

Chapter 7 – Functional Unit Level Strategy

Introduction

After formulation of Corporate and Business Unit level strategy, the strategic manager should formulate the functional strategy of the business unit. Each functional area of the organisation should integrate its activities with other functional groups in order to seamlessly facilitate the overall performance of the organisation. Organisations form a cross functional team (CFT) which is represented by key members of the various functions in order to facilitate flow of information, joint meetings, decision making, communication, change management and conflict management within functions.

Functional Strategy for Marketing

- Marketing strategies serve as the fundamental underpinning of marketing plans designed to identify and fill market needs proactively
- Market dominance strategies are of four types as stated under-
 - **Leader** – leading with vision and ability to execute the vision, characterised by high innovation
 - **Challenger** – has ability to challenge the leader and potential to become leader through introduction of new products and services
 - **Follower** – Company replicates the products and services of the leaders
 - **Nicher** – focuses on unique concept and concentrate their efforts on specialised products or services
- Marketing strategy can be introduction oriented, delivering growth, maturity based strategy and strategy to address decline.
- Marketing mix modelling broadly consists of seven different dimensions like product, price, promotion, place, people, process and physical evidence.

Finance Function Strategy

- Finance strategy needs to address factors related to managing cash flow, raising capital and making investments
- Characterised by clearly measurable metrics and financial ratios that are constantly reviewed and improved to deliver the financial performance of the company

Human Resources Strategy

- Human resources strategy includes sub activities like planning, recruitment, compensation, performance appraisal, assessment of employee satisfaction, learning & development and talent management
- HR strategic managers must learn to help employees of diverse backgrounds, perceptions and facilitate functional areas work effectively as cross functional teams (CFTs)
- A Business unit's generic strategy can influence specific components of its human resource program

Production Strategy

- The primary mission of production strategies is planning the production schedule within budgetary limitations and time constraints
- Major component of production strategy is inventory management and control
- Production strategy assumes very high importance to leverage the experience curve and lack of any such strategy could be risky.

Quality Management Strategy

- Any organisation's reputation and brand image is dependent on the quality of products and services it delivers to its customers
- Six Sigma is one of the tool deployed by Quality Management function which includes participation from Executive Leadership, Champions, Master Black belts, black belts and green belts
- Change in competitive environment can trigger quality decisions among competitors in an give industry and the companies must tune challenges into opportunities

Research and Development Strategy

- The investment strategy in R&D is to foster innovation and leadership in products and the services that organisation is planning to provide in the market place for the present and future
- Organisations might face risk in product and services innovation as the new products or services that were envisaged may not generate the level of demand sufficient to justify the R&D investment

Supply Chain Management Strategy

- In supply chain management, many organisations look at reducing costs, improving time to market, enhance distribution system and optimisation of business processes
- The various facets of supply chain management those need to be dealt with are procurement, materials management, distribution, inventory management etc.

Information Systems Strategy

- Information systems play a very crucial role in enabling the business. Hence, it is crucial that each function in an organisation can be mapped and integrated by various IT systems to support the automation and function of that department
- While the company, as an IT strategy, invests heavily into hardware and software systems, the objective is to enable the organisation's ability to improve its market presence, production, inventory, sales, profitability and customer experience