

Strategic Management - The Competitive Edge

Prof. Srinivasan

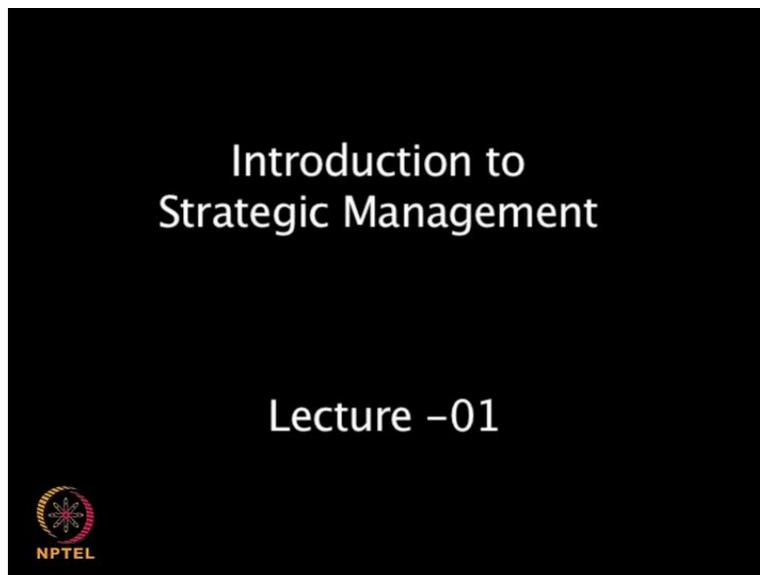
Department of Management Studies

Indian Institute of Science, Bangalore

Lecture No. # 01

Introduction to Strategic Management

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Welcome to this course on Strategic Management. I am professor Srinivasan. I teach in the Department of Management Studies at the Indian Institute of Science. I plan to cover this subject in about 40 to 42 sessions.

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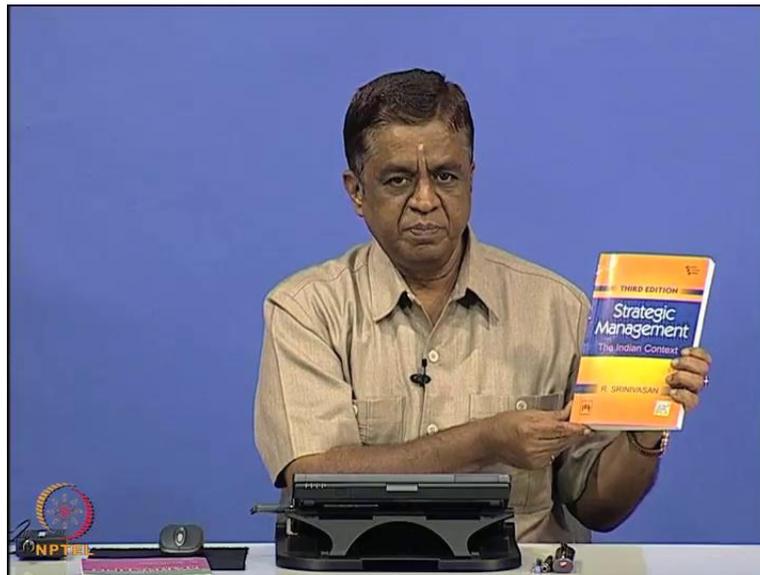
The topics that will be covered in this course are divided into different modules.

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Topics	Sessions*
1. Introduction to Strategic Management Concept of Corporate Strategy Strategic Management Process The 7-S Framework Corporate Policy and Planning in India	1-5
2. Board of Directors-Role and Functions Top Management-Role and skills Board Functioning-Indian Context	6-8
3. Environment Scanning Industry Analysis Synthesis of External Factors External factors Analysis Summary (EFAS) Internal Scanning Value Chain Analysis Synthesis of Internal Factors External factors Analysis Summary (IFAS) Case Study 1	9-14

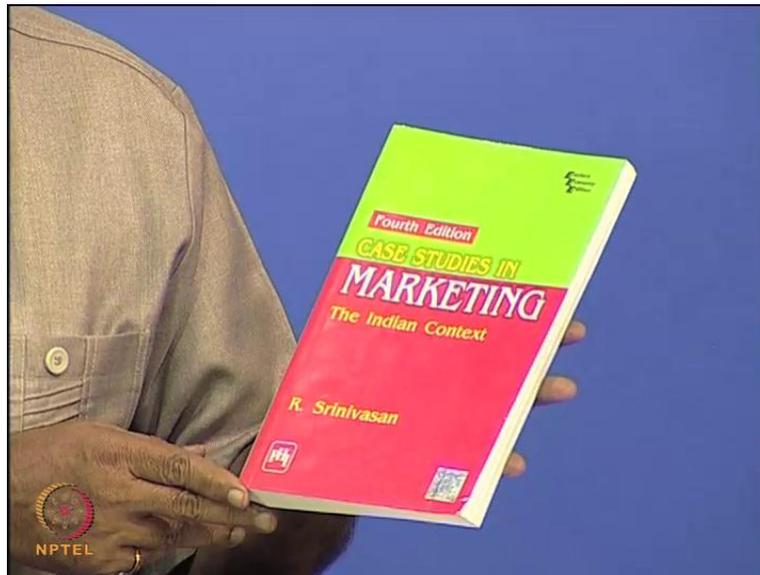
In the first module, we look at an introduction to Strategic Management. I intend to cover this introduction to Strategic Management in about 5 sessions, each session approximately taking about one and a half hours. The main references of this subject are the 2 books which are written by me and published by Prentice Hall of India.

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The first book is on Strategic Management, the third edition published by Prentice Hall of India. This has come out in the year 2009. This has come out in the year 2009 and this is easily available to you in most of the **in all the** leading **books stalls** in the country.

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The second **book which I will** be referring and which you can also refer, is the book on the Case Studies in Marketing - The Indian Context, again published by Prentice Hall of India. I will be referring to the fourth edition of this book published in 2008.

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CONTINUED...

4. Strategy Formulation	
Strategic factors Analysis Summary (SFAS)	
Business Strategy	
Corporate Strategy	16-19
Functional Strategy	
Strategic Choice	
Case Study 2	20
5. Strategy Implementation	
Organization Structure	
Corporate Culture	16-19
Diversification	
Mergers and Acquisition	
Case Study 3	24
6. Evaluation and Control	25-26
Strategic Information Systems	



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7. Other Strategic Issues	
Small and Medium Enterprises	27-28
Non-Profit Organizations	

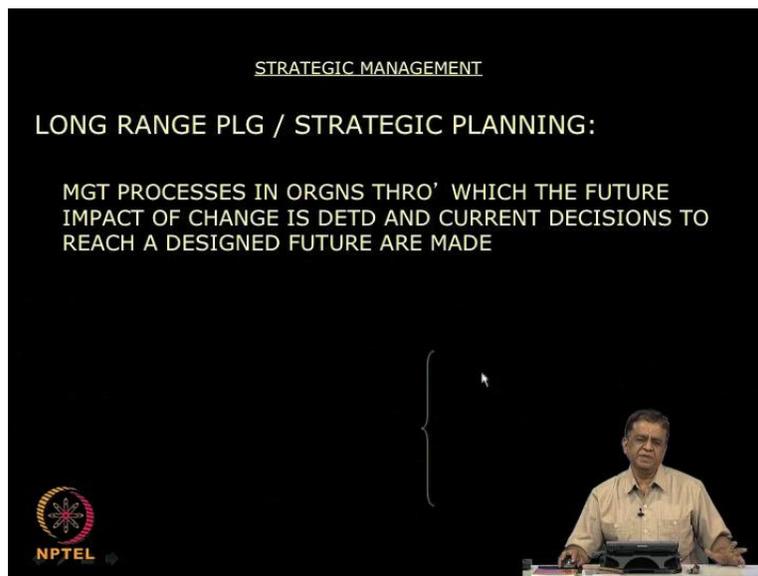
* Each session is approximately for 1.5 hours



If you see, there are 7 modules in which I will be covering this subject. As I mentioned, each session is approximately 1.5 hours. So, I planned to cover this subject in about 27 to 28 sessions. With this, we start with the first module.

The first module is where I introduce you to this topic on Strategic Management. You may just wonder, what is this Strategic Management all about? (Refer Slide Time: 03:33) and when did it really come into being?

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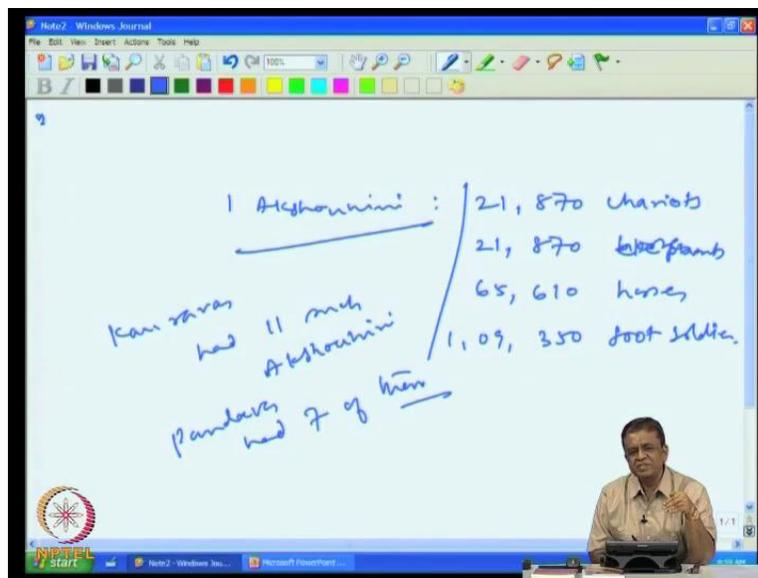
If you really see, this Strategic Management in the informal sense, it is not very new. In fact, **It was** very much there, right from the Mahabharath days. So, when did we get this first terminology of 'strategy' being used?

If you go back, it was about more than 5000 years back - that is 5000 B.C, when this whole story – The Epic of the Mahabharath, is supposed to have taken place in this country. So, what happened in this war? **If This war** had two sides - one is the side of the

Kauravas and the other is the side of the Pandavas. The side of Kauravas had 11 Akshauhini sainya and the side of the Pandavas had 7 Akshauhini sainya.

Many of you might be just wondering what does an Akshauhini mean? So, let me write a few things about this Akshauhini. (Refer Slide Time: 05:27)

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What does one Akshauhini mean? If you really see, one Akshauhini just means that there were 21,870 chariots, 21,870 horses, then 65,610 ok small correction (Refer Slide Time: 06:05) 21,870 elephants, 65,610 horses and then 1,09,350 foot soldiers - This is the composition of one Akshauhini. Kauravas had 11 such Akshauhinis and Pandavas had 7 of them. So, you might just get an idea of what is the difference in the soldiers between the Pandavas and the Kauravas. If you really make an approximate guess about it, you can see that the Kauravas had really got about 5,00,000 more soldiers than the Pandavas, which is a huge number. Now, inspite of this huge number, what was happening is, the Kauravas were getting really beaten in the war by the Pandavas, inspite of their numerical strength and inspite of having so many athirathas and maharathas.

Now, the king of the Kauravas that is Duryodhana comes to Drona, who is the senadhipathi of the Kaurava army, and explains this problem to him, saying that, "look, we are numerically nearly 5,00,000 more than the Pandavas; we started with 5,00,000 more than the Pandavas, but now I find that most of my army is getting decimated by the Pandavas. You are the Acharya for both the Pandavas and the Kauravas; all of us have learnt our vidya from you; how is it that inspite of you being the Acharya, the Pandavas are only winning and we are not able to win" at which point of time, Drona tells Duryodhana, " look Duryodhana, we warned you against going to this war; that is, I, Bhishma and others, but you were guided by your trusted friends like Karna, Shakuni Dushasana. Now that the war has started, at this point of time, let me for your comfort sake formulate this Kaurava army in a strategic formulation tomorrow. This strategic formulation - the Pandavas cannot penetrate, expect Arjuna. So, if you can take Arjuna away from the main battle field, I will ensure that one of the athirathas from the Pandava's side is killed tomorrow". This is how Drona mentions to Duryodhana.

So, the first time the term 'strategy' is formally used by Drona in the Mahabharath war. So, what was the formulation which was used? The formulation that was used was the Chakravyuha. The Kaurava army was formulated in this Chakravyuha, in the form of chakras. In this Chakravyuha, the person who pierced this Chakravyuha was Abimanyu. He could not come out of this Chakravyuha. He got killed in the war.

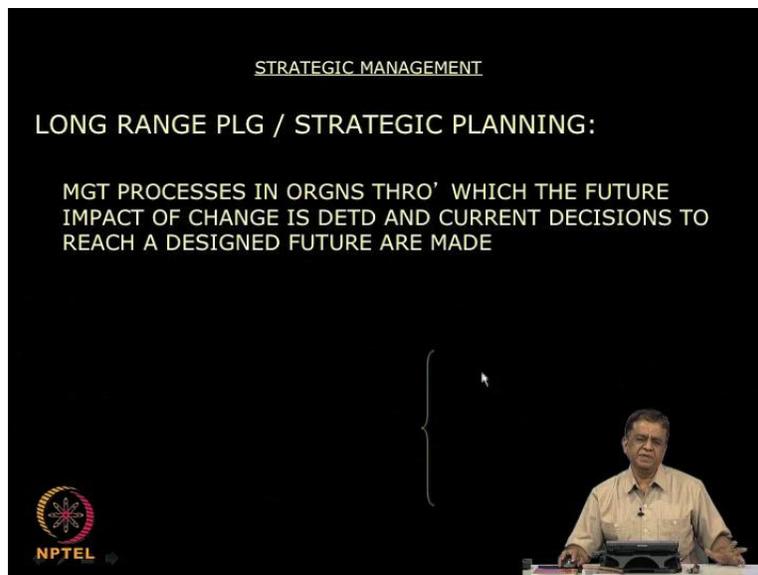
So, in other words, this term 'strategy' or 'the strategy formulation' is not something new as far as the Indians are concerned; as far as the way the thinking of the Indians have been concerned, but formally, the terms strategy was used as late as 1965 by this gentle man Ansoff when he is working for this company Lockheed Aircraft Corporation. So, the Lockheed Aircraft Corporation was one, which wanted him to work on a particular project where he said, "Ok. I will formulate a strategy to approach this problem". So, formally the term strategy was used by Ansoff in 1965.

Now, from that time onwards, strategy is in use. But for the first time in our country, the term strategy was not used, but what was used was corporate planning.

The first Indian industry to start corporate planning was the public sector Bharat Heavy Electricals in the year 1974. From that time onwards, corporate planning has given or has undergone transformation to strategy. How has it undergone transformation to strategy? We will look at that in a short time from now.

With this, we will come to, what do you understand by the term, 'strategy'. When you look at strategy, if we just go **back**, we can look at a formal definition of strategy or we can look at formal definition of Strategic Planning in this following manner:

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What is this term, 'strategy'? The term 'strategy' refers to **long term** decisions; they include objectives, goals and courses of action for an organization. As I mentioned to you, the term 'strategy' was formally used by the gentle man Ansoff, in the year 1965.

When it came into India in 1974, the terminology that was adapted was corporate planning. It underwent change to strategy.

What was the defining parameter to go from corporate planning to strategy? This is the question which you might like to know. So, when a company like BHEL wanted to do corporate planning for its different divisions, and encompassing the company as a whole, what it wanted to do was - have a vision document or a planning document for the next 5 years; that is - what does BHEL wants to do in the next 5 years. So, for the first time in the country, you had a public sector unit like Bharat Heavy Electricals coming up with a plan of action for the next 5 years saying, “this is what we want to do”. Now, this was all right initially when the public sectors were holding sway.

What happened in the mid 80s? Mid 80s in the country saw competition being introduced. So, the first sector to face this competition was the sector of Telecom. So, the first public sector unit to be open to competition was the first public sector unit to be started in India, that is the Indian Telephone Industries in Telecom. So, ITI was thrown open to competition; that is what you mean by saying ITI was thrown open to competition. Some of the products which ITI was manufacturing were allowed to be manufactured by private sector players.

The result was - from 1984 onwards the Telecom Industry underwent a sea change. You had a number of players coming into the Telecom Industry, manufacturing products which were earlier considered the monopoly of ITI.

Now, what did this influx or what did this entry of private players in to the public domain make? What difference did it make? The difference it made was - the companies started looking at shorter time horizons. Instead of looking at 5 years, they said, “why not we look at a shorter time horizons”. So, this is what competition can do in the market place.

Now came the liberalization in 1991. You had the IT revolution; you had the electronic revolution. This IT revolution and the electronic revolution, together what did they do? What they did was something absolutely dramatic. You had product life **shrinking**, you had number of products put into the market by different companies in terms of different models and variants of products - all those types of things. When so many things were happening, companies were forced to look at their planning horizons in more and more detail; that is, at a shorter planning horizons.

So, the term 'corporate planning' as soon as this liberalization process started gaining momentum, started rechristening itself and it became Strategic Management. Now, organizations look at time horizons of 3 years for Strategic Management. So, instead of the usual 5 to 10 years, which the organizations were looking at for the corporate planning process, in the present set up, the organizations are looking at 3 years for a Strategic Management horizon. In fact, many of the IT companies look at even a smaller horizon; they look at a horizon of just 1 year.

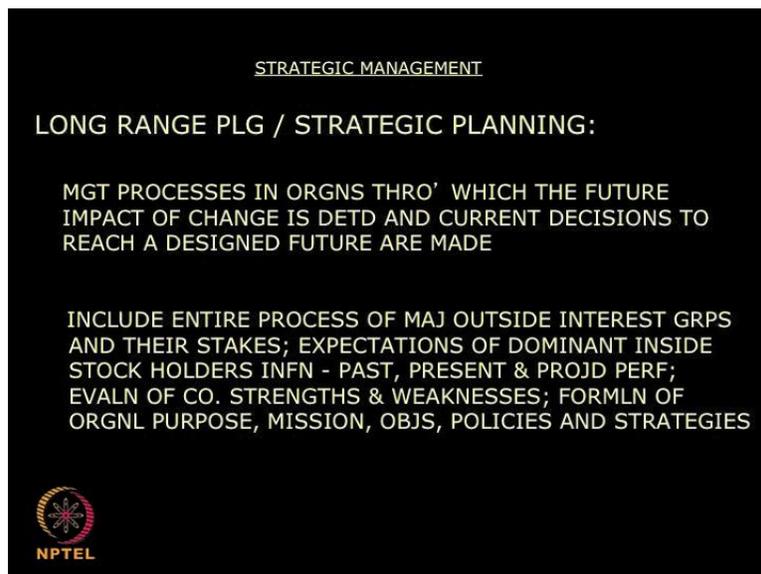
You might have listened to many of the IT companies, the leaders of the IT companies when they present their annual reports, when they present reports of the performance of the companies making a mention, "our guidance suggests"- So, this is in fact one of the first terms to be coined by one of the leading IT companies that is Infosys. It coined this term 'our guidance suggests'.

What does this guidance suggest? So, the guidance - in essence, the company was looking at a shorter time horizon and was saying that the next quarter we may be like this and the next quarter we are likely to revise our values or the forecast to this level. So, this is how the whole industry of IT and Electronics have changed the domain of corporate planning and brought in this Strategic Management. Strategic Management which has been brought a name almost hold sway as of now.

With this, what does this term ‘Strategic Management’ mean or the ‘Strategic Planning’ mean?

I give you the formal definition of Strategic Planning. Strategic Planning or the long range planning in an organization refers to management processes in organizations through which the future impact of change is determined and current decisions to reach a desired future are made. What does it include?

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It includes the entire process of major outside interest groups and their stakes; the expectations of dominant inside stock holders; the information present, past present and the production performance; the evaluation of the company’s strengths and weaknesses; the formulation of organizational purpose, mission, objectives, policies and strategies.

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STRATEGIC MANAGEMENT

LONG RANGE PLG / STRATEGIC PLANNING: MGT PROCESSES IN ORGNS THRO' WHICH THE FUTURE IMPACT OF CHANGE IS DETD AND CURRENT DECISIONS TO REACH A DESIGNED FUTURE ARE MADE

: INCLUDE ENTIRE PROCESS OF MAJ OUTSIDE INTEREST GRPS AND THEIR STAKES, EXPECTATIONS OF DOMINANT INSIDE STOCK HOLDERS INFN - PAST, PRESENT & PROJD PERFF, EVALN OF CO. STRENGTHS & WEAKNESSES; FORMLN OF ORGNL PURPOSE, MISSION, OBJS, POLICIES AND STRATEGIES

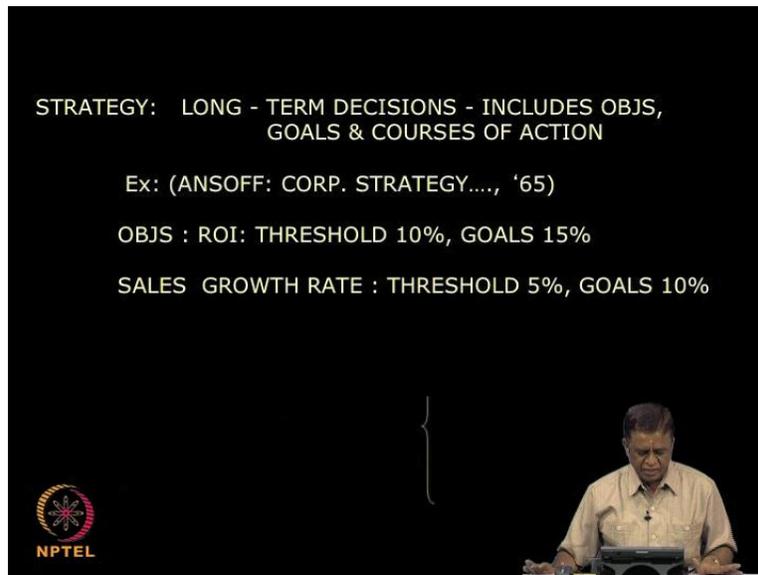
STRATEGY: LONG - TERM DECISIONS - INCLUDES OBJS, GOALS & COURSES OF ACTION

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The slide features a video inset of a man in a light-colored shirt speaking. A large curly bracket on the right side of the slide encompasses the text defining 'STRATEGIC PLANNING' and 'STRATEGY'.

Now, in other words, this process of Strategic Planning, in fact encompasses the entire gamete of all the relevant stake holders; it can be both inside the organization as well as outside the organization.

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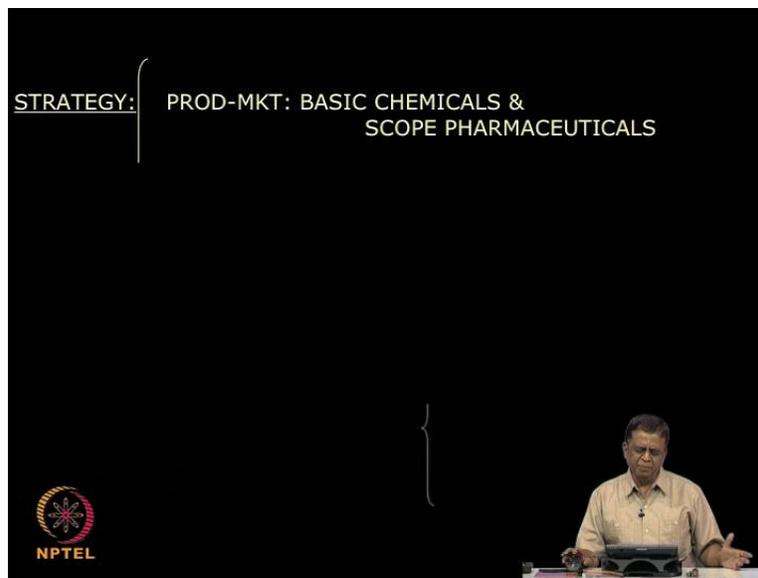
Now, the question that comes is - why are these decisions on Strategic Planning considered long term decisions? You may just wonder, why are they being called as long term decisions? because these are going to impact the organization for a considerable future time. So, suppose a wrong decision- whether it is investment or whether it is coming out with a new product or tapping a new market- is wrongly made, the organization will have to pay dearly for that. So, in other words, a Strategic Management decision is crucial to an organization.

What does that really mean? It really means that when an organization takes a Strategic Management decision, it has to keep on reviewing and reviewing, before it says, "this is the decision which I am going to take". In other words, it goes back many times and does lot of iterations before saying "yes. This is the decision that we are going to have for this strategy for the next quarter". So, the IT companies, our IT companies have become very adaptive doing and they have been able to demonstrate to the world again and again, why they are able to make very good performance yard sticks. This has been possible because of the wonderful strategies that they have been able to put in place every quarter.

Now, suppose we look at this term ‘Strategic Planning’ and we want to explain this term ‘Strategic Planning’ with respect to an organization. Let us look at a simple organization.

Let us say, we look at a simple organization say Basic Chemicals and Pharmaceuticals.

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You may just ask, “What you understand by the term objective?” with respect to this organization. So, their objectives can be looked at from different angles; that is, the different yard sticks. One of the yard sticks on which you can look at the objective could be the return on investment. You may say, “the return on investment; that is, if I put 100 rupees, I should be able to get 10 rupees back on that 100 rupees. My threshold is 10 percent, but the goal which I want to achieve is 15 percent”. Similarly, with respect to the sales growth rate, the organization might say, the threshold is 5 percent, but the goal they want to achieve is 10 percent.

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STRATEGIC MANAGEMENT

LONG RANGE PLG / STRATEGIC PLANNING: MGT PROCESSES IN ORGNS THRO' WHICH THE FUTURE IMPACT OF CHANGE IS DETD AND CURRENT DECISIONS TO REACH A DESIGNED FUTURE ARE MADE

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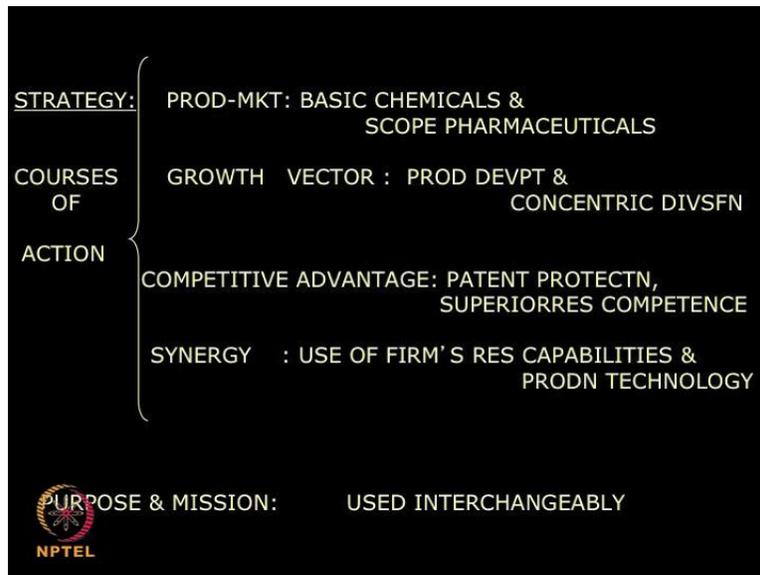
STRATEGY: LONG - TERM DECISIONS - INCLUDES OBJS, GOALS & COURSES OF ACTION
Ex: (ANSOFF: CORP. STRATEGY..., '65)
OBJS: ROI: THRESHOLD 10%, GOALS 15%
SALES
GROWTH : THRESHOLD 5%, GOALS 10%
RATE

STRATEGY: } PROD-MKT: BASIC CHEMICALS & PHARMACEUTICALS
COURSES OF ACTION } GROWTH : PROD DEVPT & CONCENTRIC DIVSFN VECTOR
} COMPETITIVE: PATENT PROTECTN - IOR ADVANTAGE RES COMPETENCE



Now, with respect this Basics Chemicals and Pharmaceutical industry, how can you draw the courses of action? That is, how can you draw this strategy? This can be drawn taking these four vector spaces.

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What are these vector spaces? The vector spaces are: One: The product market scope: With respect to this product market scope, the industry that is being addressed is the Basic Chemicals and Pharmaceuticals.

The second vector could be the growth vector; the growth vector refers to product development and concentric diversification. We will come to what is concentric diversification, when we go along.

The third vector is the competitive advantage; here, we address the issues of patent protection and the superior research competence.

Then, the fourth vector is synergy; that is, the use of the firm's research capabilities.

In other words, Basic Pharmaceutical Chemicals and Pharmaceutical Industry has to be very strong in research. These are brought out in these four vector spaces and these four

vector spaces are crucial for determining these strategy of the organization. Now, if you look at the way we look at purpose and mission for an organization, so many times you wonder, what does purpose mean? What does mission mean? As I spent, you have to appreciate many times these terms purpose and mission are used interchangeably, that is one for the other. So, if you look at the first public sector which was started in the country back in 1948 - that is the Indian Telephone Industry. What was the purpose for starting Indian Telephone Industries?

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STRATEGIC MANAGEMENT

LONG RANGE PLG / STRATEGIC PLANNING: MGT PROCESSES IN ORGNS THRO' WHICH THE FUTURE IMPACT OF CHANGE IS DETD AND CURRENT DECISIONS TO REACH A DESIGNED FUTURE ARE MADE

STRATEGY: LONG - TERM DECISIONS - INCLUDES OBJS, GOALS & COURSES OF ACTION
 Ex: (ANSOFF: CORP. STRATEGY..., '65)
 OBJS: ROI: THRESHOLD 10%, GOALS 15%
 SALES GROWTH : THRESHOLD 5%, GOALS 10%
 RATE

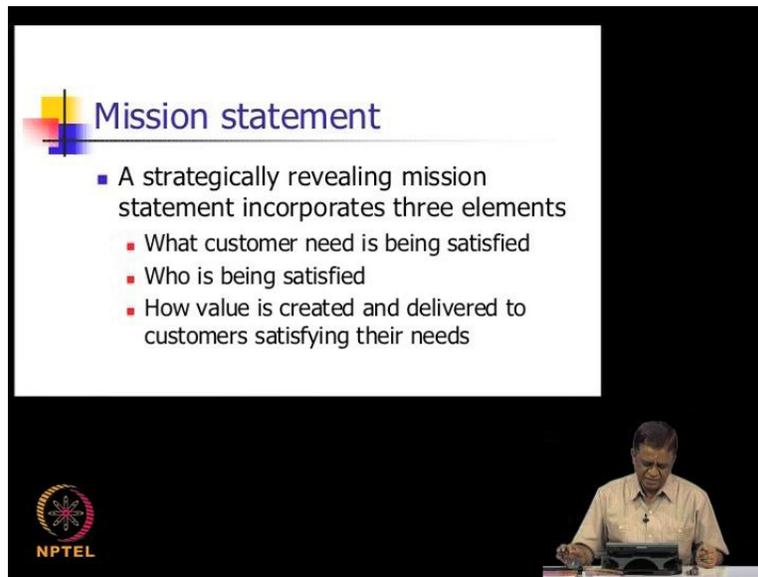
STRATEGY: PROD-MKT: BASIC CHEMICALS & PHARMACEUTICALS
COURSES OF ACTION } GROWTH : PROD DEVPT & CONCENTRIC DIVSFN VECTOR
 } COMPETITIVE: PATENT PROTE SUPERIOR ADVANTAGE RES COMPETEN
 } SYNERGY : USE OF FIRMI & PRO

PURPOSE & MISSION: USED INTERCHANGEABLY

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The purpose for starting Indian Telephone Industries was basically to fulfill the telecommunication demand of the country. So, in other words, the telecommunication demand of the country was sort to be fulfilled through the products of ITI.

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Mission statement

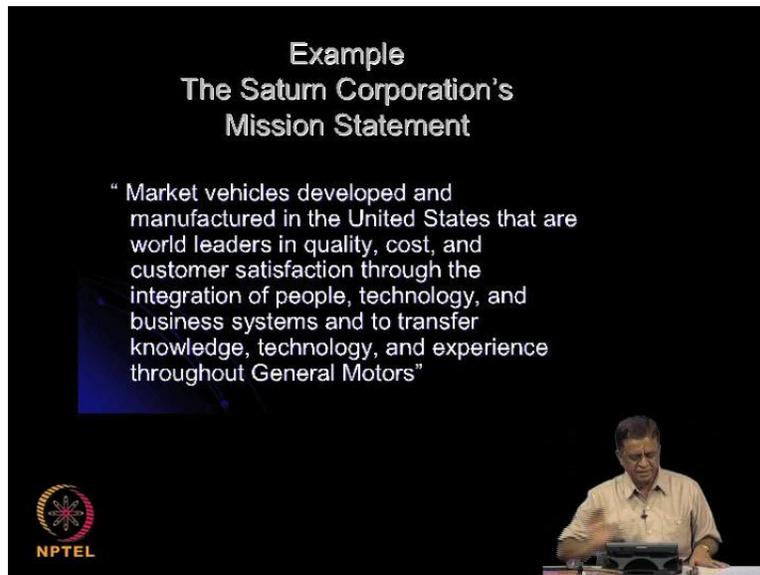
- A strategically revealing mission statement incorporates three elements
 - What customer need is being satisfied
 - Who is being satisfied
 - How value is created and delivered to customers satisfying their needs

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Now, **where do we** suppose we look in the present day context, what does the mission statement really mean? A mission statement which is a strategically revealing mission statement incorporates 3 elements; what are the 3 elements?

One: what customer need is being satisfied, who is being satisfied, how value is created and delivered to customers satisfying their needs. I repeat - what customer need is being satisfied, who is being satisfied, and how value is created and delivered to customers satisfying their needs.

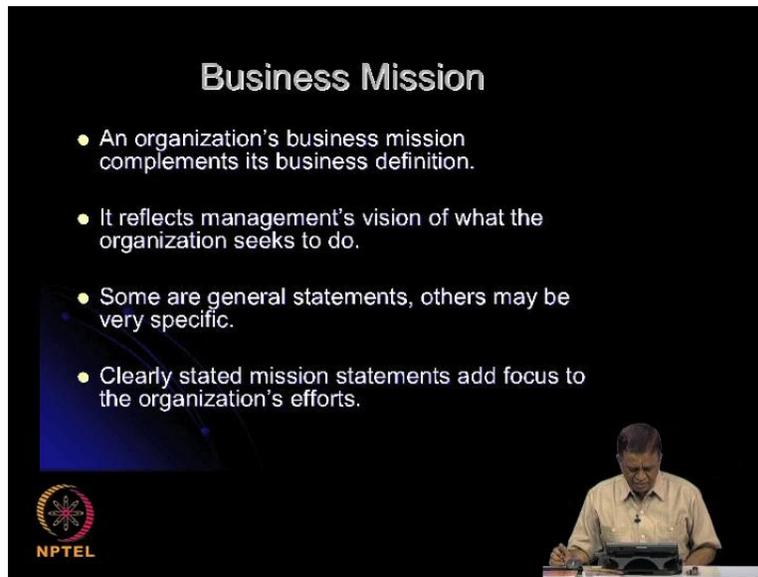
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I take the example of an organization that is the Saturn Corporation. This Saturn Corporation is associated with General Motors. How does the mission statement of Saturn Corporation read?

The mission statement of Saturn Corporation reads like this - Market vehicles developed and manufactured in the United States that are world leaders in quality, cost and customer satisfaction through the integration of people, technology and business systems and to transfer knowledge, technology and experience throughout General Motors; in other words, a statement which is more or less addressing all the 3 elements which constitute a strategically revealing mission statement. Now, from this mission statement, we move on to what is called a Business Mission.

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Business Mission

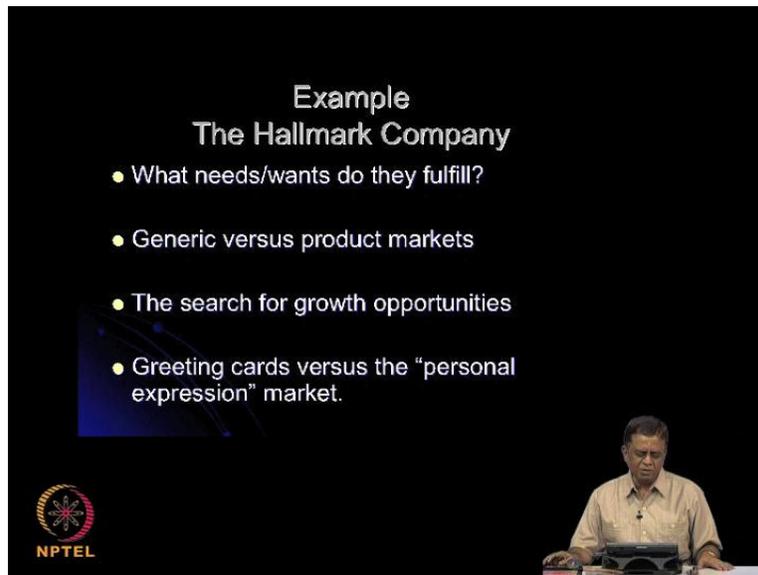
- An organization's business mission complements its business definition.
- It reflects management's vision of what the organization seeks to do.
- Some are general statements, others may be very specific.
- Clearly stated mission statements add focus to the organization's efforts.

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The slide features a dark background with white text. In the bottom right corner, there is a small inset image of a man in a light-colored shirt sitting at a desk with a laptop, looking down at his work. The NPTEL logo is located in the bottom left corner of the slide area.

What is a Business Mission? An organization's Business Mission compliments its business definition; it reflects **what is** the vision of the management with respect to what it seeks to do; that is, it reflects the management's vision of what the organization seeks to do. In some cases, they may be general statements, but in others, they may be very specific, but if you have a clearly stated mission statement, it adds focus to the organization's efforts. I gave you another example; the example that I have taken is the Hallmark Company.

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Example
The Hallmark Company

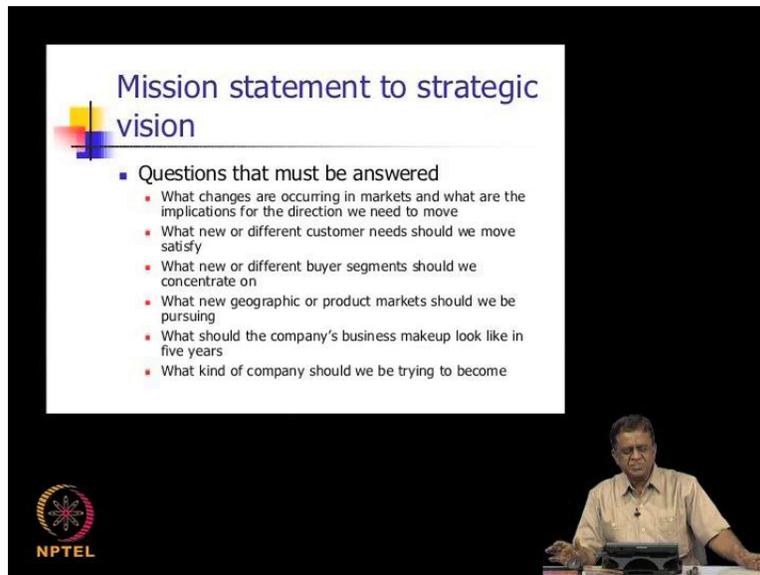
- What needs/wants do they fulfill?
- Generic versus product markets
- The search for growth opportunities
- Greeting cards versus the “personal expression” market.

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The Hallmark Company is well known for its greeting cards. Now, what are the needs and the wants do they fulfill?. So, you look at it with respect to the generic versus the product markets and what is the search for growth opportunities; then you look at the greeting cards versus the personal expression market. What does all this mean? You may just say, a greeting card is for an occasion, but how this company Hallmark capture this greeting called market? It used the greeting card with a personal touch; be it a birthday, be it a wedding anniversary or be it some other occasion, you had a personal touch attached to this greeting card. So, the result is, whenever this Hallmark company was put, the customer immediately identified it with the greeting card market. So, this is what a good Business Mission can do for a company.

Now, we move to the next. That is, how do we go from a mission statement to a strategic vision?

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Mission statement to strategic vision

- Questions that must be answered
 - What changes are occurring in markets and what are the implications for the direction we need to move
 - What new or different customer needs should we move satisfy
 - What new or different buyer segments should we concentrate on
 - What new geographic or product markets should we be pursuing
 - What should the company's business makeup look like in five years
 - What kind of company should we be trying to become

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A mission statement to strategic vision - these are the questions that must be answered: that is, what changes are occurring in markets and what are the implications for the directions we need to move? What new or different customer needs should we move and satisfy? What new or different buyer segment should we concentrate on? What new geographic or product markets should we be pursuing? What should the company's business make up look like in the next 5 years? and What is the kind of company should we be trying to become?

In other words, we are looking at time horizon. So, in the first question, we are looking at the changes occurring in a market; we are looking at the applications for the directions we need to move, that is, a company needs to move; in the second question, we trying to find out what are the new or the different customer's needs which should be moved to satisfy, and like that we address the different 5, 6 questions that are there. So, the 6 questions that are addressed help an organization to formulate its strategic vision.

So, we move from the mission statement to strategic vision. So, just look at how we have moved. When we looked at the organization, we looked at long range planning; first the long range planning. When the time horizons started **stringing**, we came down to Strategic Management, largely due to the type of liberalization processes and the IT revolution that has set-in in the country. So, you are looking at a time horizon of 3 years or even less for formulating a Strategic Planning.

Now, when you are looking at that Strategic Planning, what we have seen is how do you really look at the courses of action for an organization, for a strategy. We took the example of a Basic Chemicals and Pharmaceuticals company; then we said how you really formulate a mission statement; then how does this mission statement help you to draw a Business Mission and now we are looking at how does a mission statement help you to draw strategic vision.

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GOALS: LEGITIMISE ORGN; IDENTIFY INTER ORGNL RELNSHIPS;
HAVE PR VALUE; IMAGE BLDG WITH SUPPLIERS, CUST, PUBLIC POLICY
MAKERS AND THE GOVT; COORDN OF MULTIPLICITY
OF TASKS, MANAGING OF CONFLICTS; STDS OF PERF;
MOTIVATORS

GOALS: OFFICIAL (DESCRIBED IN MOA, CHARTER, ANN. REPORT)
OPERATIVE - WHAT ORGN IS REALLY ATTEMPTING TO DO CAN BE
INFERRED FROM ORGNL POLICIES; HELP FOCUS ATTN,
REDUCE UNCERTAINTY, CHOOSE ORGNL DESIGN ALTVES
OPERATIONAL - USED BY SUP. PERSONNEL OR MGRS TO INFLUENCE
THE BEHVR OF SUBORDINATES AND MEASURE THEIR
PERFORMANCE

OFFICIAL - ABSTRACT, IDEALISTIC; OPERATIVE -
ACTUAL GOALS BUT NOT ARTICULATED;
OPERATIONAL - DETAILED. MEASURABLE

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Now, when we look at all this, we move to the next part of the question that we address; that is, what do the goals of an organization do? Goals of an organization legitimize

organization. That is, what do you mean by legitimizing an organization? It gives it a legal entity; it makes it a legal entity.

So, it identifies the **inter organizational** relationships; they have good public relations value. Suppose you have defined the goals in a clear manner, this will bring out a good public relations value; it will help in image building with suppliers, customers, public policy makers and the Government; it helps in co-ordination of multiplicity of tasks, managing of conflicts and standards of performance. In short, the goals help to act as motivators for the organization. So, in other words, goals help the employees to be motivated.

Now, the goals can be looked at from 3 different viewpoints. What do you mean by understanding or what do you mean by stating different viewpoints?

One is what is called the official goal. The official goal is the one which is described in the MOA. What is the MOA? The MOA stands for the Memorandum of Association or the charter or the annual report. This is the official goal.

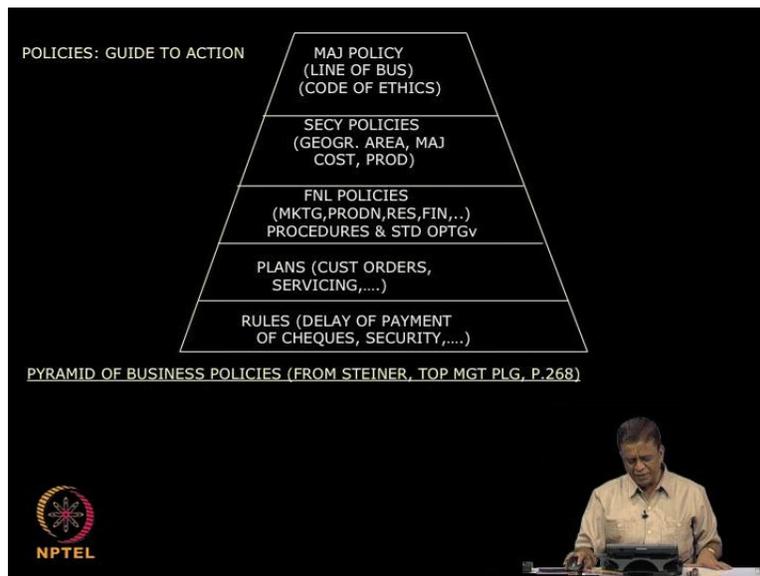
The second one is what is called the operative goal; that is what organization is really attempting to do; How do we get to know this? This can be inferred from organizational policies. What does it do? It helps focus attention; it reduces uncertainties; it helps you to choose from organizational design alternatives; these are many times the **OB** experts call them as **OD** interventions in an organization. Suppose, you have to make different **OD** interventions in an organization, which is the type of intervention which is best suited to achieve the operative goal? So, this could be decided by that.

Now, what is the third goal? The third goal is what is called the operational goal.

The operational goal is the one which is used by the supervisory personal or managers to influence the behavior of subordinates and measure their performance. In other words, it is fairly quantified. So, the organizational goals are fairly quantified. So, what do the official goals do for an organization or what does it convey for the outside world? Many times, the official goals may be abstract; may be idealistic.

Then what about the operative goals? The operative goals are the actual goals in an organization. So, there is a difference between the official goals and the operative goals. The operative goals are the ones which are the actual goals, but these are not articulated, but what about the operational goals? These are detailed goals and these are measurable. These are measurable in an organization. You can measure the operational performance in an organization; you can set up quantified yardsticks for measurement of performance in an organization.

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For those of you who are interested more into how to set these goals in an organization and what are all the things which should be going into policies for the organization, I

refer you to this wonderful book, the book which I just give you here is the Top Management Planning by George Steiner.

So, this pyramid which I am presenting here, is the pyramid of business policies; in fact, it is taken from his book, where he looks at the policies in these areas - the major policy areas, that is, the line of business or the code of ethics; the secondary policies with respect to geographical area; then the major cost to the products; then, the functional policies with respect to marketing, production, etc., Then, the procedures and standard operating plans with respect to customer order servicing; then, the rules - that is, the delay of payment of cheques, security etc., All these come under different policy pyramids. So, this is how the pyramid goes with respect to an organization.

Now, with respect to an organization, we can look at strategies in different ways. I present to you 1 or 2 such strategies, where which can be useful to an organization and which are grouped under different headings.

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STRATEGIES:

GROWTH STRATEGIES

- I. HOLD RELATIVE POSN IN HIGH GROWTH PROD/MKT AREA
- II. MKT SHARE IN HIGH GROWTH MKT
- III. MKT SHARE IN MATURE MKTS
- IV. HOLD STRONG RELATIVE POSITION IN MATURE MKT, USE 'EXCESS' CASH FLOW, FUNDS, ... TO EFFECT PENTN WITH EXISTING PRODUCT LINE - MULTI NATL MKT
- V. AS IN (IV) -WRT NEW PROD/MKTS DOMESTICALLY
- VI. HOLD STRONG RELATIVE POSN IN DIVERSIFIED PROD. LINE OMESTICALLY, AND USE 'EXCESS' CASH FLOW, FUNDS CAPABILITY AND OTHER RESOURCES TO DIVERSIFY MKTS



Now, the first one which I am going to present to you is what is called growth strategies; that is, an organization can look at growth strategies as an option. What could be the examples of growth strategies? I give here 6 such examples.

The first one: hold relative position in high growth product stroke market area. What do you mean by this? Suppose you are already a market leader in a particular segment, what to what will be the aim of that organization in that particular market segment? The aim of that organization in that particular market segment will be to hold on to its leadership position. So, you can name number of such organizations.

Take for example, the Hindustan Lever. Hindustan Lever is a leader in the detergent market. So, many of the products brought out by Hindustan Lever in the detergent market starting from Surf, now to the one which is going like the Surf ExcelMatic have made their own distinctive mark in market segments, to which they are addressing.

Now, what is the aim of Hindustan Lever? The aim of Hindustan Lever is to hold on to this leadership position in this market segment; that is, not allow its number one slot to be threatened, though its number one slot is sort to be threatened by number of other players.

The other growth strategy the company think of is - increase market share in high growth market. So, these are some of the strategies which the IT companies try to follow. You have a high growth market and in this high growth market, each player wants to increase its market share.

The third growth strategy a company can think of is - increase market share in mature markets. What do you mean by saying mature markets? In mature markets, the characteristic is - the demand has almost got saturated.

What do you mean by saying the demand has almost got saturated? It is almost fulfilled. Now, when the demand is almost fulfilled, what does it mean? The number of players who are there in mature markets are more. So, they are weighing for a space in the market share. So, if you are a leader in the market place, what would the company like to do in such a mature market?

It would like to use its leadership position to increase its market share; the same example of Hindustan Lever can be quoted, or the other example you can think of is the Colgate which holds a leadership position in the Dental market, that is, the tooth paste market.

The fourth example which I am going to give you for the growth strategy is - hold strong relative position in mature market, use excess cash flow funds to effect penetration with existing product line - that is the multinational market.

What does it mean? It means that you try to explore newer markets. Even if it means you are looking at international horizons, do not confine yourself to domestic horizon; look at international horizon also. So, this is what many of our Indian companies, especially the IT companies are now trying to do. If you are seeing, many of the leading IT companies are looking at expanding their international market horizons. You had Infosys focusing very heavily on the American market - that is US market. Now you have Infosys trying to come in the European market and trying to be a leading player in the European market as well; the same is the strategy that is being followed by Wipro.

What could be the fifth growth strategy? The fifth growth strategy which I am going to give you is the same as in fourth, but come out with new products, markets domestically. Suppose you find that there is a domestic market which is untapped and that the domestic market wants new products and the company can fulfill reasonably, then the company should go in for that.

So, a very good example could be the Telecom companies which were coming out earlier with different types of handsets; now the consumer wants slim handset; that is, he does not want a big type of a telephone; he wants a smaller type of telephone. So, in other words, the consumer tastes and preferences are undergoing change. When the consumer tastes and preferences are undergoing change, the Telecom companies, the production facilities of the telecom companies can be suitably altered or changed or made to satisfy these particular market changes which are emanating, may be due to large number of players or may be due to liberalization - whatever it may be.

Then, the sixth example of growth strategy which I am going to give you or which I am stating here is - hold strong relative position in diversified product line domestically and use excess cash flow funds capability and other resources to diversify markets.

What does that mean? It essentially means that the companies should not just depend on the markets which they are satisfying in the present scenario. That is, suppose you are trying to fulfill the needs of a particular market segment, you should not be confining yourself to that market segment for a long time; you should try to diversify markets. What do you mean by this? These are some things which we will explain when we go along. These are things which we call or which we refer to as product market development matrix, which we will take up when we go along. This is the growth strategies which we discussed.

So, what we have discussed here is - I have given you six different examples of growth strategies which a company can follow. We will discuss the dependency reduction strategies when we go along in the next class. So, for this class, we stop here for this session and we come back to discuss this dependency reduction strategies in the next session.

Thank you.