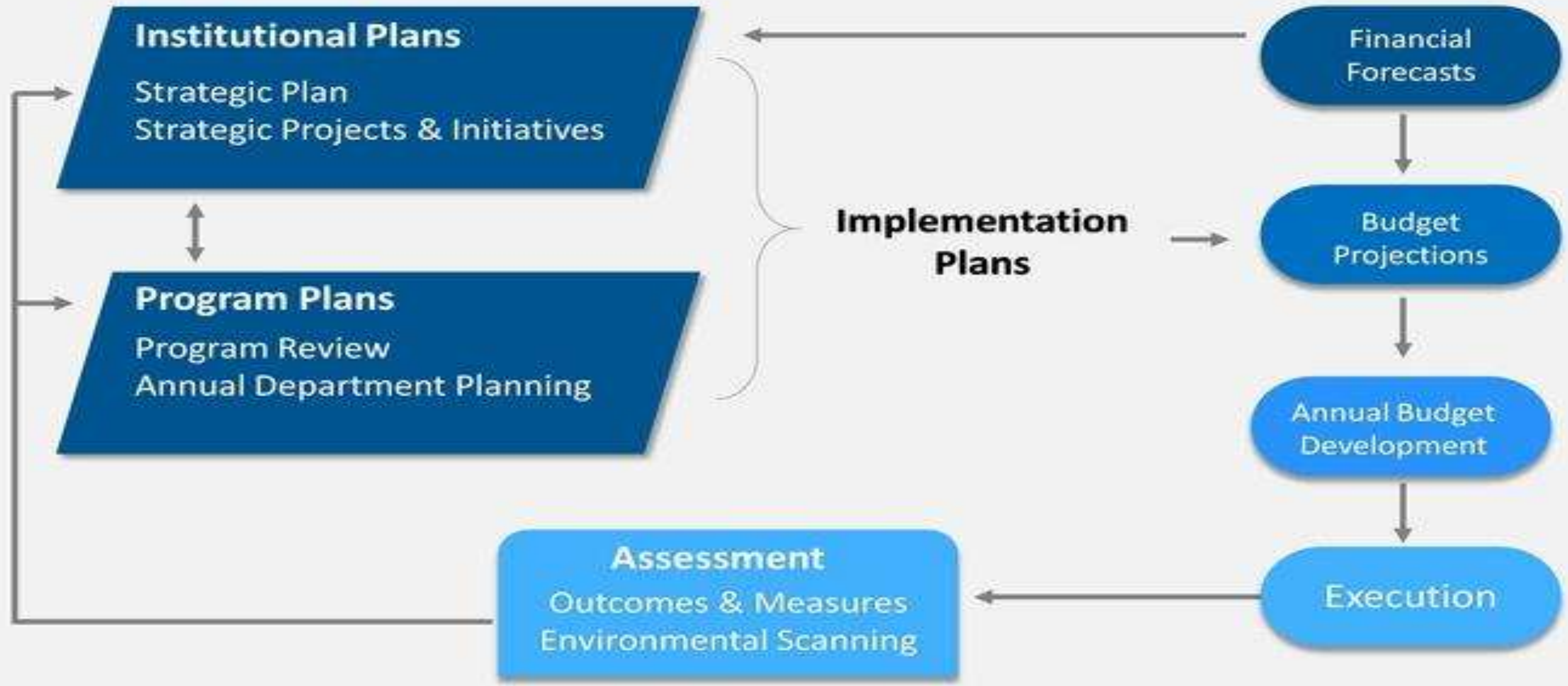


Models of Strategic implementation resource:

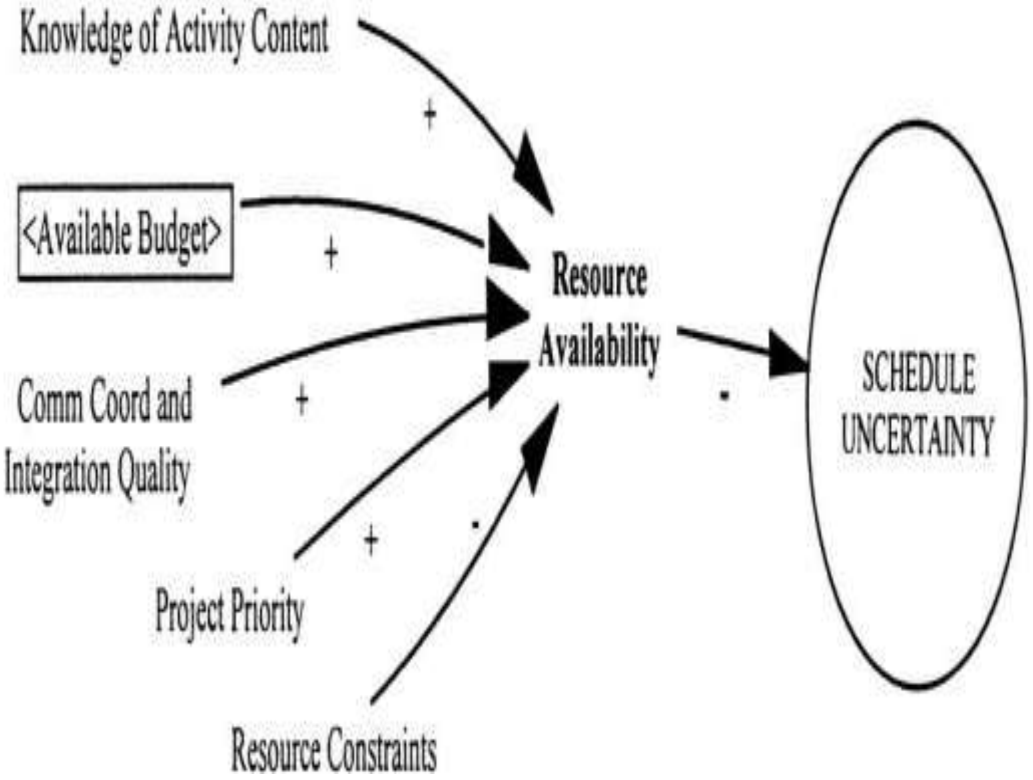
Strategic Allocation:

RESOURCE ALLOCATION

Planning and Resource Allocation



Factors Affecting Resource Allocation



Factors Affecting Resource Allocation in Health Care

- The uninsured
- Access to health services
- Rationing health care
- *Healthy People 2020*

9.5. Structural Implementation

- Structural implementation considers the vertical and horizontal differentiation, integration of roles and functions, and balancing centralization and decentralization of decisions in organizations with a view to achieve superior performance.
- Vertical differentiation refers to the distribution of decision-making authority resulting in flat or tall structures depending on the span of control and chain of command.
- Horizontal differentiation considers dividing of people and grouping of tasks into functions, divisions, and teams to meet the strategic objectives of the organization.

Structures for Strategies:

Matching Structure with Strategy:

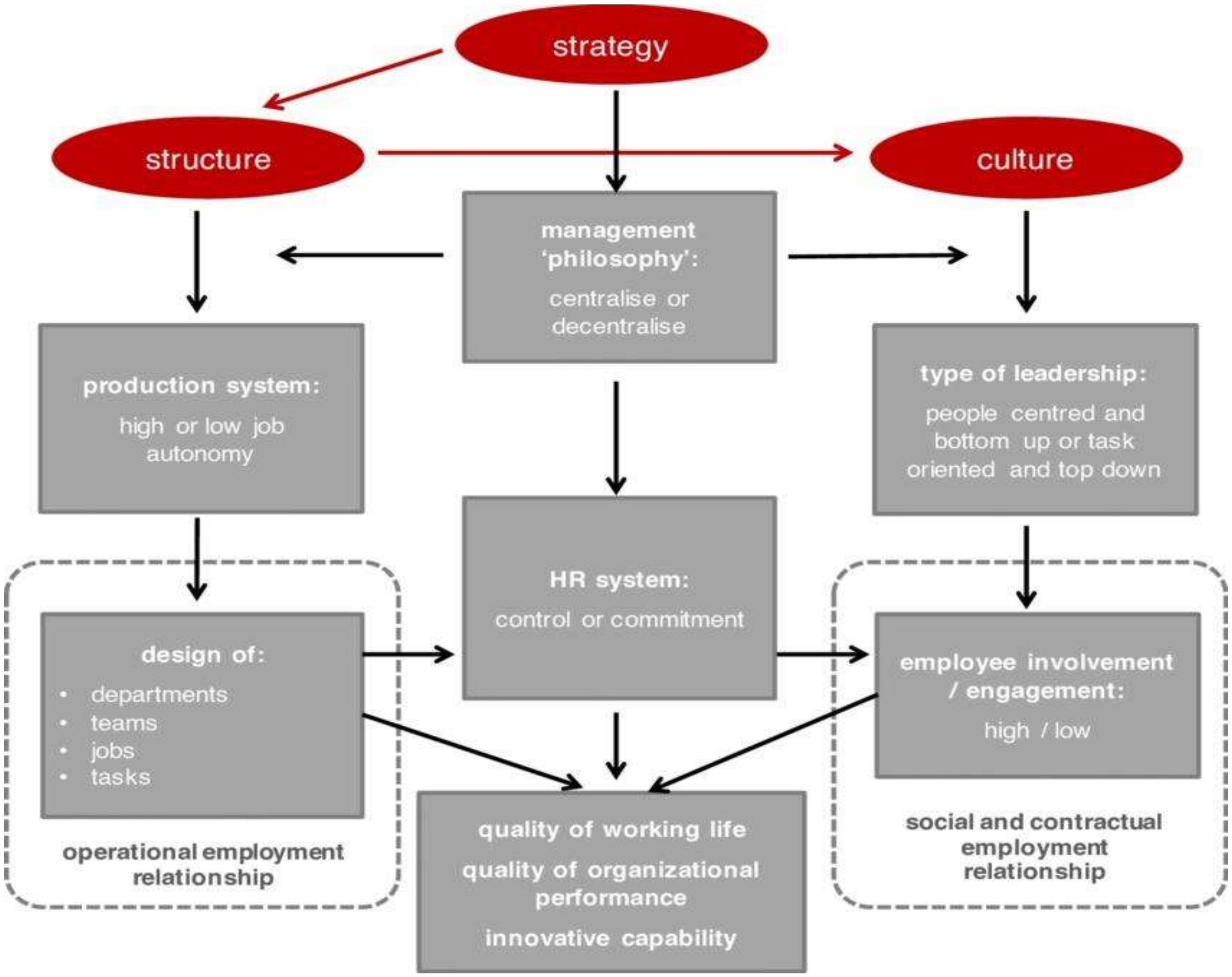
Change in strategy lead to changes in organizational structure.

Reasons for Changing Structure:

1. Structure dilates how policies & objectives will be established.
2. Structure dilates how resources will be allocated

Example: Customer Groups

- The structure might be suitable only 91 firm.
- Growth of organization leads to changes in structure
- Structure can shape choices of strategies.


strategy
structure
culture
management 'philosophy':
centralise or decentralise
production system:
high or low job autonomy
type of leadership:
people centred and bottom up or task oriented and top down
HR system:
control or commitment
design of:
• departments
• teams
• jobs
• tasks
employee involvement / engagement:
high / low
quality of working life
quality of organizational performance
innovative capability
operational employment relationship
social and contractual employment relationship

Techniques of Strategic Evaluation and Control:

Emerging Trends and Analytical Cases:

The top five emerging trends driving the global **management consulting services** market are as follows:

- Increased strategic partnerships with market research firms
- Growth in technology automation
- Increased online collaboration among stakeholders
- Increase in commoditization of services
- Growth in offshoring

Top five suppliers in the global management consulting services:

- PricewaterhouseCoopers
- Deloitte
- McKinsey & Company
- Boston Consulting Group
- Bain and Company