

STRATEGY

“ The determination of basic long term goals and objectives of an enterprise and the adoption of the courses of action and the allocation of resources necessary for carrying out these goals.”

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-Alfred D. Chandler

” A unified, comprehensive and integrated plan designed to assure that the basic objectives of the enterprise are achieved.”

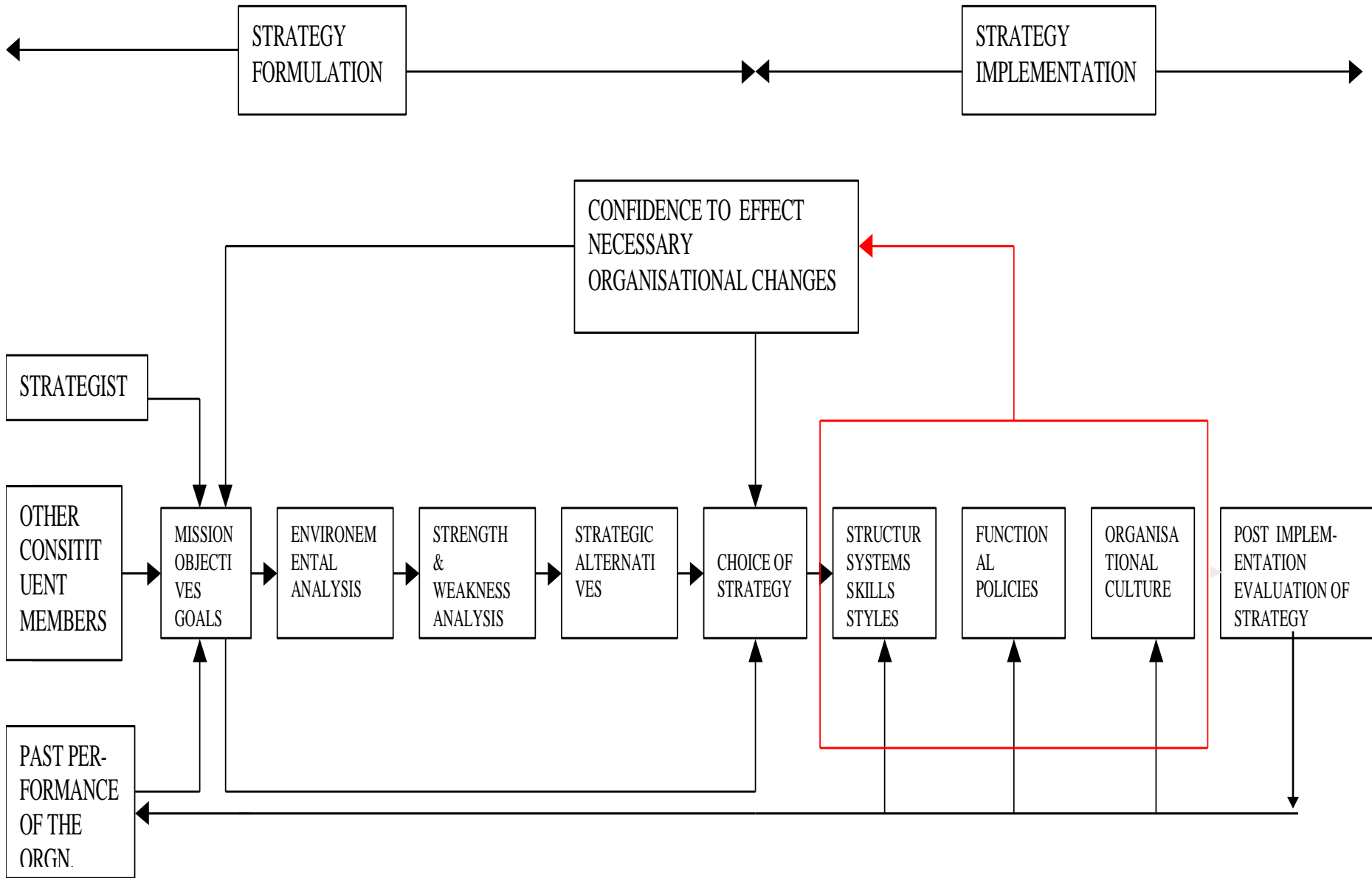
- William F. Glueck

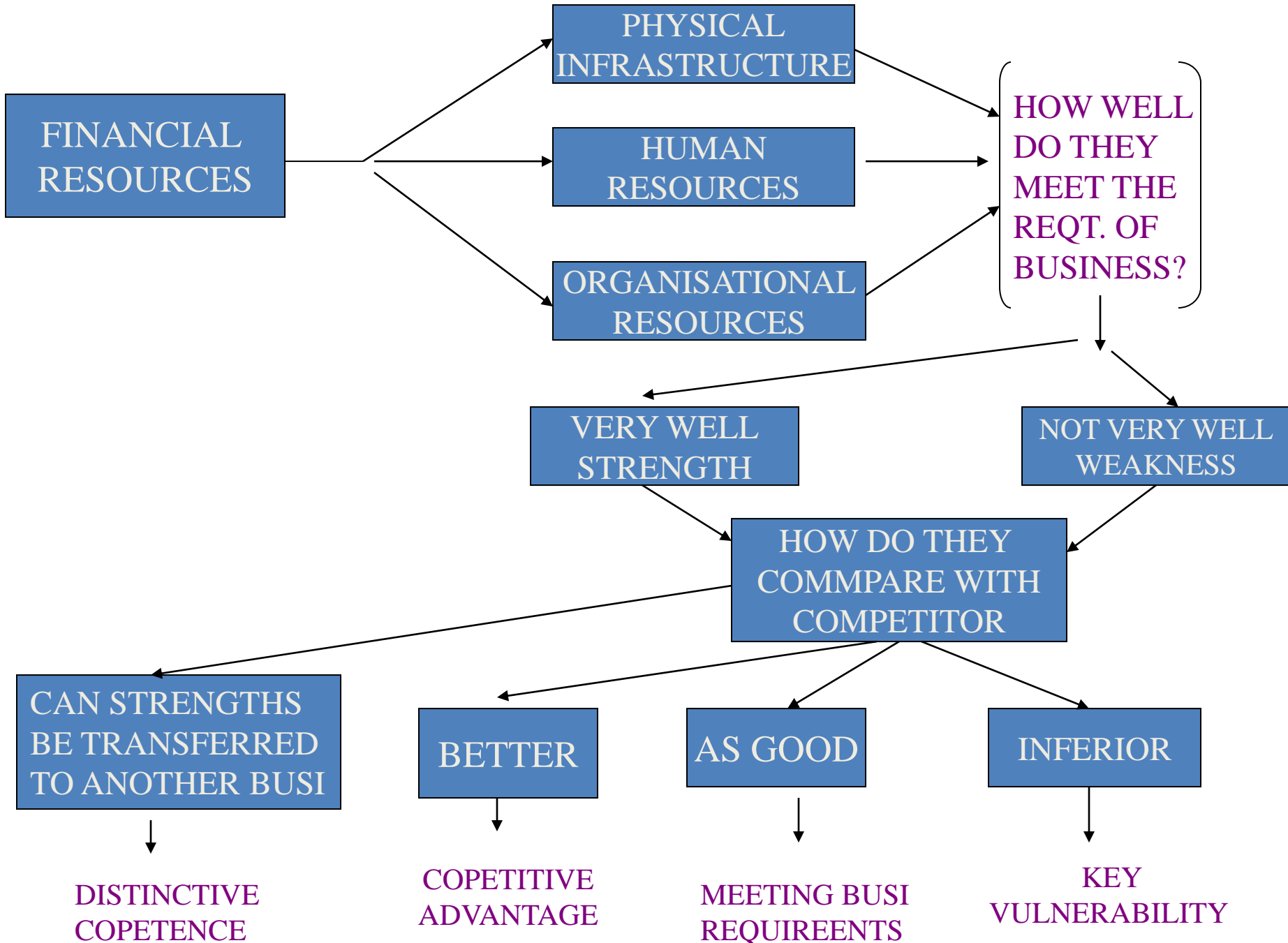
“ A strategy is a set of decision making rules for guidance of organisational behavior.”

- Igor Ansoff

CORPORATE STRATEGY

"a statement of organization mission, objectives, strategy, policies and major plans and programs of actions, described in a way that conveys what business we are in and why are we in this business" . This definition given brings out the need for organization clarity to integrate or unify the organizational efforts. Corporate strategy may, thus, be understood as the outcome of strategic formulation process, including the thinking part (but excluding the action part) of strategy implementation.





Business Planning Framework

- Where are we now?
- What business are we in?
- Where do we want to go?
- What is necessary to close the gap?
- How do we make it all happen?

The Strategic Management Process

□ Strategy Formulation:

- Identify organisational mission and strategic goals
- Performing competitive situation analysis, considering both external environment and internal organisational factors.
- Developing the strategies to reach the strategic goals

□ Strategy Implementation:

- Effective implementation of the strategic plan
- Brilliantly formulated strategies will not succeed if they are implemented ineffectively

Conducting Competitive Analysis

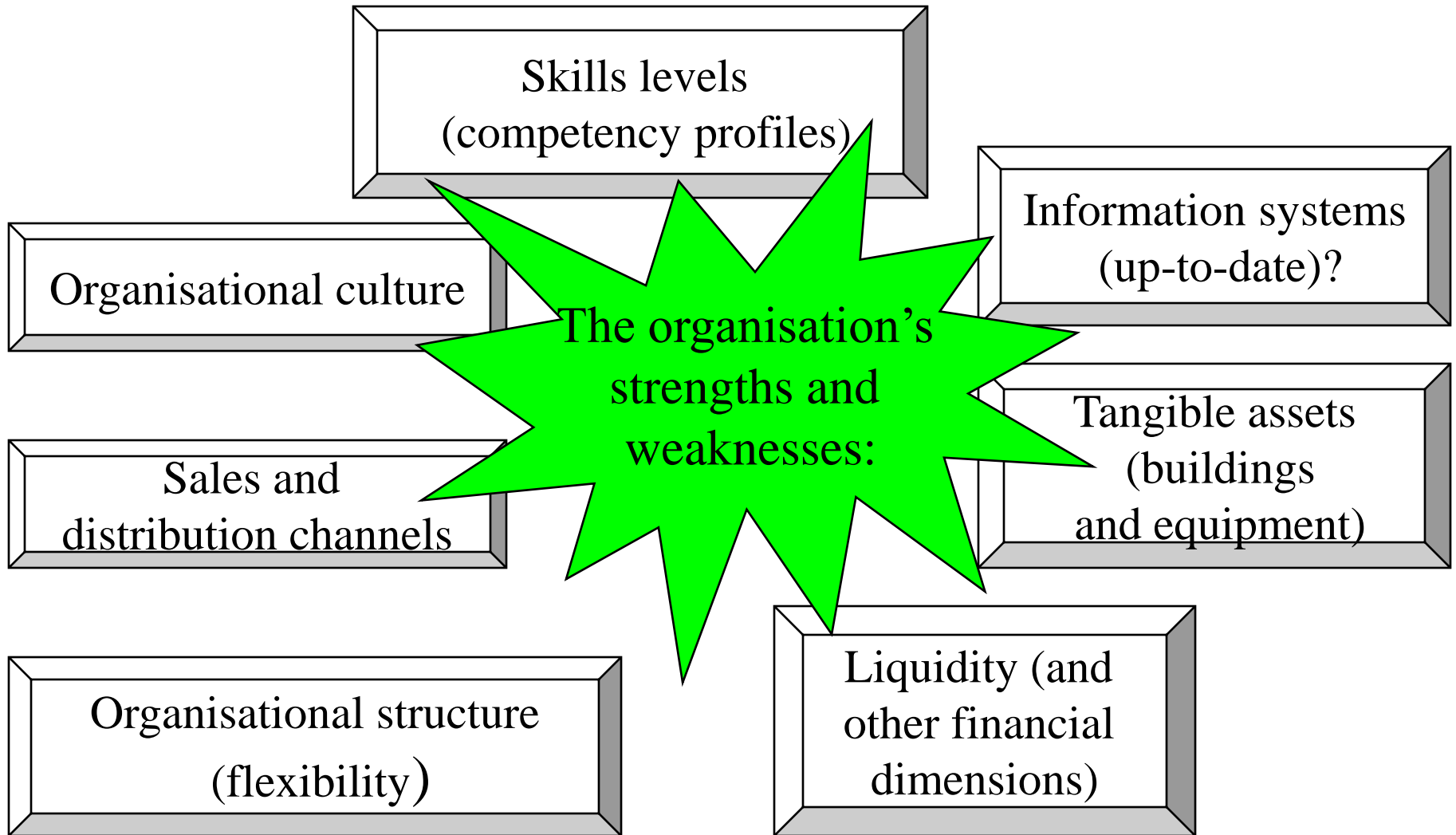
- Strengths on which to capitalise,
- Weaknesses you need to address,
- Opportunity available to you, and
- Threats that could adversely affect you.

SWOT Analysis

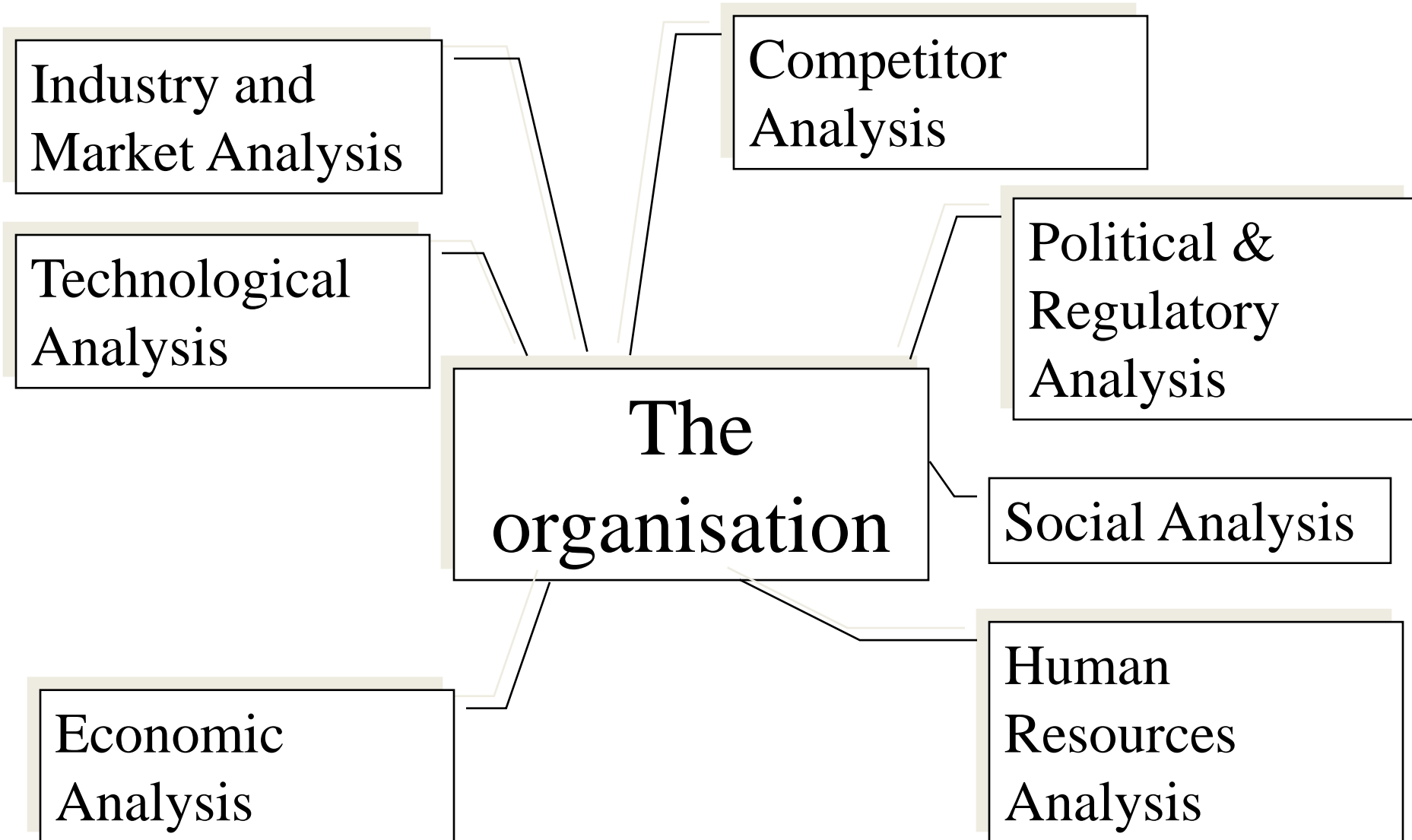
SWOT ANALYSIS

		External Factors	
		Key Opportunities	Key Threats
Internal Factors	Key Strengths	<i>Most Likely</i>	<i>Possible</i>
	Key Weaknesses	<i>Possible</i>	<i>Unlikely</i>

Organisational Assessment



Environmental Assessment



Levels of Strategy

□ Corporate-Level Strategy

- the business an organisation will operate
- co-ordination of strategies
- allocation of resources

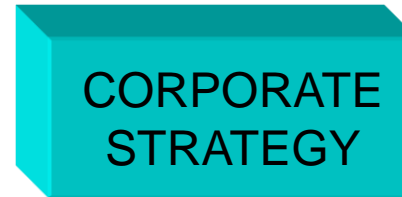
□ Business-Level Strategy

- strategic business units
- focusing on a particular business

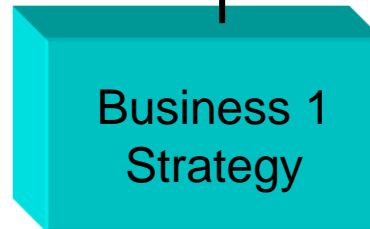
□ Functional-Level Strategy

- managing functional area to support business-level strategy
- the day-to-day management of business

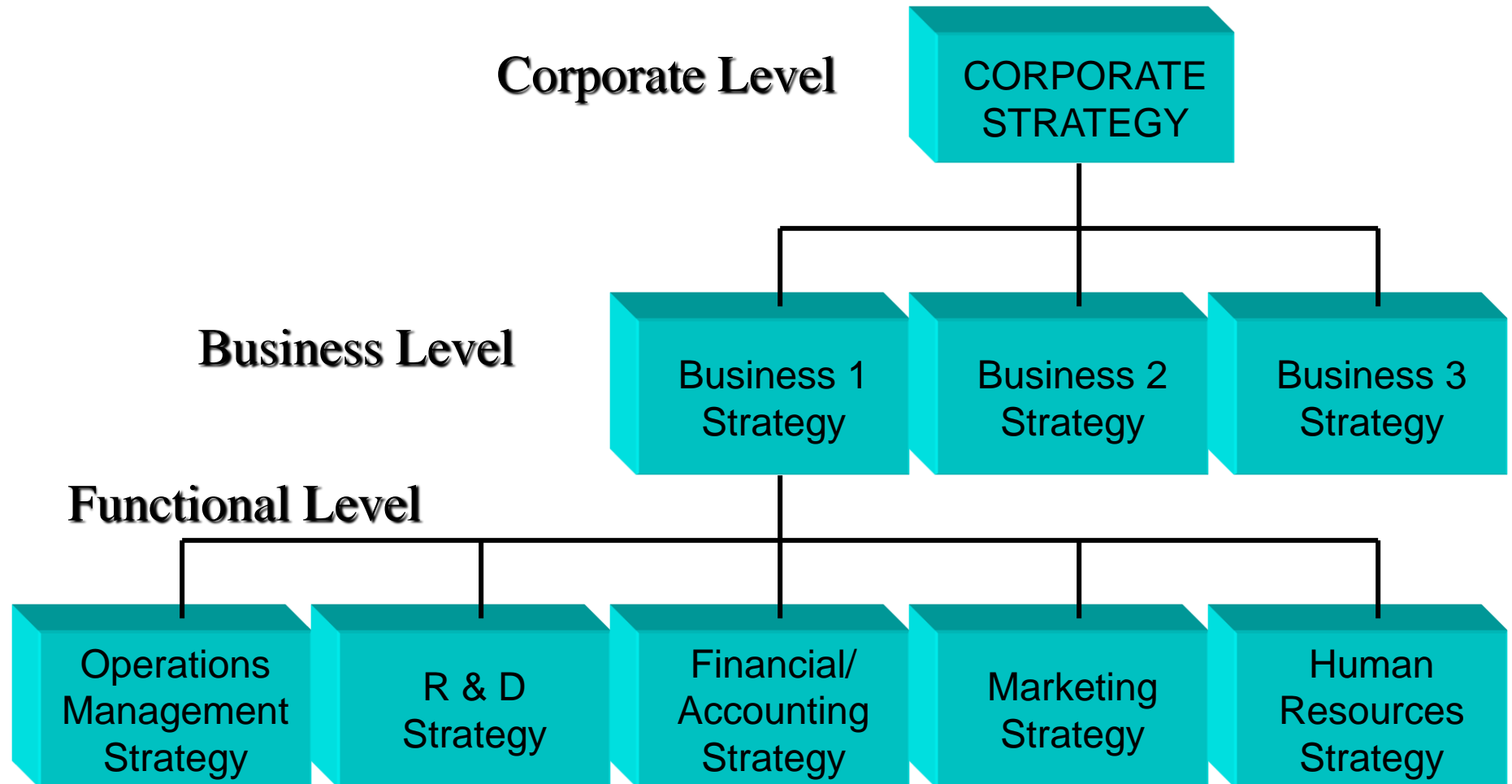
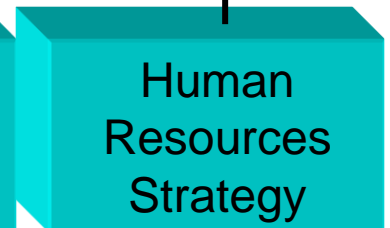
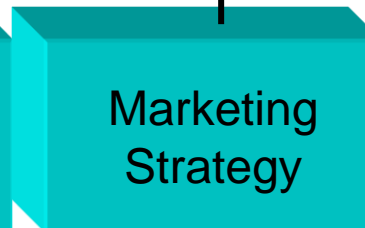
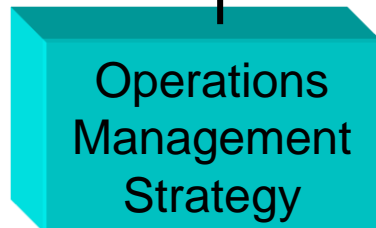
Corporate Level

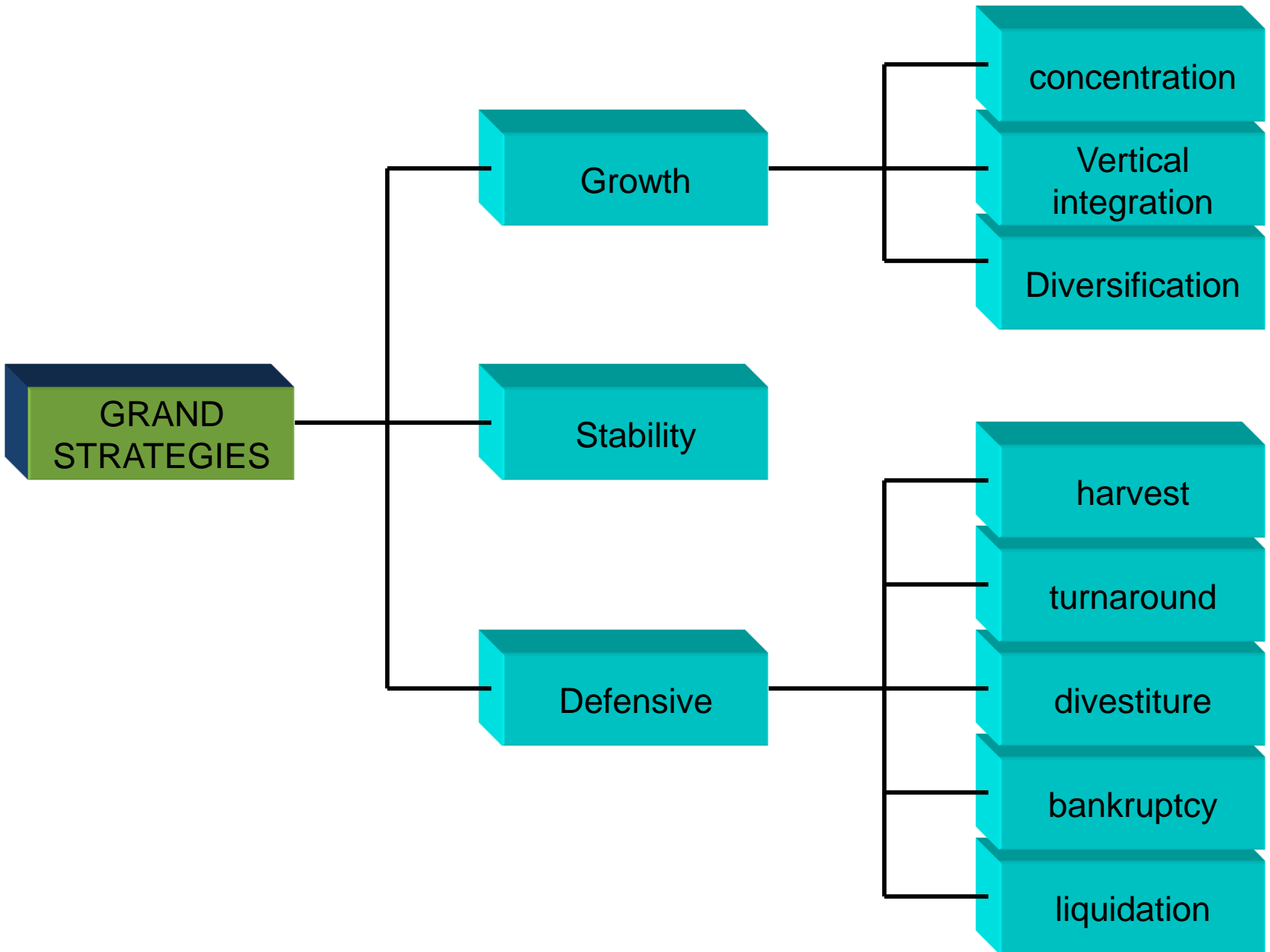


Business Level



Functional Level





MISSION

- • It should be feasible.
- • It should be precise.
- • It should be clear.
- • It should be motivating.
- • It should be distinctive.
- • It should indicate major components of the strategy.

It should indicate how objectives are to be achieved.

OBJECTIVES

- • It should be understandable.
- • It should be concrete and specific.
- • It should be related to time frame.
- • It should be measurable and controllable.
- • It should be challenging.
- • It should correlate with each other.
- It should be set with in constraints.

COMPETITIVE ADVANTAGE

Michael Porter introduces the value chain as a tool for developing a competitive advantage. It includes:

- Sharing of value chain activities among business units.
- Using value chain analysis to develop low cost and differentiation strategies.
- Interrelationship between value chains of different industry segments.
- Applying the value chain to understand the role of technology in competitive advantage.

The Strategic Position- Porter's 5 Forces

SUPPLIER POWER

- Supplier concentration
- Importance of volume to supplier
- Differentiation of inputs
- Impact of inputs on cost or differentiation
- Switching costs of firms in the industry
- Presence of substitute inputs
- Threat of forward integration
- Cost relative to total purchases in industry

BARRIERS TO ENTRY

- Absolute cost advantages
- Proprietary learning curve
- Access to inputs
- Government policy
- Economies of scale
- Capital requirements
- Brand identity
- Switching costs
- Access to distribution
- Expected retaliation
- Proprietary products

THREAT OF SUBSTITUTES

- Switching costs
- Buyer propensity to substitute
- Relative price performance of substitutes

DEGREE OF RIVALRY

- Exit barriers
- Industry concentration ratio
- Fixed costs/Value added
- Industry growth
- Intermittent overcapacity
- Product differences
- Switching costs
- Brand identity
- Diversity of rivals
- Corporate stakes

RIVALRY



BUYER POWER

- Bargaining leverage
- Buyer volume
- Buyer information
- Brand identity
- Price sensitivity
- Threat of backward integration
- Product differentiation
- Buyer concentration vs. industry
- Substitutes available
- Buyers' incentives

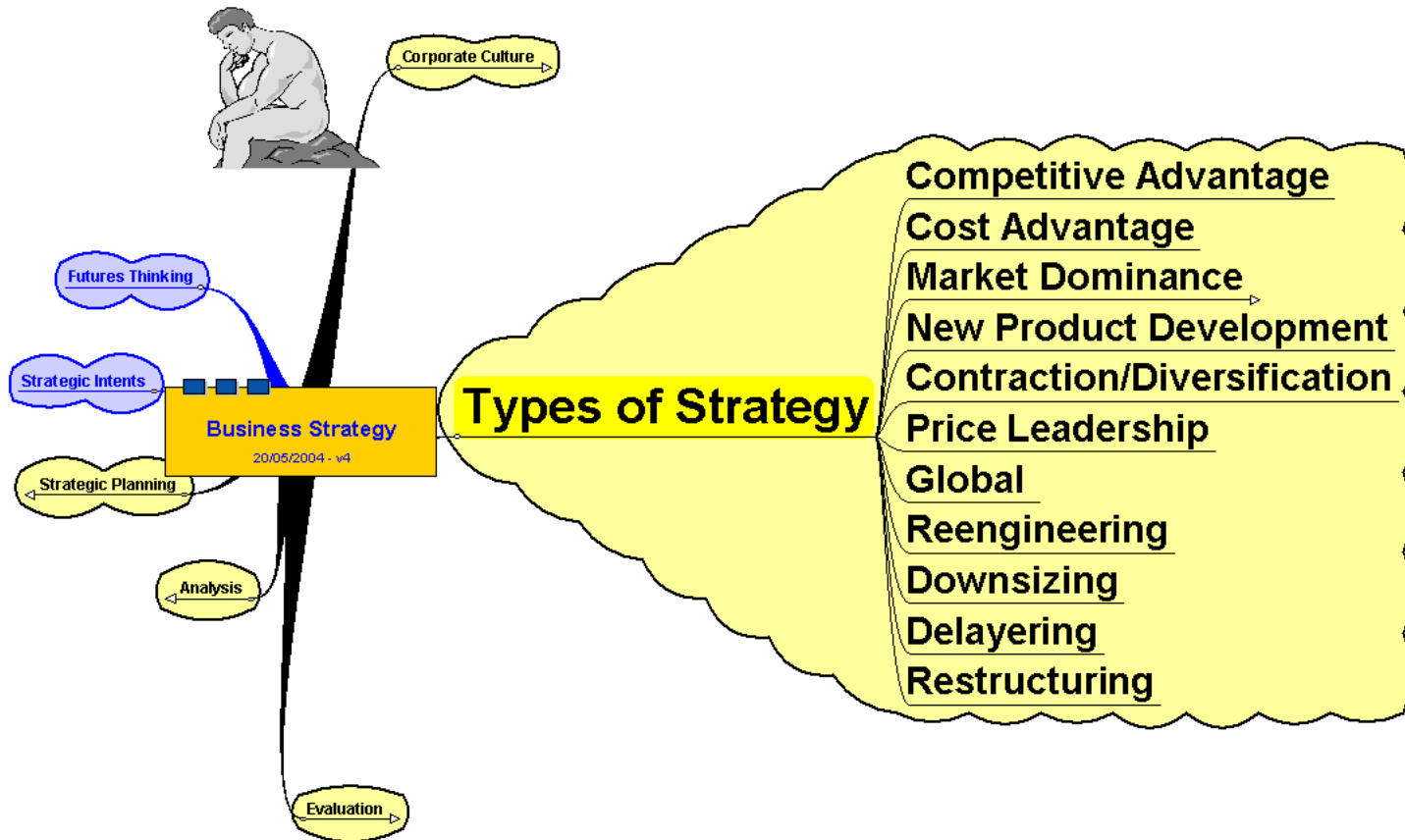
SUPPLIER POWER/BARGAINING POWER OF SUPPLIERS

- lesser the number better is the bargaining power
- A unique product can exert greater pressure
- Switching cost is high
- Advantage due to non availability of substitute
- Threat of forward integration

BUYER POWER/BARGAINING POWER OF BUYERS

- large volume buyers
- For undifferentiated products buyer plays one supplier against another
- Price selectivity
- Price sensitivity depends on profit earned by buyer
- Quality consciousness
- Threat of backward integration

Types of Strategy



Types of Strategy

- **Competitive Advantage** – something which gives the organisation some advantage over its rivals
- **Cost advantage** – A strategy to seek out and secure a cost advantage of some kind - lower average costs, lower labour costs, etc.

Types of Strategy

- **Market Dominance:**
- Achieved through:
 - Internal growth
 - Acquisitions – mergers and takeovers
- **New product development:** to keep ahead of rivals and set the pace
- **Contraction/Expansion** – focus on what you are good at (core competencies) or seek to expand into a range of markets?

Types of Strategy

- **Price Leadership** – through dominating the industry – others follow your price lead
- **Global** – seeking to expand global operations
- **Reengineering** – thinking outside the box – looking at new ways of doing things to leverage the organisation's performance

Types of Strategy

– Internal business level strategies –

- **Downsizing** – selling off unwanted parts of the business – similar to contraction
- **Delayering** – flattening the management structure, removing bureaucracy, speed up decision making
- **Restructuring** – complete re-think of the way the business is organised

Portfolio Matrix

Benefits of portfolio approach:

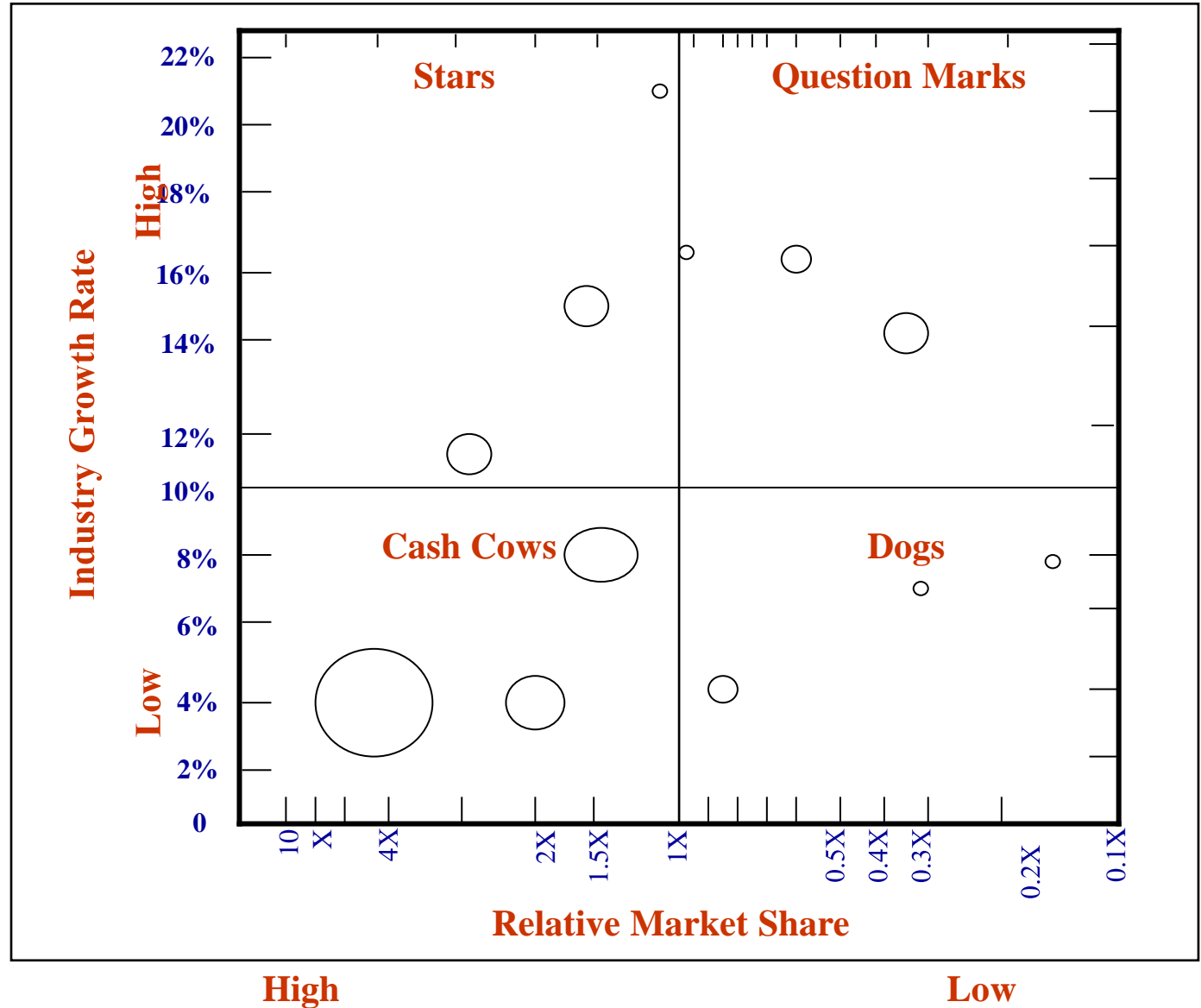
- Provides a snapshot of the businesses in a given corporate.
- Assist the corporate office in determining the attractiveness of acquisitions.
- Assist the corporate office in resource allocation.
- Corporate office can review and coach SBU's
- Allows the development of strategic goals and reward systems for SBU managers.

Portfolio Approach

Limitations of portfolio approach:

- Too simplistic—only two dimensions
- High relative market share is no guarantee of a cost savings or competitive advantage.
- Low relative market share is not always an indicator of competitive failure or lack of profitability.
- Ignores potential synergies among businesses
- Process can become too mechanical
- May rely on overly strict rules to allocate resources
- Imagery may lead to overly simplistic prescriptions

The BCG Portfolio Matrix



➤ Stars

- ✓ Aggressive investments to support continued growth and consolidate competitive position of firms.

➤ Question marks

- ✓ Selective investments; divestiture for weak firms or those with uncertain prospects and lack of strategic fit.

➤ Cash cows

- ✓ Investments sufficient to maintain competitive position. Cash surpluses used in developing and nurturing stars and selected question mark firms.

➤ Dogs

- ✓ Divestiture, harvesting, or liquidation and industry exit.

MODEL OF CORPORATE STRATEGIES

BUSINESS STRENGTHS / COMPETITIVE POSITION

INDUSTRY ATTRACTIVENESS

	Strong	Average	Weak
High	Growth: Concentration via Vertical Integration	Growth: Concentration via Horizontal Integration	Retrenchment: Turnaround
Medium	Stability : Pause or Proceed with caution	Growth: Concentration via Horizontal Integration / Stability : No change or profit strategy	Retrenchment: Divestment
Low	Growth: Concentric Diversification	Growth: Conglomerate Diversification	Retrenchment: Liquidation

ARTHUR D' LITTLE MATRIX

Dominant				REAP/ HARVEST
Strong				QUICKLY HARVEST & LEAVE
Favourable	BUILD		HOLD	DOUBLE / DIVEST
Tenable				DIVEST
Weak		DIVEST, No further capital expenditure		
	Entry	Growth	Maturity	Decline