



Strategy

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What is Strategy?

“A unified, comprehensive, and integrated plan designed to ensure that the basic objectives of the enterprise are achieved.” (Glueck, 1980)



Strategic Management

The strategic management process of four phases:

- i) Strategic Assessment
- ii) Strategic Planning
- iii) Strategy Implementation
- iv) Performance Evaluation

Strategic Assessment

a. Anticipating Environmental Change: It makes clear why maintaining the status quo is not a viable option for the future.

Social: This covers the target clientele, their value systems, their aspiration levels, how they are organised, and the 'power' they can exercise over the decision making process.

Technical: This encompasses the technological developments which may require alteration or altogether abandonment of organisational objectives.

Strategic Assessment

Economic: This refers to changes in the economy generally but also to disparities in income, higher unemployment or diminishing resources.

Political: This includes international agreements, domestic legislation, political values etc.



Porter's Five Forces

['pɔr-tərs 'fɪv 'fɔrs-es]



A model that identifies and analyzes five competitive forces that shape every industry and helps determine an industry's weaknesses and strengths.

Porter's 5 Forces Model

Threat of Competitive Rivalry

- Growth rate of the industry
- Ratio of cost structure to the value added
- Cost of over-capacity
- Degree of output differences among competitors
- Impact of brand and its conversion to sales
- Switching costs
- Concentration among the leading players (herfindal index)
- Information flow and complexity
- Diversity of competing businesses and exit barriers.

Industry Attractiveness

Bargaining power of suppliers:

- Differentiation of inputs
- Switching cost of the suppliers
- Relationship specific investments required
- Presence of substitute inputs
- Supplier's industry concentration
- Importance of volume to the suppliers
- Cost relative to the total purchases in the industry
- Impact of supplier's inputs to overall cost structure
- Impact of supplier's inputs to offering differentiation
- Threats of forward integration
- Potential for backward integration

Threat of substitutes:

- Relative price advantage of the substitutes
- Relative functional performance advantage of the substitute
- Switching costs of the customer
- Customer's propensity to substitute
- Customer's relation specific investments

Threat of New Competitors

- Economies of scale
- Proprietary product differences
- Brand identity
- Switching costs for the customers
- Capital intensive nature of the industry
- Access to distribution channels
- Absolute cost advantages
- Government policy for new entrants
- Potential retaliation or fallouts.

Bargaining power of customers

- Buyer's concentration as compared to the industry's concentration
- Customer's volume vs industry output
- Customer's switching cost
- Price sensitivity
- Degree of product differences
- Buyer's profits
- Decision maker's incentives.

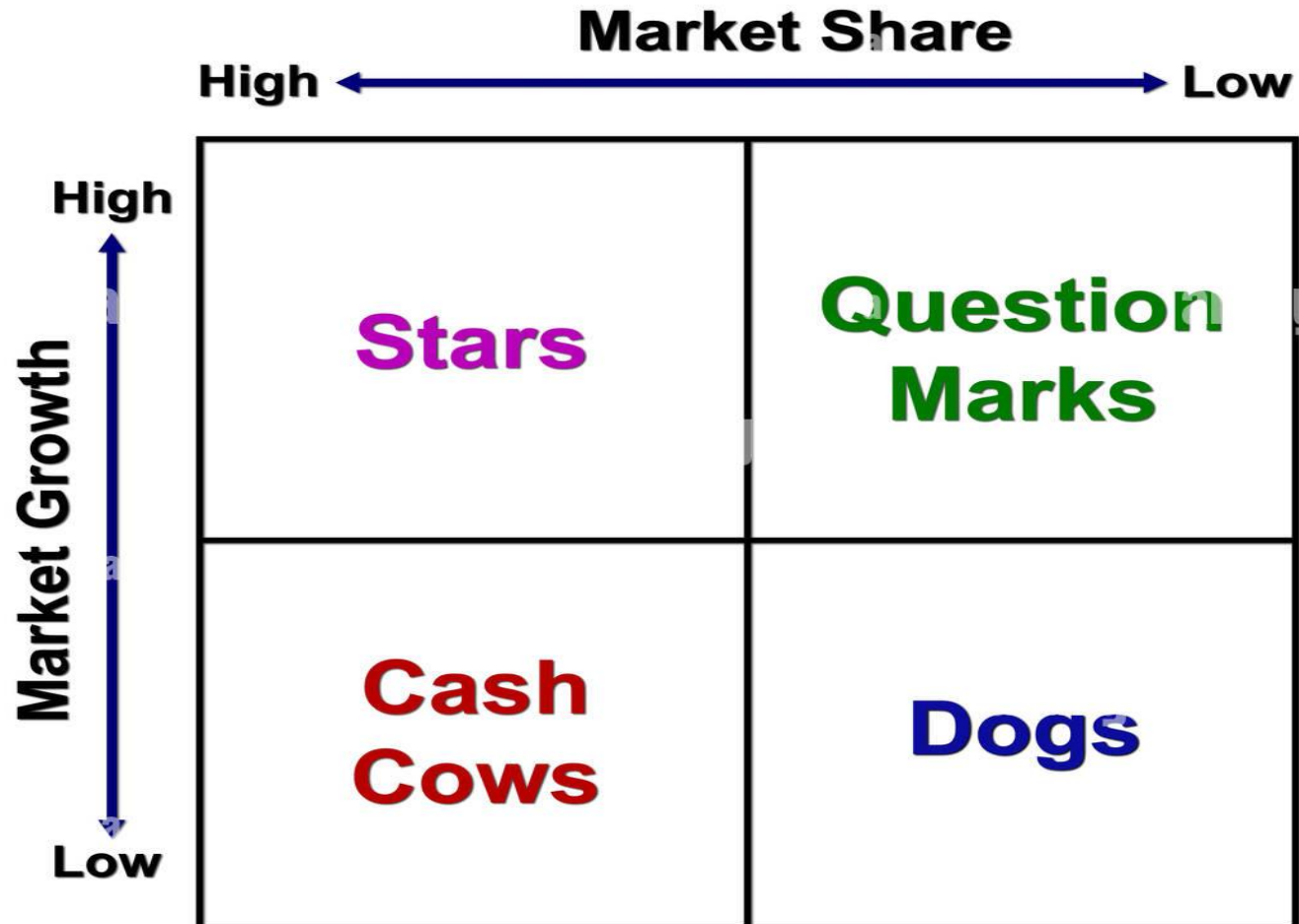
b. Strategic Analysis

The Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis is a useful and powerful tool to analyse consequences of environmental change for the organisation. The role of SWOT analysis is to take the information from the environmental analysis and separate it into internal issues (strengths and weaknesses) and external issues (opportunities and threats).

TOWS Matrix

EXTERNAL FACTORS (EFAS)	INTERNAL FACTORS (IFAS)	Strengths (S) List 5 – 10 <i>internal</i> strengths here	Weaknesses (W) List 5 – 10 <i>internal</i> weaknesses here
Opportunities (O) List 5 – 10 <i>external</i> opportunities here		SO Strategies Generate strategies here that use strengths to take advantage of opportunities	WO Strategies Generate strategies here that take advantage of opportunities by overcoming weaknesses
Threats (T) List 5 – 10 <i>external</i> opportunities here		ST Strategies Generate strategies here that use strengths to avoid threats	WT Strategies Generate strategies here that minimize weaknesses and avoid threats

The BCG Matrix



Strategic Assessment

- c. **Strategic Direction** The information developed through techniques like SWOT is used to review the organisation's mission, set goals, develop strategic vision, and determine the most critical issues the organisation must address if it is going to achieve this vision. The objective of the strategic direction is to help ensure that the organisation's vision and goals:
- are compatible with the organisation's capabilities and complement its culture,
 - foster commitment and cooperation among stakeholders; and
 - maximise the benefits inherent in environmental opportunities and minimise the risks inherent in environmental threats.



Vision

“description of something in the future”

“mental perception of the kind of environment an individual, or an organization, aspires to create within a broad time horizon and the underlying conditions for the actualization of this perception”



Vision Statement

A vision statement answers the question,

“What will success look like?”

The pursuit of this image of success is what motivates people to work together.



Examples

1. BSNL Vision Statement : ***“To become the largest telecom service provider in Asia.”***
2. Walt Disney vision Statement : ***“Make people happy”***
3. Stokes Eye Clinic, Florence, South Carolina :
“Our vision is to take care of your vision.”

Customer-Oriented Vision Statements

- Defines a business in terms of providing solutions to customer needs
- Examples:
 - **Google:** “To organize the world’s information and make it universally accessible and useful.”
 - **Nike:** “To bring inspiration and innovation to every athlete in the world.”



Exhibit 2.2 Companies with Customer-Oriented Vision Statements

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Amazon: To be earth's most customer centric company; to build a place where people can come to find and discover anything they might want to buy online.

eBay: To provide a global trading platform where practically anyone can trade practically anything.

GE: To turn imaginative ideas into leading products and services that help solve some of the world's toughest problems.

Google: To organize the world's information and make it universally accessible and useful.

IBM: To be the best service organization in the world.

Microsoft: To enable people and businesses throughout the world to realize their full potential.

Nike: To bring inspiration and innovation to every athlete in the world.

Walmart: To give ordinary folk the chance to buy the same thing as rich people.

Product-Oriented Vision Statements

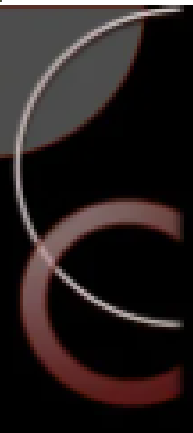
- Defines a business in terms of a good or service provided
- Example: “We are in the typewriter business”
 - Less flexible
 - Is not needs-based
 - Can lead to a myopic view
- Railroads:
 - Saw themselves in the railroad business
 - Cars and jets: redefined long-distance transportation
 - Rail companies slow to respond





Mission Statement

“A mission statement is an enduring statement of purpose that distinguishes one business from other similar firms. A mission statement identifies the scope of a firm's operations in product and market terms.”



The mission statement of an organization is normally short, to the point, and contains the following elements:

- ❑ Provides a concise statement of why the organization exists, and what it is to achieve;
- ❑ States the purpose and identity of the organization;
- ❑ Defines the institution's values and philosophy; and
- ❑ Describes how the organization will serve those

Mission Statement

The organization's objectives are identified and articulated in a mission statement.

The mission statement should be such that it clarifies:

- the nature of the organization,
- in what business the organization is,
- what the long term and short term objectives
- the methods to be adopted for achieving these objectives.

A mission statement is relevant for big as well as small organizations and for both profit making as well as non profit making organizations.



BSNL mission

"To provide world class state of art technology telecom services to its customers on demand at competitive prices.

" To provide world class telecom infrastructure in its area of operation and to contribute to the growth of country's economy."

MISSION



Driving in a wireless world


Vodafone is primarily a user of technology rather than a developer of it, and this fact is reflected in the emphasis of our work programme on enabling new applications of mobile communications, using new technology for new services, research for improving operational efficiency and quality of our networks, and providing technology vision and leadership that can contribute directly to business decisions.

Difference b/w vision and mission

	Mission Statement	Vision Statement
About	A Mission statement talks about HOW you will get to where you want to be. Defines the purpose and primary objectives related to your customer needs and team values.	A Vision statement outlines WHERE you want to be. Communicates both the purpose and values of your business.
Answer	It answers the question, "What do we do? What makes us different?"	It answers the question, "Where do we aim to be?"
Time	A mission statement talks about the present leading to its future.	A vision statement talks about your future.
Function	It lists the broad goals for which the organization is formed. Its prime function is internal; to define the key measure or measures of the organization's success and its prime audience is the leadership, team and stockholders.	It lists where you see yourself some years from now. It inspires you to give your best. It shapes your understanding of why you are working here.
Change	Your mission statement may change, but it should still tie back to your core values, customer needs and vision.	As your organization evolves, you might feel tempted to change your vision. However, mission or vision statements explain your organization's foundation, so change should be kept to a minimum.

Differences between vision and mission

Developing a statement	What do we do today? For whom do we do it? What is the benefit? In other words, Why we do what we do? What, For Whom and Why?	Where do we want to be going forward? When do we want to reach that stage? How do we want to do it?
Features of an effective statement	Purpose and values of the organization: Who are the organization's primary "clients" (stakeholders)? What are the responsibilities of the organization towards the clients?	Clarity and lack of ambiguity: Describing a bright future (hope); Memorable and engaging expression; realistic aspirations, achievable; alignment with organizational values and culture



Objectives

Objectives represent a managerial commitment to achieve specified results in a specified period, of time. They clearly spell out the quantity and quality of performance to be achieved, the time period, the process and the person who is responsible for the achievement of the objective.

Characteristics of Objectives



Differences between goals and objectives

	GOAL	OBJECTIVE
DEFINITION	The direction and overall destination of your company that helps you realize your vision	The exact actions and steps your company must take to reach its goals
SPECIFICITY	General intention or direction	Specific, precise
PLAN	Broad in scope	Narrow in scope
SIZE	Large in size, the whole	Small chunks, part of the whole
EXAMPLE	Increase international customer base	Acquire 28% more customers from the UK, Australia, and Germany in next 3 months
ACTIONS	A general outcome	Specific actions and measurable steps
MEASUREMENT	Difficult; goals are usually intangible and may not be strictly measurable	Easy; it must be measurable and tangible
TIMEFRAME	Long-term	Medium- to short-term

Strategic Planning

It deals with creating range of scenarios to cover different situations in terms of favourability – an optimistic scenario, a pessimistic one and one in between these two. Probabilities of occurrence are assigned to each of them.

Contingency planning is another technique, which in a way supplements the scenario planning. It requires plans to be made for possible damaging combinations of events. For example, construction of nuclear power centres in seismic zones may require contingency plans to be included in case of a disaster.

Strategic Implementation

This involves executing the chosen strategy effectively and efficiently. It encompasses:

1. Allocation of sufficient resources- financial, personnel, infrastructure
2. Establishing a chain of command or structure to carry out tasks efficiently.
3. Assigning responsibility for specific tasks or processes to specific individuals or groups.
4. Managing the process, which includes monitoring results, comparing them with benchmarks and best practices, evaluating the efficacy and efficiency of the process, controlling for variances, and making adjustments to the process as necessary.

Performance Evaluation

Strategy formation and implementation is an on-going, never-ending, integrated process requiring continuous reassessment and reformation. Performance evaluation system compares actual results and desired results. This subsequently enables the strategists in modifying or introducing corrections in the plan, strategies, resources, and timing, as circumstances warrant.

A system is established to monitor use of resources by the organisation and its efficacy. The monitoring and reporting system is continuous, with periodic output reviewed by teams. However, major evaluations may be conducted on a rather long term basis.

4 Levels of Strategy

