

Strategic Management

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Strategic Management



DEFINATION –

- ❖ STRATEGIC MANAGEMENT DEFINED AS THE DYNAMIC PROCESS OF FORMULATION, IMPLEMENTATION, EVALUATION AND CONTROL OF STRATEGIES TO REALIZE THE ORGANIZATIONS STRATEGIC INTENT(DREAM).
- ❖ JAUCH AND GLUEEK – “STRATEGIC MANAGEMENT IS A STREAM OF DECISIONS AND ACTIONS WHICH LEADS TO THE DEVELOPMENT OF AN EFFECTIVE STRATEGIES TO HELP TO ACHIEVE CORPORATE OBJECTIVES. THE STRATEGIC MANAGEMENT PROCESS IS THE WAY IN WHICH STRATEGIST DETERMINE OBJECTIVES AND MAKE STRATEGIC DECISIONS.”

Process/Elements of Strategic Management

- ❖ The strategic Management process can be broadly divided into three phase.
- ❖ Strategy Formulation
- ❖ Strategy Implementation
- ❖ Strategy Evaluation.
- ❖ A. Strategy Formulation – It is also referred as strategic planning. Strategy formulation involves the following steps.
- ❖ Framing mission and objectives.
- ❖ Analysis of Internal Environment.
- ❖ Analysis of External Environment.
- ❖ Gap Analysis.
- ❖ Framing alternative strategies.
- ❖ Analysis of strategies.
- ❖ Choice of strategy.
- ❖ Allocation of resources.

B. Strategy Implementation

- ❖ The strategy implementation involves following steps.
- ❖ Formulation of plans and programs.
- ❖ Project Implementation – Project passes through following stages before implementation.
- ❖ Conception phases – Ideas are generated for future projects.
- ❖ Definition phase – Preliminary analysis of project.
- ❖ Planning and organizing phase – For required resources.
- ❖ Implementation phase – Awarding contracts, order placement etc.
- ❖ Clean up phase – Disbanding the project infrastructure and handing over the plant to the operating personnel.

3. Procedural Implementation - The organization needs to be aware of the regulatory framework of the regulatory authorities before implementing strategies. i.e. regulations in respect of – Foreign technology, foreign collaboration procedures, FEMA regulations, foreign trade regulation, Capital issue guidelines etc.

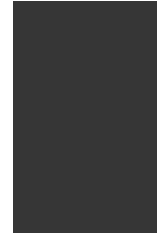
4. Resource Allocation – Physical, Financial and Human Resource.

5. Structural Implementation – It needs organization structure. It is the framework through the organization operates.

Types of structures –

- ❖ Entrepreneurial structure – is suitable for small owner organization.
- ❖ Functional structure – is suitable for multi departments organization Divisional structure – Suitable for multi divisional organization.
- ❖ SBU structure – Where the organization is divided into different SBU's.
- ❖ Matrix structure – Suitable for multi projects/products organization.

Strategic management



- ❖ 6. Functional Implementation – It deals with the implementation of functional plans and policies. Plans and policies is need to be formulated & implemented to provide direction to functional managers.
- ❖ 7. Behavioural implmentation – It deals with the leadership , corporate cultures, corporate politics and use of power, personal values & business ethics and social responsibility.

C. Strategy Evaluation



It involves the following elements/stage.

1. Setting of standards – In terms of quantity, quality, cost and time. It must be acceptable.
2. Measurement of performance – The actual performance can be measured both in quantity and quality.
3. Comparison of actual performance with standards.
4. Finding out deviations.
5. Analyzing deviations – Causes of deviation.
6. Taking corrective measures.

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Competitive Advantage



MEANING :-

- ❖ COMPETITIVE ADVANTAGE IS THE RESULT OF STRATEGY CAPABLE OF HELPING A FIRM TO MAINTAIN AND SUSTAIN A FAVORABLE MARKET POSITION. THIS POSITION IS TRANSLATED INTO HIGHER PROFITS COMPARED TO THOSE OBTAINED BY COMPETITORS OPERATING IN THE SAME INDUSTRY.
- ❖ COMPETITIVE ADVANTAGE IS A ADVANTAGE OBTAINED WHEN A FIRM OUTPERFORMS IT RIVALS.
- ❖ COMPETITIVE ADVANTAGE IS THE KEY DETERMINANTS OF SUPERIOR PERFORMANCE AND IT WILL ENSURE SURVIVAL PROMINENT PLANNING IN THE MARKET.
- ❖ COMPETITIVE ADVANTAGE AS AN ADVANTAGE GAINED OVER VALUE EITHER THROUGH LOWER PRICES OR BY PROVIDING ADDITIONAL BENEFITS AND SERVICES THAT JUSTIFY SIMILAR OR POSSIBLE HIGHER PRIZES.

Five basic competitive forces

- ❖ According to Michel. E. Porter the state of competition in industries depend on following points.
- ❖ Rivalry among existing firms.
- ❖ Threats of new Entrants.
- ❖ Threats of new substitutes.
- ❖ Bargaining power of Suppliers.
- ❖ Bargaining power of buyers.

Means/way of enhancing competitive advantage



1. Identified strengths and weaknesses and exploit opportunities & seek to correct the competitive weaknesses.

The company should built strategy around the strengths and avoid area of weaknesses.

2. Distinctive/Core competency – is something a company does especially well in comparison to its competitors. It includes – excellent quality, maintainence, low production cost, latest technology utilization.

3. Entry barriers – It includes –

- ❖ Low cost strategy.
- ❖ Focus strategy.
- ❖ Appropriate quality.
- Differentiation strategy.
- Government regulations.

4. Exit barriers – It is difficult for the companies to exit from market when ---

Companies become a part of the culture of the nation as well as customers .

- ❖ Companies which are closely knitted with the alliance companies in the form of merger or joint venture.
- ❖ less profitability of other markets or lack of opportunities in other markets work.

Sustainable competitive advantage



The sustainability of business enterprises competitive advantages depend upon following three factors.

1. The height of barriers to imitation.
2. The capability of competitors.
3. The general dynamism of the industry.

Sources of competitive advantages –

1. Strong research & Development capabilities.
2. Access to intellectual properties – in the form of trademark, tradenames, copy rights and patents.
3. Exclusively reselling and distribution rights for specific territories.
4. Ownership of capital equipment.
5. Superior products or customer supports.
6. low cost or high volume production.
7. Economic factors.
8. Superior data base management & data processing capabilities.
9. Strong marketing strategies.
10. Access to working capital.
11. Excellent management team & operations.
12. Barriers to entry or monopoly.
13. Value based leadership.
14. Unique & valuable resources and unique capabilities.

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Strategic Management- Overview

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Strategy

The word strategy derived from Greek word 'strategos'. Which means a general.

Defination :-

1. Oxford Dictionary – ' Strategy is a plan of action or policy designed to achieve a major or overall aim.
2. Alfred. D. Chandller – 'Strategy is determination of the basic long-term goals and objectives of an enterprise and adoption of the course of action and the allocation of resources necessary for carrying out these goals'.

Role of strategies in business

- ❖ Helps to attain objectives.
- ❖ Helps to minimize risks.
- ❖ Aids in decision making.
- ❖ Facilitates short term planning.
- ❖ Facilitate organizing.
- ❖ Facilitate direction.
- ❖ Facilitate control.
- ❖ Motivates employees.
- ❖ Facilitates optimum use of resources.
- ❖ Enhance corporate image.

Types of strategy



- ❖ Stable growth strategy – It is desirable for a firm which has a smooth sailing and where environment is not excessively hostile & business is affirmative but not scope for significant growth.
- ❖ Growth strategy – It is desirable to the companies which increase the level of activities in current business or enter in new business.
- ❖ Retrenchment strategy – is involves the pruning/curtailment of the operations of the business so as to achieve a high level of efficiency.
- ❖ Combination or Mixed strategy – It is mixture of stability, Growth or retrenchment strategies applied either sequentially.

Levels of strategy



- ❖ Corporate level strategy – Long term strategy-covering various functions performed by SBU's – deals with mission and objectives, allocate of resources. Its formulated – Top Management, Board of Directors, Chief Executive Officer.
- ❖ Strategic business units (Middle Level) strategy- is the comprehensive plan providing objectives for SBU's, allocation of resources among functional areas and co-ordination between them for making optimal contribution to the achievement of corporate level objectives.
- ❖ Its formulated – Top executives of SBU's, Second tier executives.
- ❖ Functional strategy – Its deal with a relative restricted plan, providing objectives for specific function, allocation of resources among different operations & co-ordination.
e.g. strategy for production, finance, marketing. Its formulated by head of functional area.

Thank You



Strategic Management- Case study

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Case study Method

THE CASE STUDY METHOD WAS FIRST DEVELOPED IN 1871 BY CHRISTOPHER LANGDELL AT THE HARVARD LAW SCHOOL. IT WAS ADOPTED BY HARVARD BUSINESS SCHOOL IN 1912 AND IN INDIA IIM, AHAMADABAD PREFERRED THE CASE STUDY IN 1962.

A CASE IS NARRATION OF EVENTS IN AND CONDITIONS OF AN ORGANIZATION. A CASE IS A DESCRIPTIONS ABOUT A PROBLEM OR SITUATION. THE PROBLEM OR SITUATION MAY BE REAL OR HYPOTHETICAL. A CASE SETS FORTH, IN A FACTUAL MANNER , THE EVENTS AND ORGANIZATIONAL CIRCUMSTANCES SURROUNDING A PARTICULAR MANAGERIAL SITUATION. THE ESSENCE OF THE STUDENTS ROLE IN THE CASE ANALYSIS IS TO DIAGNOSE AND UNDERSTOOD THE SITUATION DESCRIBED IN THE CASE AND THEN TO RECOMMEND APPROPRIATE SOLUTIONS OR ACTION PLAN.

Why to use case study method?

- ▶ A Student can not learn the art of management only through the theoretical or textbook. For a real situation, there cannot be readymade textbook answers. Each managerial situation has unique aspects, requiring its own diagnosis, judgement and specific actions. Case study method provides to the students an opportunity to practice with the actual problems faced by managers in a real work environment.
- ▶ Objectives of case study method
 - ▶ * To develop and enhance business judgement and skills so as to utilize the textbook knowledge about management in practice.
 - ▶ * To gain in-depth exposure to different managerial situations and problems in different industries and companies, thereby acquiring something close to actual business experience.
 - ▶ * To enable the students to be active participants in the learning exercise rather than passive receivers of facts from textbooks and teachers.
 - ▶ * To train the participants to work out answers and solution themselves instead of relying on others.
 - ▶ * To provides systematic and scientific training to the managers for translating theoretical & conceptual knowledge and management into concret decisions and actions.

Case study process



- ▶ In general following guidelines may be followed while preparing for case study discussion.
- ▶ **1. Get an overview of the case** – One should get a quick overview of the situation presented in the case. This will help to find out the issues and problems, which need to be looked into while discussing the case. At this stage, you may try to list out the major and minor problems.
- ▶ **2. Read the case thoroughly** – One should read the case once again thoroughly. This will help to get a full view of the situation presented in the case. Reading the case once, one may not be able to identify all the problems. At this stage, you should find out whether the problems, which have you listed at the first reading, are really the problems or not.
- ▶ **3. Analysis and Evaluation** – Once the problem is identified, the next step is to analyze and evaluate the problems or situation. This part is more difficult as compared to the identification of the problem. In writing your analysis and evaluation, consider the following points:
 - ▶ You are supposed to offer analysis and evidence to back up your conclusions. Do not rely on unsupported opinions and over generalizations as a substitute for logical argument backed up with facts and figures.

Case study process



- ▶ * Your interpretations of the evidence should be reasonable and objective. Do not try to exaggerate the details.
- ▶ * If your analysis involves some important quantitative calculations, use table and charts to present the calculations clearly.
- ▶ * Demonstrate that you have command over the theoretical concepts that you are exposed to. You may not support your analysis with the theoretical concepts, wherever required.
- ▶ **4. Recommendations** – The last section of case study preparation process is to provide suitable recommendations to solve the problems. The following points to be note while making recommendations:
 - ▶ * Give priority to your recommendations and make sure that they can be carried out in an acceptable time frame.
 - ▶ Do not make generalized recommendations, such as “ The company should undertake massive production.” Instead state exactly the areas of products, which require promotion, the means of promotion, the amount to be spent etc. be specific in your recommendations.

Case study process



- ▶ * Avoid making imaginary and tall recommendations. Consider the ability and the resources of the organization before making any recommendation.
- ▶ * Support each recommendation with persuasive argument and reasons as to why it make sense and should result in improved performance of the organization.
- ▶ * Review your recommended action plan to find out whether or not all the identified problems are suitably dealt with. Any set of recommendations that does not address all the identified problems, is incomplete and insufficient.
- ▶ * Evaluate the pros and cons of your recommendations. Do not make any recommendations that may have adverse consequences on the company.

Thank You