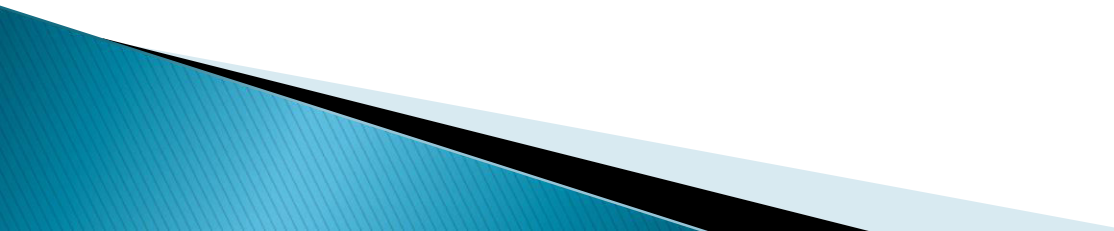

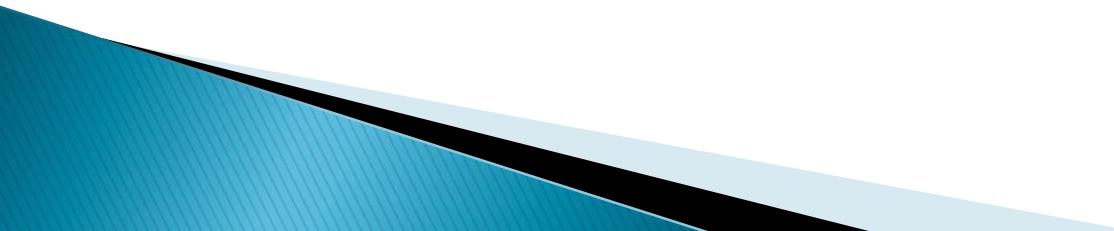



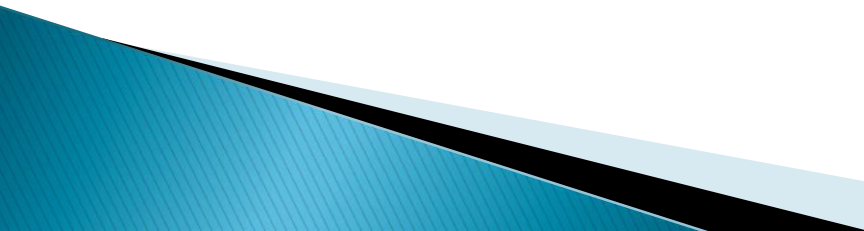
Strategy

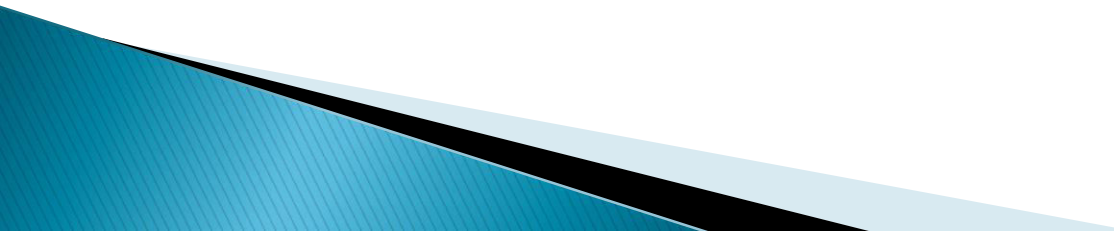
- ▶ When we see that One Company is performing better than another Company we try to find reasons
 - ▶ It is obvious that the Company performing better has a good strategy
 - ▶ What is a good strategy
 - ▶ A Good strategy is one that is hard for Competitors to recognize
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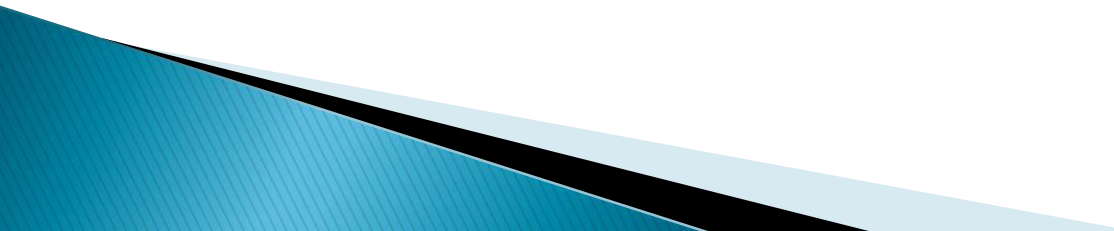
- ▶ For proper understanding of Strategy let us have a look at the following companies:
 - ▶ TIMEX
 - ▶ Japanese Car Majors
 - ▶ Nirma
 - ▶ Maruti Suzuki
 - ▶ What it can mean is that the Managers of the outstanding Companies miss major competitive moves just because the source of the thrust is an entrant with a new concept.
- 

- ▶ Strategic management can be defined as the art and science of formulating, implementing and evaluating cross – functional decisions that enable an organization to achieve its objectives.
 - ▶ Thus, we can say that strategic management focuses on integrating management, marketing, finance, accounting, production and operations, research and development and computer information system to achieve organizational success
- 

- ▶ The concept of corporate strategy was first defined in the early 60s' by Kenneth Andrews as the goals of the firm and the pattern of policies and programs designed to achieve these goals
 - ▶ In the early 60s corporate strategy was a new idea
 - ▶ The late development of strategy was easier to understand since companies themselves are of relatively recent inventions. With the advent of large markets, legendary entrepreneurs like Rockefeller, and Henny Ford built great industrial and commercial enterprises that shaped modern industrial economies.
- 

- ▶ In order to identify the strategy of a firm we need to answer a series of questions about products and processes.
 - ▶ In the long term, what is the objective of the firm?
 - ▶ What are the products and services that the firm sells?
 - ▶ In which market does the firm sell its products and services;
 - ▶ What is the operational model of the firm?
 - ▶ What is its economic model?
 - ▶ What are its principal functional policies?
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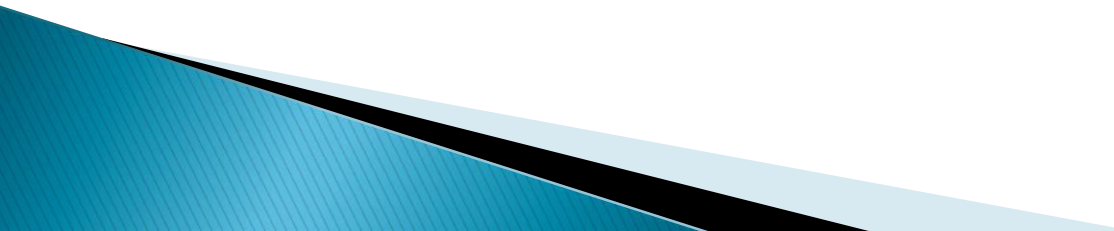
- ▶ What are its principal management policies?
 - ▶ From a competitive perspective, which capabilities of the firm are of distinctive importance in the sense that they are important to customers and distinct relative to competitors.
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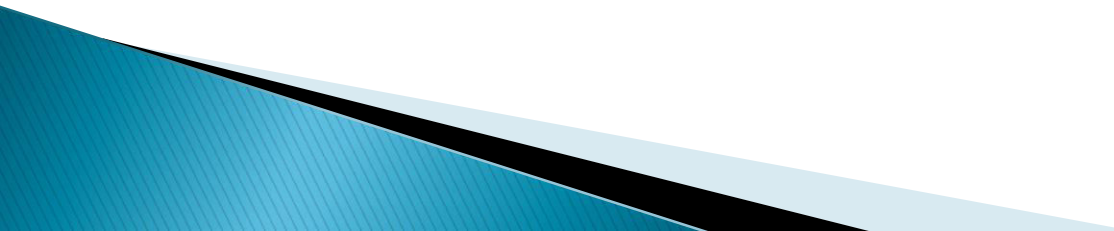
- ▶ By the Operational model it means the activities in which the firm has chosen to engage, e.g. NIKE, HONDA
 - ▶ By economic model we mean the relationship between price, variable cost, fixed cost etc.
 - ▶ The principal functional policies include R&D, Production, Marketing, Sales and Finance.
 - ▶ The principal management policies include organization, information, personnel, planning etc.
- 

▶ **Sound Strategy**

- ▶ A strategy in order to be sound must be internally consistent and should also take with if the environmental factors.

Definition of Strategy

- ▶ “The common thread among the organisation’s activities and product markets that defines the essential nature of business that the organisation was or planned to be in future”. Igor Ansoff (1965)
 - ▶ “A unified, comprehensive and integrated plan designed to assure that the basic objectives of the enterprise are achieved”. W.F. Glueck.
- 

- ▶ “A pattern in a stream of decisions and actions” Henry Mintzberg
 - ▶ “Strategy may be defined as developing and communicating the company’s unique positions, making trade-offs and forging fit among activities”. Michael E. Porter.
- 

By analyzing all the above definitions we can say that strategy is:

- ▶ A plan or course of action or a set of decision rules forming a pattern or creating a common thread.
- ▶ The pattern or common thread related to the organization's activities which are derived from its policies, objectives and goals.
- ▶ Related to pursuing those activities which move an organization from its current position to a desired future state.
- ▶ Concerned with the resources necessary for implementing a plan or following a course of action, and
- ▶ Connected to the strategic positioning of firm, making trade offs between its different activities and creating a fit among those activities.
- ▶

strategic management as a process consists of different phases which are sequential in nature

- ▶ Basically there are four essential phases in the strategic management process. These four phases are as follows

1. Establishing the hierarchy of strategic intent
2. Formulation of strategy
3. Implementation of strategies, and
4. Performing strategic evaluation and control.

Establishing Strategic Intent

Vision, Mission, Business Definition and Objectives.

Formulation of Strategies

Environmental
Appraisal

Organisational
Appraisal
SWOT Analysis
Corporate-level strategies
Business – level strategies
Strategic choice
Strategic plan

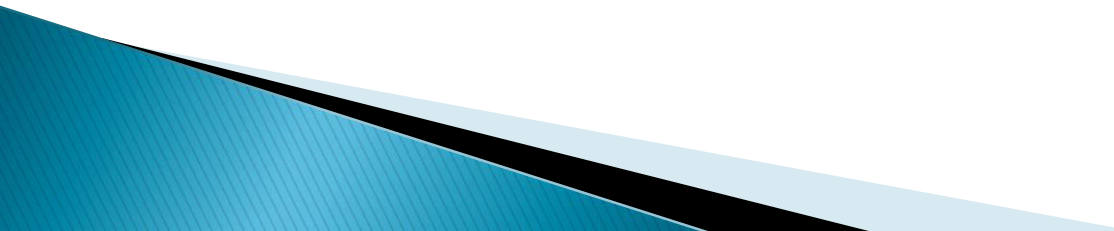
Strategy Implementation

Project

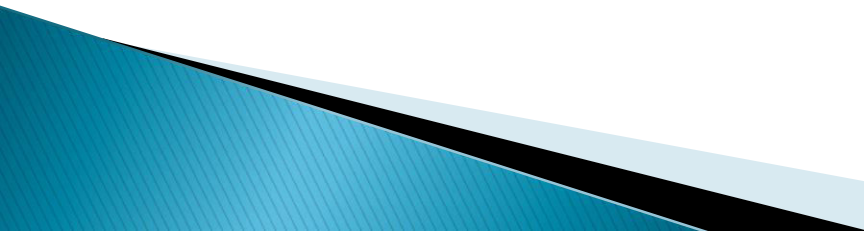
- Procedural
- Resource allocation
- Structural
- Behavioral
- Functional and operational

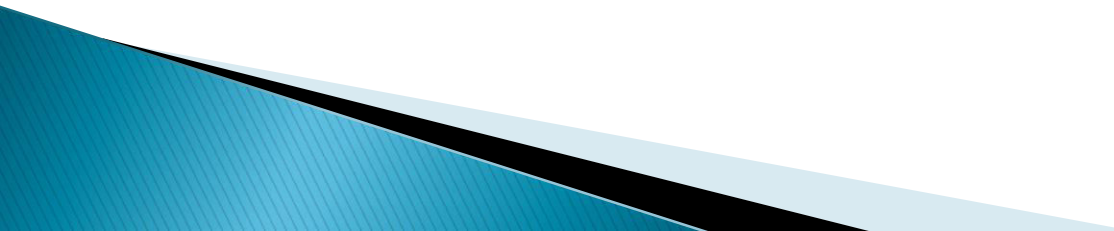
Strategy Evaluation

Benefits of Strategic Management

- ▶ Strategy formulation activities should enhance the problem prevention capabilities of the firm
 - ▶ Group based strategic decisions are most likely to reflect the best available alternatives
 - ▶ Employee motivation should improve
 - ▶ Gaps and overlaps in activities among diverse individuals and groups should be reduced as participation in strategy formulation leads to a clarification of role differentiation.
 - ▶ Resistance to change can be reduced
- 

Vision

- ▶ The vision of an organization refers to the broad category of long-term intentions that the organization wishes to pursue
 - ▶ It is broad, inclusive and futuristic
 - ▶ Developing a vision statement is often considered the first step in strategic planning
 - ▶ A vision is something that a firm or a person aspire to be in future
 - ▶ For example the dream of a management graduate may be to become a general manager in some concern or in a MNC. Some others may dream to own their successful business ventures
- 


- ▶ A firm may also dream in a similar way by the persons owning the firm.
 - ▶ Vision is a mental image of the future state of an organization
 - ▶ Thus it might be difficult for the organization to actually achieve it in the long run
 - ▶ However it provides the direction and energy to work towards it.
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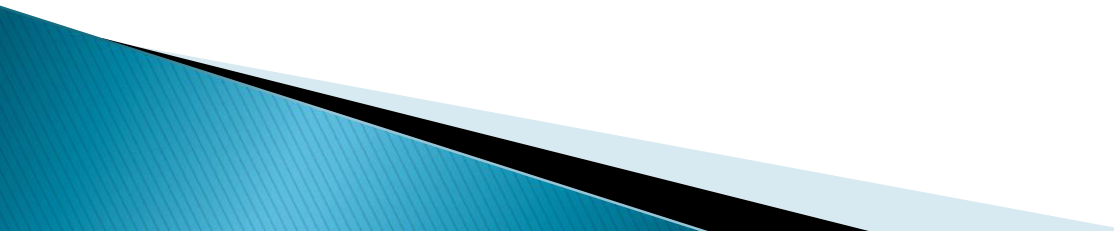
- ▶ The vision of Tata Motors is to be the best in the manner in which it operates, best in the product it delivers and to the best in the value system and ethics. In case of the latest launch of the people's car Nano the vision was to create a breakthrough product globally that rewrites the rules of the small car business
- ▶ The Ford Motor Company's vision is to become the world's leading consumer company for automotive products and service

An vision to be ideal should be:

- ▶ Broad, all inclusive and forward thinking
- ▶ Mental image of the future state
- ▶ A dream that shared across the entire organization

Mission

- ▶ The mission statement makes the vision statement more tangible
 - ▶ A well planned mission statement defines the fundamental, unique purpose that sets a company apart from other firms of its type and identifies the scope of the company's operations in terms of products and services offered and markets served
 - ▶ Managers in large organizations may find it difficult to relate to broad vision statements to the organizational intent. In order to make it more clear a mission statement is used
- 

- ▶ A mission statement classifies the following aspects of an organization
 - ▶ The reason of existence of the organization.
 - ▶ How the organization is different from others and
 - ▶ The basic beliefs, values and philosophy of the organization.
 - ▶ Developing a mission statement compels strategists to think about the nature and scope of present operations and make an assessment about the future markets and activities
- 

Mission statement of some companies

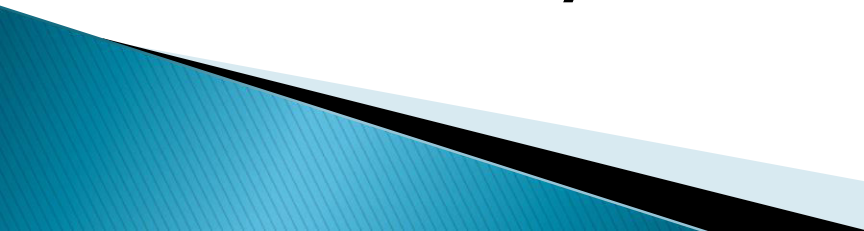
- ▶ Microsoft's mission is to create software for the personal computers that empowers and enriches people in the work place at school and at home. Microsoft's early vision of a computer on every desk and in every home is coupled today with a strong commitment to Internet-related technologies that expand the power and reach of the PC and its uses. As the world's leading software provider, Microsoft strives to produce innovative products that meet our customers evolving needs. At the same time, we understand that long-term success is about more than just making great products.
- ▶ HCL's mission statement say "To be a world class competitor".

- ▶ 3M
- ▶ To solve unsolved problems innovatively
- ▶ Merck
- ▶ To preserve and improve human life
- ▶ Wall-Mart
- ▶ To give ordinary people the chance to buy the same thing as rich people.
- ▶ Walt - Disney
- ▶ To make people happy
- ▶ Bayer
- ▶ Science for a better life
- ▶ Coke
- ▶ To create a growth strategy that allows us to bring good to the world by refreshing people everyday and inspiring them with optimism through our brands and our actions.

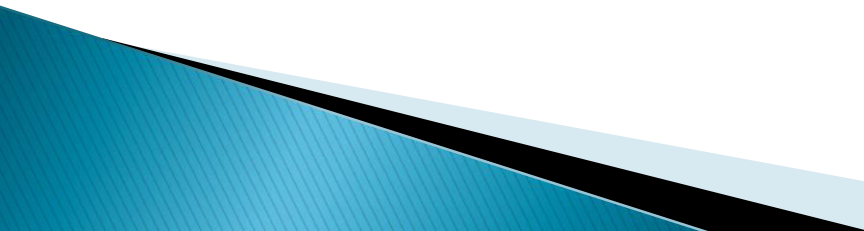
Characteristics of a Good Mission Statement

- ▶ It should be attainable – A good mission should be a achievable and not impossible one. **For example, the mission of the NASA in the sixties was to land on the moon. Since it was a attainable one hence it materialized.**
- ▶ It should be precise and specific – A mission statement in order to be meaningful should be precise and specific. **For example manufacturing mobile phones is a narrow mission statement whereas in the business of communication is a too broad term.**
- ▶ It should be clear to understand – A mission statement in order to be useful should be clear enough for better understanding and for the purpose of attaining goals. **For example, the mission of Asian paints is clear as it clearly specifies “Leadership through Excellence”.**
- ▶ It should indicate major components of strategy – A mission statement to be attainable and feasible should incorporatate the objectives and strategies of the organization. **For example while launching the people’s car Nano the mission was to create a break through product globally that rewrites the rules of the small car business.**
- ▶ **It should be motivating** – A well defined mission statement acts as a guide to its employees and managers.

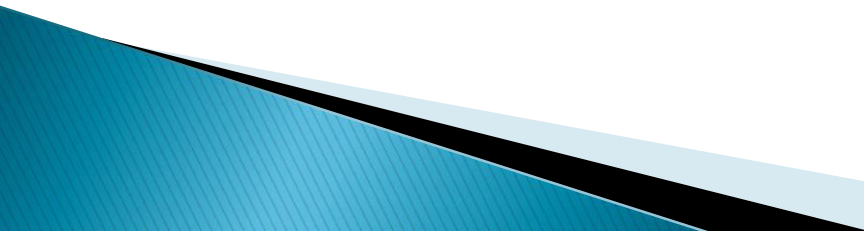
Goals

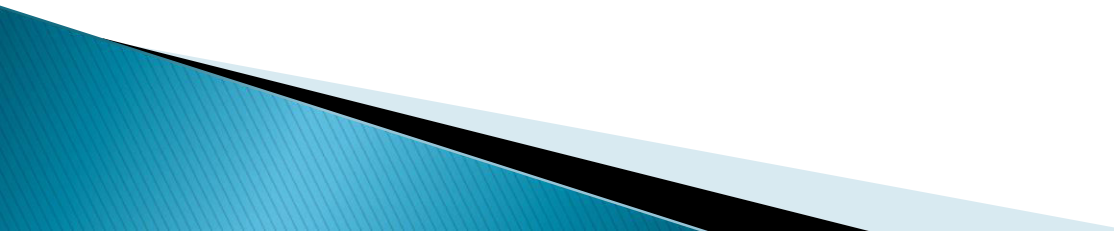
- ▶ Goals represent the desired outcome towards which the efforts are directed.
 - ▶ They are more precise than the Mission Statement in the sense that they state what is to be achieved and when the results are to be accomplished.
 - ▶ Goals include both Financial Goals and Non-Financial Goals.
 - ▶ Non Financial Goals can be many.
 - ▶ Financial Goals include **Survival, Growth and Profitability.**
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Goal of British Airways

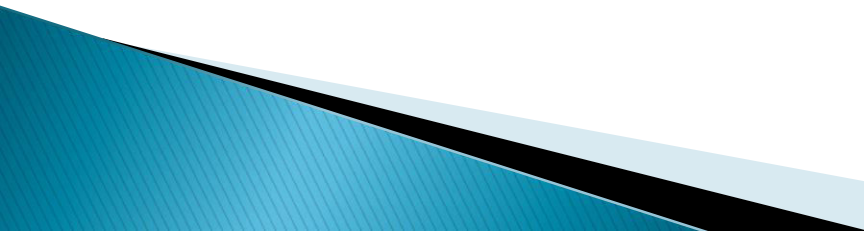
- ▶ To be a safe and secure airline
 - ▶ To deliver a strong and consistent financial performance
 - ▶ To provide overall superior service and good value for money in every market segment in which we compete.
 - ▶ To excel in anticipating and quickly responding to customer needs and competitor activity.
 - ▶ To sustain a working environment that attracts, retains and develops committed employees who share in the success of the company.
 - ▶ To be a good neighbor, concerned for the community and the environment.
- 

Objectives

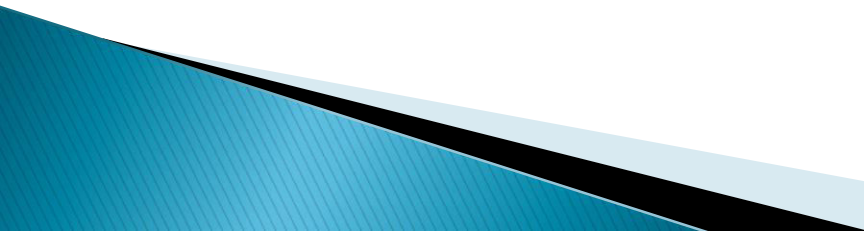
- ▶ Objectives are the operational definitions of an organization's goals.
 - ▶ Objectives are basically long-term goals that specify the results that are desired in pursuing the organization's mission and normally extend beyond the current financial year.
 - ▶ While Goals may be qualitative ,Objectives are quantitative in nature.
 - ▶ For example increased profitability can be a Goal ,whereas increase in profits by 10% over that of last year can be an objective.
- 

- ▶ The following are some of the areas where a Corporation might set its objectives:
 - ▶ Profitability
 - ▶ Efficiency
 - ▶ Shareholders Wealth Maximisation
 - ▶ ROI
 - ▶ Market Leadership
 - ▶ Innovation
- 

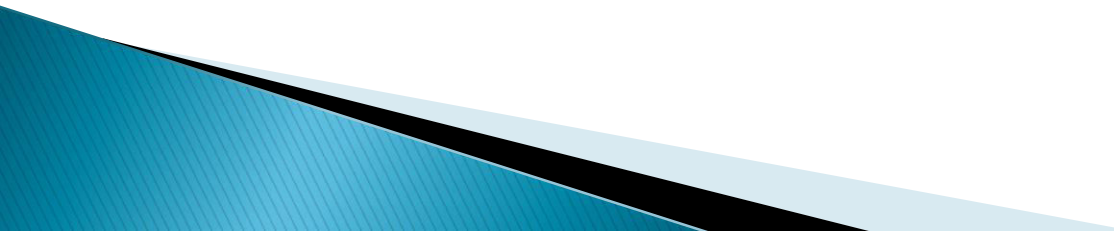
Objectives of ACC Limited

- ▶ To strive continuously to maintain the leadership of the cement industry by modernization, expansion and the establishment of the wide and efficient marketing network.
 - ▶ To achieve a fair and reasonable return on the capital employed by promoting productivity throughout the company.
 - ▶ To ensure a steady growth of business by strengthening the company's position in the cement sector and also by diversifying into other areas consistent with the overall corporate objectives.
 - ▶ To maintain the high quality of the company's products and services and to ensure supply of these products and services at fair price.
 - ▶ To promote and maintain fair and harmonious industrial relations and an environment for the effective involvement welfare and development of staff at all levels.
 - ▶ To promote research and development efforts in the areas of product development, energy and fuel conservation to innovate and optimize productivity.
 - ▶ To discharge its obligation to society, specifically in the areas of integrated rural development schemes and safeguarding of environmental and nature ecological balance.
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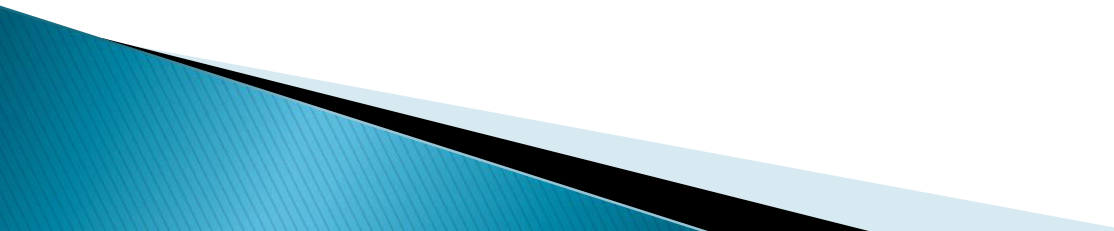
Characteristics of Effective Objective

- ▶ Objectives should be specific and clear about what is to be achieved by whom and within what time in order to avoid confusion
 - ▶ It should be more realistic and attainable in order to provide an acceptable level of challenge
 - ▶ Objectives should be flexible enough to incorporate changes into it as and when required
 - ▶ Objectives should be measurable in order to be effective.
- 

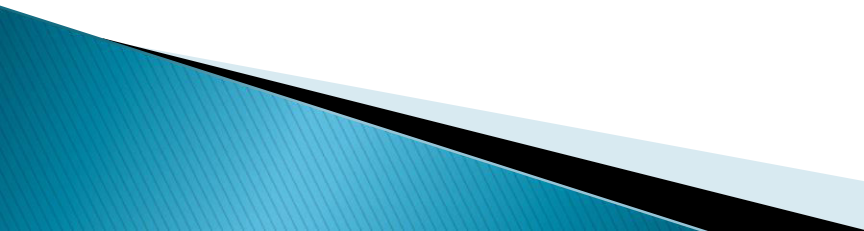
Process of Setting up Goals and Objective

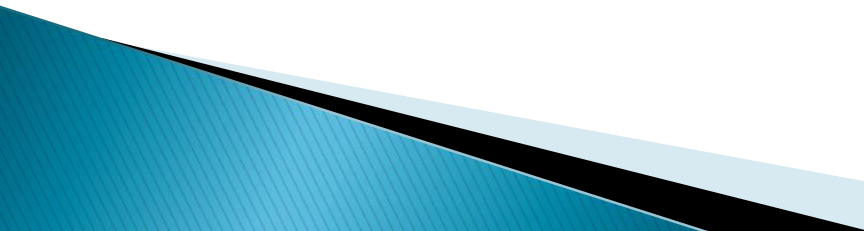
- ▶ Setting up goals and objectives is the first step in the strategic planning process.
 - ▶ It involves defining the desired relationship between the organization and its environment
 - ▶ Hence any change in either the organization or in its environment requires a review and if necessary alteration of the goals and objectives.
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The following are some of the factors that influence an organization's goal determination process

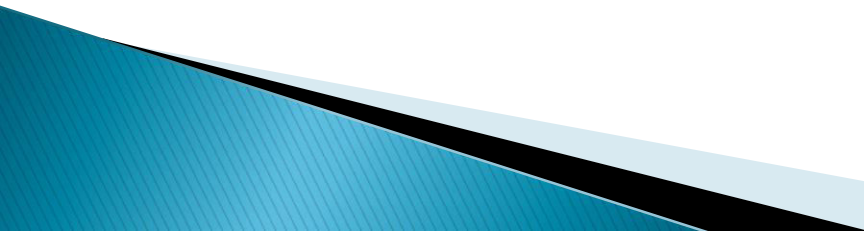
- ▶ The forces in the external environment which includes factors affecting the economy and industry like interest rate, inflation, GDP, legal environment, Govt. regulations, Competitor's move, suppliers, trade unions and the Customers.
 - ▶ The forces in the internal environment which include top management, middle level managers, shareholders etc.
 - ▶ The ability of the top management to cope with the environmental risks and threats
 - ▶ Value and preferences of the top executives
- 

Policies

- ▶ Policies are the broad guidelines for decision making formulated by the top management for the implementation of strategies
 - ▶ Policies include guidelines, rules and and procedures established to support efforts to achieve the objectives
 - ▶ It generally relates to situations which are recurring or repetitive in nature
 - ▶ Policies are basically standard operating procedures and serve to increase managerial effectiveness by standardizing many routine decisions .
- 

- ▶ Policies can be established in different functional areas like marketing, finance, production and R&D.
 - ▶ For example a Company may formulate a policy to the effect that any expenditure over and above Rs.10,00,000 have to be passed by the CFO.
 - ▶ Researchers should spend 15% of their time working on something other than their primary project ---**3M**
 - ▶ GE must be number one or two wherever it competes.
- 

Programs

- ▶ A Programme is a statement of processes required to carry out a single-use plan
 - ▶ Programmes are formulated in a integrated way and it is difficult to change a programme once the process of implementation starts.
 - ▶ For example Fed Ex Corporation, the provider of courier and mail services worldwide initiated a programme to install a sophisticated information system to enable its customers to keep track of their mails at any point of time. The company installed 1,00,000 computer terminals and gave proprietary software to another 6,50,000 to enable the process to be carried out smoothly.
- 

- ▶ The strategic management process identifies organization's existing vision, mission, objectives and strategies and tries to relate an organization as a sub-system with respect to its external environment
 - ▶ This model represent a clear and practical approach for formulating, implementing and evaluating strategies.
 - ▶ The strategic management model shown in fig. represents the major components of the entire strategic management process. This model also explains the way the components are related to each other.
- 