

# FUNCTIONAL LEVEL STRATEGIES

All organizations irrespective of the size, nature and scope of business must perform the functions like

- Marketing
- Finance
- Production & Operations
- Human Resource Management
- Research & Development etc.

Careful planning, execution and coordination of these functions are highly essential for effective strategic planning, implementation and control

# FUNCTIONAL LEVEL STRATEGIES

## Marketing Strategies

- These strategies involves analysis, development and implementation of activities
- Marketing strategies can be studied under the following areas
  - Product and Service strategies
  - Pricing Strategies
  - Place / Distribution Strategies
  - Promotion Strategies

# FUNCTIONAL LEVEL STRATEGIES

## Marketing Strategies

- Product and Service strategies
- Pricing Strategies

The above has been covered in Marketing II (First Year)

# FUNCTIONAL LEVEL STRATEGIES

## Place / Channel of Distribution Strategies

- This strategy depends upon whether the company wants to sell directly or outsource its distribution function
- Most of the companies still prefer to distribute their products through market intermediaries
- Hence channel differentiation can be a distinctive competitive advantage

Egg. BSNL's success is due to location of pay phones/STD outlets even in corners of small towns and villages throughout India by appointing agents

# FUNCTIONAL LEVEL STRATEGIES

## Promotion Strategies

- This strategy includes advertising, personal selling and sales promotion
- Companies should have large advertising budgets during product introduction stage in order to create customer acceptance
- The companies whose brand is enjoying a high market share can have a low advertising budget
- Companies however spend more on advertising in a highly competitive environment

# FUNCTIONAL LEVEL STRATEGIES

## Pricing Strategies

Please study the pricing strategies from any Marketing Text Book

Ramaswamy & Namakumari, Arun Kumar & N Meenakshi  
etc

# FUNCTIONAL LEVEL STRATEGIES

## Financial Strategies

- Finance is a fundamental resource for starting and conducting of a business
- Financial strategies are centered around acquiring capital, reducing cost capital etc.
- Also making complex investment decisions through
  - capital budgeting
  - financing and dividend decisions
  - capital structure
  - working capital strategies in terms of accounts receivables, inventories, cash flow management etc.

# FUNCTIONAL LEVEL STRATEGIES

## Acquiring Capital

- Capital can be equity capital and loan capital / debt capital
- Equity capital provides security and free from paying interest and financial risk
- Debt capital although requires the payment of fixed interest regularly, it provides huge surplus during business boom
- Companies thus decide to have both equity and debt capital



# FUNCTIONAL LEVEL STRATEGIES

## Capital Structure Strategy

- Capital structure is a mix of equity capital, preference capital, retained earnings and debt capital
- Companies formulate optimum capital structure strategy in order to balance the advantages and disadvantages/ risks
- Optimum capital structure possesses the following features

# FUNCTIONAL LEVEL STRATEGIES

## Features of Optimum Capital Structure

- Generation of maximum rate of return on capital employed for the purpose of maximization of wealth of equity shareholders
- Excessive debt capital results in risk of solvency of the company hence they should limit the debt capital at a point where the risk begins
- Companies should adopt a flexible structure in order to adapt the structure to the economic situations
- The amount of debt capital should be within the capacity of the company to generate future cash flows
- Capital structure of the company should result in control of risk in debt capital

# FUNCTIONAL LEVEL STRATEGIES

## Dividend Strategy

- This is to decide the amount of profits to be distributed to the shareholders after retaining certain amount of profits as a surplus
- This is for the future investment of the company and earning benefit to the shareholder
- In turn this enables the company to generate the capital for future investment purpose which involves the least cost of capital as well as risks
- Dividend strategy is to maximize the shareholders return in the long run by maximizing the value of investment
- Thus dividend strategy balances the current returns and capital gains

# FUNCTIONAL LEVEL STRATEGIES

## Human Resource Strategies

- This is the critical, dynamic and living resource of an orgn. Unlike other resources
- HRM strategies percolate into other functional strategies and integrates all of them towards corporate and business level strategies
- HRM is managing the functions of employing, developing, compensating and utilizing human resources
- This results in development of human and industrial relations which would shape the future policies and practices of human resource management
- This is with a view to contribute proportionately to the organizational, individual and social goals

# FUNCTIONAL LEVEL STRATEGIES

## Objectives of Human Resource Management

- To create and utilize an able and motivated workforce and to accomplish the basic organizational goals
- To establish and maintain sound organizational structure and desirable working relationships among all members of the organization
- To secure the integration of an individual and groups within the organization by co-ordination of the individual and group goals with those of the organization
- To create facilities and opportunities for an individual or group development so as to match it with the growth of the organization

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- To create facilities and opportunities for an individual or group development so as to match it with the growth of the organization
- To satisfy individual and group needs by providing adequate and equitable wages, incentives, employee benefits and social security

# FUNCTIONAL LEVEL STRATEGIES

## Organization Structure and HRM Strategies

- Recent development in the organizational structure is the virtual structure
- Virtual organizations is a social network in which all the horizontal and vertical boundaries are removed
- It consists of individuals working out from physically dispersed workplaces or individuals working from mobile devices and not confined to any particular workplace
- It is a coordinated intense structure consisting primarily of patterns and relationships, and this form needs the communication and information technology to function

# FUNCTIONAL LEVEL STRATEGIES

## Organization Structure and HRM Strategies

- Limited number of employees coordinate the function and activities of various outsourced agencies
- Combine human skills, financial resources, marketing /customer needs, advertising agencies, innovations etc.
- This is done with the help of communication and information technology
- A network of relationships coordinates the manufacturing, financing, human resourcing, marketing and other activities
- There are partial and virtual organizations
- They physically perform some activities and outsource the remaining activities
- BATA physically markets its products and outsources the manufacturing activities



# FUNCTIONAL LEVEL STRATEGIES

## Characteristics of Virtual Organizations

- Flexi-work, Flexi-time and Flexi-work place
- Part-time work
- Job sharing
- Home based working
- Dependency on Information Technology like e-mail integration, mobile phone network, computer-telephony integration etc.
- Loose organization boundaries
- De-jobbing
- Multi-skilling
- Flexibility in power work
- Goal directed
- Customer centred

# FUNCTIONAL LEVEL STRATEGIES

## Human Resource Trends in Virtual Organizations

- Organization's human resources are the loose web of people
- Knowledgeable people are hired for short term projects
- Autonomy of work but accountable to the targets, performance etc.
- Employees can work from home or from any other place
- Social and work environment do not draw much attention of the HR manager
- Career planning and development are based on projects
- Selection of employees is based not only on technical skills but also on their ability to work in teams or independently
- Emotional and attitudinal quotient (EAQ) is the prime factor in employee selection rather than intelligent quotient(IQ)

# FUNCTIONAL LEVEL STRATEGIES

## Strategic Management and Performance Appraisal

- Just like HRM practices Performance Appraisal practices also depends upon the strategy adopted by the company
- Traditional techniques of performance appraisal are appropriate for the stability and sustainable growth strategies
- Appraisal by the superior is appropriate for these strategies
- Modern performance appraisal techniques are suitable for growth strategies like expansion, diversification, joint ventures, mergers and acquisitions
- Performance appraisal by the customers, subordinates and peers in addition to the superiors help employees to have a feedback from multiple directions
- This helps in identifying deficiencies and acquire competencies through training and development
- This along with the 360 degree performance appraisal enhance employee creativity that contributes to achievements like new product development, low cost leadership and differentiation strategies

# FUNCTIONAL LEVEL STRATEGIES

## Strategic Management and Performance Appraisal

### Team Training

- Organizations mostly rely on team work and team management to achieve goals
- This is more prevalent in activities like production, marketing, customer relationship, supply chain and finance
- Teamwork results in synergy and produces greater efficiency for organizational success

# FUNCTIONAL LEVEL STRATEGIES

## Strategic Management and Performance Appraisal

### Diversity Training

- Number of employees from varying ethnic groups as well as diverse background has been increasing
- This brings varied knowledge that helps the organization in making accurate and efficient decisions
- Organizations need to provide diversity training in order to get the advantage of diversity

# FUNCTIONAL LEVEL STRATEGIES

## Strategic Management and Performance Appraisal

### Retention Management

- Employers prefer to retain more talented employees while they retrench less talented employees
- Employers modify the existing HR strategies and craft new strategies in order to pay more salaries, provide more benefits and create high quality of work life to retain the best employees

# FUNCTIONAL LEVEL STRATEGIES

Strategic Management and Performance Appraisal

Total Quality Human Resources

- Total Quality is defined as:  
“ A people focused management system that aims at continual increase in customer satisfaction at continually lower cost.

Total Quality is a total system approach and an integral part of high level strategy

It works horizontally across functions and departments involving all employees top to bottom and extends backwards and forwards to include the supply chain and customer chain”

# FUNCTIONAL LEVEL STRATEGIES

## Strategic Management and Performance Appraisal

### Total Quality Management

- It is a continuous process of improvement for individuals, groups of people and total organization
- Unlike other methods TQM is concentrated focus on continuous improvement
- It is about changing ways things are done within the organizations lifetime
- People must know what to do, how to do it and have the right methods to do it
- People should be able to measure the improvement of the process and the current level of achievement in order to improve the process