

Strategic Management - The Competitive Edge

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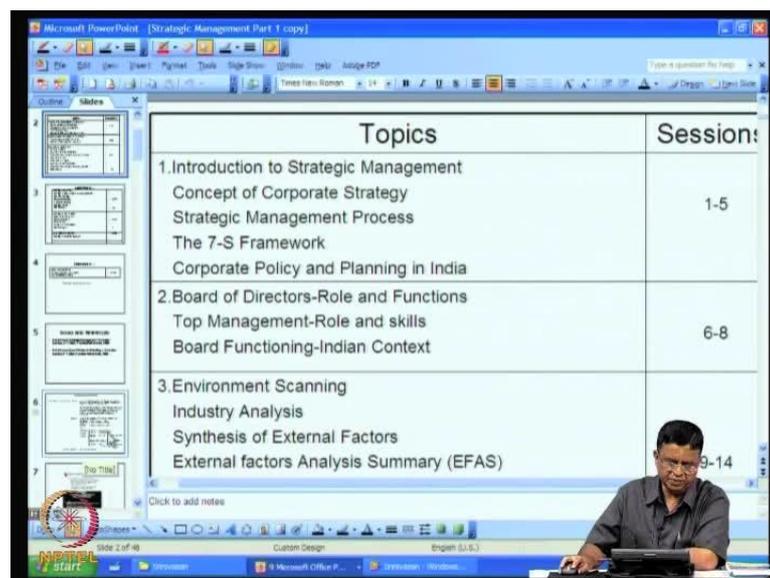
Module No.# 08

Lecture No. # 36

Summary- 1

Welcome to this class, in this class and if required in the subsequent class we will go through what all we have covered till now. In other words, it will be a roundup of what we have covered over the last so many classes.

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Topics	Session:
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)	9-14

So, by and large what we have done is to cover this topic that we started with introduction to strategic management. In this introduction to strategic management we have covered these aspects like concept of corporate strategy, the strategic management process, the 7-s framework, the corporate policy and planning in India. I will just take you through a brief journey - a summarized journey - of what we have done in this section.

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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 PERF; EVALN OF CO. STRENGTHS & WEAKNESSES; FORMLN OF ORGHL PURPOSE, MISSION, OBJS, POLICIES AND STRATEGIES

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 & SCOPE PHARMACEUTICALS
COURSES OF ACTION: GROWTH : PROD DEVPT & CONCENTRIC DIVVSFN VECTOR
COMPETITIVE: PATENT PROTECTN & PRIOR ADVANTAGE RES COMPETENCE
SYNERGY : USE OF FIRMS' RESOURCES & PRODN TECH

PURPOSE & MISSION: USED INTERCHANGEABLY

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If you really look at it, what I have done is to explain you what is meant by strategic planning. I have gone through the process by defining what is strategy and then, I have gone through the process of defining the vectors of strategy. I have defined strategic planning for you and then what we have done is to look at purpose and mission.

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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

Example
The Saturn Corporation's Mission Statement

"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"

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In this purpose and mission what I have done is taken the example of a company and explained the mission statement.

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STRATEGIC MANAGEMENT

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PURPOSE & MISSION: USED INTERCHANGEABLY

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If you go to the previous thing on strategy, I have explained to you the 4 vectors that is the product market scope, the growth vector, the competitive advantage and the synergy by taking a pharmaceutical company. Then, I have explained what is meant by the strategic planning process through a formal definition and then, what does it include that is the management processes in organizations through which the future impact of change is determined and current decisions to reach a design future are made.

So, two aspects when we started explaining this whole thing that is, what does the whole process of strategic planning include? It includes the entire process of major outside interest groups and there stacks. Expectations of dominant inside stockholders, so the information past, present and projected performance. Then the evaluation of the company strengths and the weaknesses, then the formulation of organizational purpose mission, objectives, policies and strategies.

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Mission statement

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Example
The Saturn Corporation's Mission Statement

"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"

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We explained what is meant by this purpose and mission by taking the example of the Saturn corporation which has its mission statement as 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 expertise throughout General motors.

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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.

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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Then, we explained what is meant by a business mission by taking the example of the hallmark company. Then, we went from Mission statement to strategic vision and we listed down what are the questions that must be answered.

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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

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Broadly what are the changes occurring in markets, what are the new or different customer needs that need to be satisfied and then what are the new or different buyer segments we should concentrate and what about the new geographic or product markets which the company should be pursuing. What should be the company's business makeup how should it look like in the next few 5 years and what kind of company should we be trying to build in the next five years.

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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, ANNL 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

POLICIES: GUIDE TO ACTION

MAJ POLICY
(LINE OF BUS)
(CODE OF ETHICS)
SECY POLICIES
(GEOGR. AREA, MAJ
COST, PROD)
FNL POLICIES
(MKTG, PROD, RES, FIN, ...)
PROCEDURES & STD OPTG
PLANS (CUST ORDERS,
SERVICING, ...)
RULES (DELAY OF PAYMENT
OF CHEQUES, SECURITY, ...)

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PYRAMID OF BUSINESS POLICIES (FROM STEINER, TOP MGT PLG, P. 2)

We looked at the goals of an organization and what will they do. The official goals described in the memorandum of association or the charter or the annual report, then the operative goals what organization is attempting to do. Then, operational goals that is used by the supervisory personal or managers to influence the behavior of subordinates and measure their performance. So, whereas the official goals are abstract idealistic the operative goals are actual goals but not articulated. The operational goals are detailed goals and measureable.

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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 PENTRN 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 DOMESTICALLY, AND USE 'EXCESS' CASH FLOW, FUNDS CAPABILITY AND OTHER RESOURCES TO DIVERSIFY MKTS

DEPENDANCY REDN STRATEGIES

- I. ' MAINTAINING ALTERNATIVES'
- II. BLDG 'POSITIVE IMAGE'
- III. 'DIRECT CONFRONTATION'
- IV. CONTRACTING - TO REDUCE UNCERTAINTIES
- V. CO-OPTATION - TO INVOLVE REPS OF OTHER ORGNS INTO POLICY-MAKING POSITIONS TO ACHIEVE CERTAINTY OF FUTURE
- VI. 'COALITIONS' - TO ACHIEVE CONNON GOALS LIKE OPPOSING A CONNON ENEMY

VERTL. INTEG. STRATEGIES - BACKWARD; FORWARD RISK: LOSS OF FLEXIBILITY

GENERIC: I. OVERALL COST LEADERSHIP
II. DIFFERENTIATION
III. FOCUS

MERGERS AND JOINT VENTURES

TURNAROUND STRATEGIES - ENTREPRENEURIAL AND EFFICIENCY

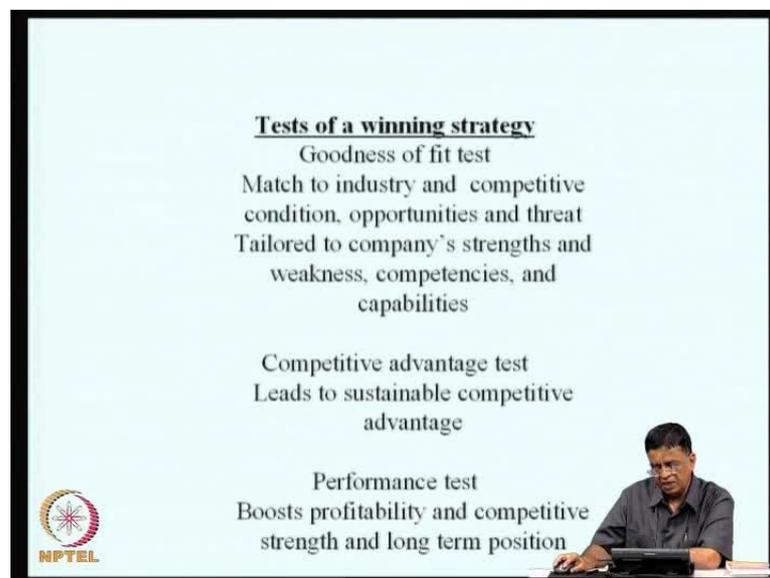
BUS. UNIT STRATEGY AND CORP. STRATEGY

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We gave the pyramid of policies which can serve as a guide to action that is a pyramid of business policies then, we looked at different types of strategies can be growth strategies then it can be dependency reduction strategies or it can be vertical integration strategies which can be backward integration or the forward integration what is a risk involved or it can be the generic strategies which are essentially three that is the overall cost leadership differentiation and focus given by porter.

Then, it can be other strategies could be mergers and joint ventures then turn around strategies can be 2 types of turn around one entrepreneurial brought about by a person and efficiency referring to the organization as a whole.

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Business unit strategy and corporate strategy, then we looked at what are the tests of a winning strategy. We are essentially looking at 3 test 1 is the goodness of fit test that is match to industry and competitive condition opportunities and threat. Then tailored to companies strengths and weaknesses, competencies and capabilities.

The second test is the competitive advantage test which leads to sustainable competitive advantage. The third test is boost performance test which boost profitability and competitive strength and long term position.

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MGT. DECISIONS

- STRATEGIC - INTERFACE BETWEEN ORGN & EXTL. ENVNT - ALLOCATION OF TOT. RES- INFREQUENT.
- OPERATING - RES. CONVN
- ADMNVE - FACILITATIVE

ORGN'S SUCCESS OR FAILURE IN THE LONG-RUN DEPENDS UPON STRATEGIC DECISION MAKING i.e. UPON DOING THE RIGHT THINGS THAN UPON DOING THINGS RIGHT

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Then, we looked at why strategic decision making is important. We summarized it through a punch line that punch line reading organizations success or failure in the long run depends upon strategic decision making that is upon doing the right things rather than upon doing things right.

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Table 1.1: Comparison Of Operating and Strategic Decisions

How	What	STRATEGIC DECISIONS	
		Clear	Unclear
O P E R A T I O N S	E f f e c t i v e	I Clear strategy and effective operations have contributed to success in the past and will contribute to success in the future.	II Unclear strategy but effective operations have contributed to success in the past but success in the future is doubtful.
	I n e f f e c t i v e	III Clear strategy but ineffective operations have sometimes worked in the past in the short-run, but increasing competition makes success doubtful in the future.	IV Unclear strategy and ineffective operations have meant failure in the past and will be so in the future.

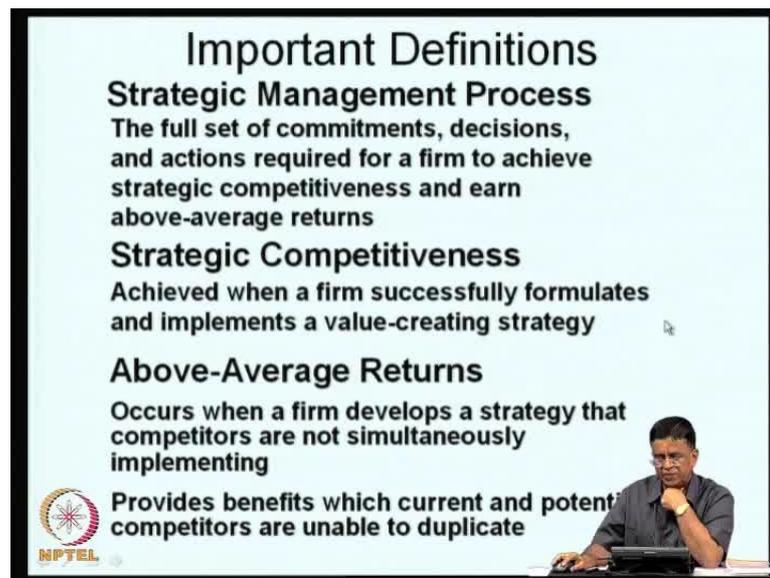
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We gave a matrix comparing operating and strategic decisions so what happens when both the operating and strategic decisions are clear then when it is effective or ineffective

that is the strategic decisions are clear or unclear operating decisions are effective or ineffective.

So, we looked the 4 quadrants and we found that the first quadrant where the strategic decisions are clear and where the operating decisions are effective will be the most desirable for the organization.

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Important Definitions

Strategic Management Process
The full set of commitments, decisions, and actions required for a firm to achieve strategic competitiveness and earn above-average returns

Strategic Competitiveness
Achieved when a firm successfully formulates and implements a value-creating strategy

Above-Average Returns
Occurs when a firm develops a strategy that competitors are not simultaneously implementing

Provides benefits which current and potential competitors are unable to duplicate

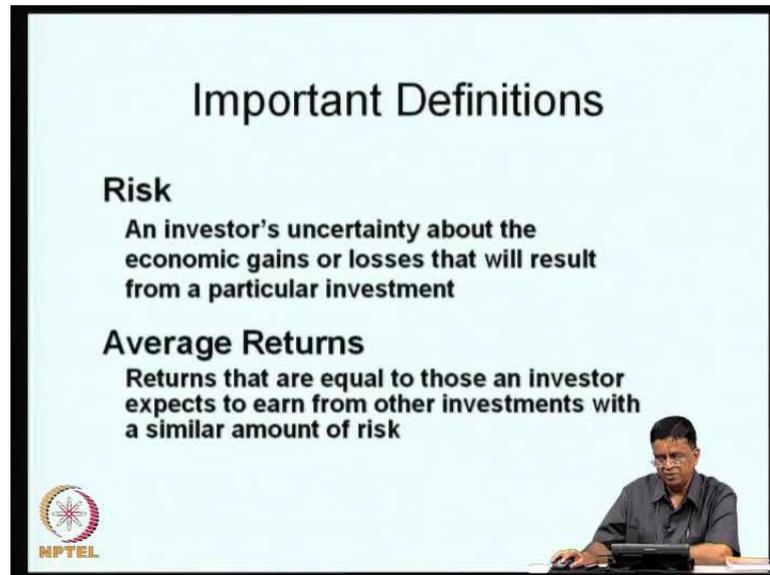
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The slide features a light blue background with a black border. On the right side, there is a small inset image of a man in a dark shirt sitting at a desk with a laptop, looking thoughtful. The NPTEL logo is located in the bottom left corner of the slide content.

We went through some important definitions starting from strategic management process that is the full set of commitments, decisions and actions required for a firm to achieve strategic competitiveness and earn above average returns.

Then, the strategic competitiveness that is achieved when a firm successfully formulates and implements a value creating strategy. Then, we looked at some important definitions like this above average returns when does it occur when a firm develops a strategy that competitors are not simultaneously implementing, then provides benefits which current and potential competitors are unable to duplicate.

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Important Definitions

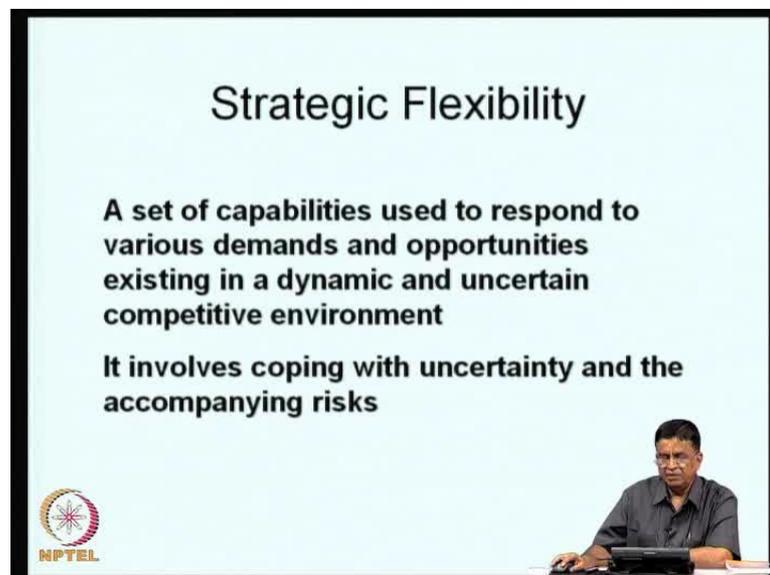
Risk
An investor's uncertainty about the economic gains or losses that will result from a particular investment

Average Returns
Returns that are equal to those an investor expects to earn from other investments with a similar amount of risk

We define risk as an investor's uncertainty about economic gains or losses that will result from a particular investment. Then average returns that are equal to those an investor expects to earn from other investments with a similar amount of risk.

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Strategic Flexibility

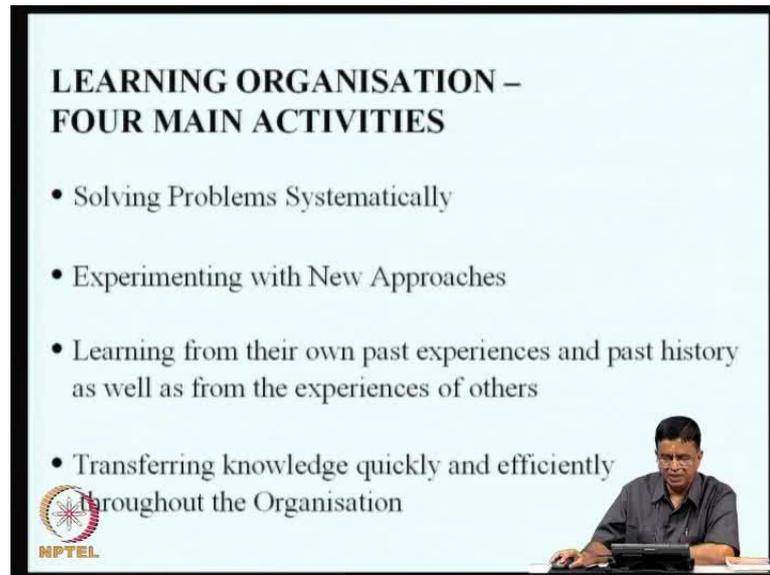
A set of capabilities used to respond to various demands and opportunities existing in a dynamic and uncertain competitive environment

It involves coping with uncertainty and the accompanying risks

Then, we defined what is meant by strategic flexibility that is, the set of capabilities use to respond to various demands and opportunities existing in a dynamic and uncertain competitive environment. So, involve coping with uncertainty and the accompanying risks.

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**LEARNING ORGANISATION –
FOUR MAIN ACTIVITIES**

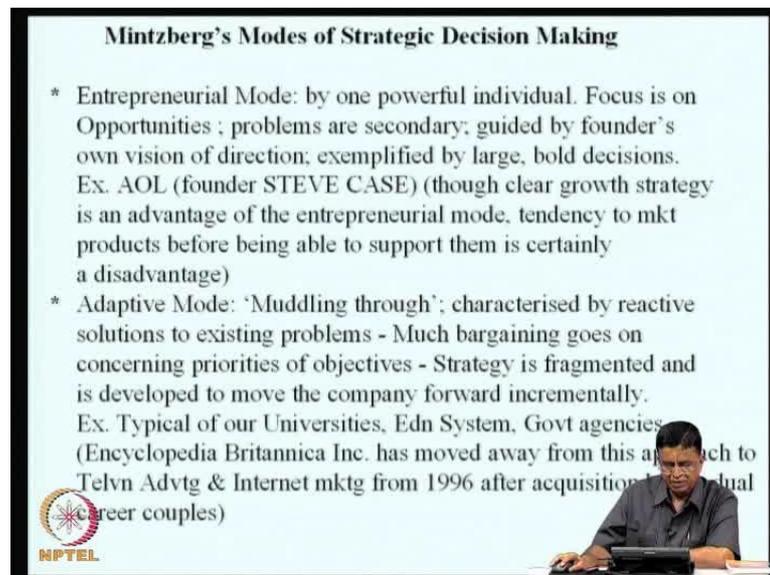
- Solving Problems Systematically
- Experimenting with New Approaches
- Learning from their own past experiences and past history as well as from the experiences of others
- Transferring knowledge quickly and efficiently throughout the Organisation

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A small inset image shows a man sitting at a desk with a laptop, looking at the screen.

So, we listed the 4 main activities of the learning organization that is, solving problem systematically, experimenting with new approaches, then learning from their own past experiences and past history as well as from the experiences of others and transferring knowledge quickly and efficiently throughout the organization.

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Mintzberg's Modes of Strategic Decision Making

- * Entrepreneurial Mode: by one powerful individual. Focus is on Opportunities ; problems are secondary; guided by founder's own vision of direction; exemplified by large, bold decisions. Ex. AOL (founder STEVE CASE) (though clear growth strategy is an advantage of the entrepreneurial mode, tendency to mkt products before being able to support them is certainly a disadvantage)
- * Adaptive Mode: 'Muddling through'; characterised by reactive solutions to existing problems - Much bargaining goes on concerning priorities of objectives - Strategy is fragmented and is developed to move the company forward incrementally. Ex. Typical of our Universities, Edn System, Govt agencies (Encyclopedia Britannica Inc. has moved away from this approach to Telvn Advtg & Internet mktg from 1996 after acquisition by individual career couples)

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A small inset image shows a man sitting at a desk with a laptop, looking at the screen.

Then, we looked at the different modes of strategic management decision making could be entrepreneurial that is one by powerful individual then, adaptive and then this is muddling refer to as muddling through that is characterized by reactive solutions to

existing problems, so it is a reactive mode of decision making basically, then the planning mode where you go through a systematic process.

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* Planning Mode: Systematic gathering of appropriate information for situation analysis, generation of feasible alternative strategies and rational selection of the most appropriate strategy - includes proactive search for new opportunities and relative solutions of existing problems.
Ex. J.C. Penny Co. - after careful study of shopping trends in 1980's moved out of hardware, appliances, automotive items & electronics to apparel and home furnishings. Lower personal incomes in 1990's led J.C. Penny to emphasise private brands; could offer high quality of goods at lower prices in dept stores.

* Logical Incrementalization- syntheses of planning, adaptive and to a lesser extent entrepreneurial mode of decision making. – Organisation learns through an interactive process of probing into the future, experimenting and learning from a series of incremental commitments rather than through global formulations of total strategies. Useful when the environment is changing rapidly and it is important to build consensus and develop needed resources before committing organisation to a specific strategy.



Then, the fourth one is the logical incrementalization which has a certain aspect of planning, adaptive and entrepreneurial mode of decision making. In other words, it combine certain components of planning, adaptive and to a lesser extent the entrepreneurial mode of decision making.

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CORP. PLAN- CHANGES IN THE OVERALL SHAPE OF AN ORGN - TAKES YRS TO FRUCTIFY i.e. LONG-RANGE

HOWEVER CORP. PLAN & LRP DO NOT MEAN THE SAME.
LRP ASSUMES CURRENT ENVNT TO REMAIN INFUTURE AS WELL - BUILT FROM LOWER LEVELS IN ORGN. STRATEGY MAKING STARTS AT THE TOP MGT

- DENOTES PLG. FOR FUTURE OF THE ORGN AS A WHOLE; CONSIDERS ALL ASPECTS OF ORGN ACTIVITIES
- INTEGRATES STRATEGIC PLG WITH SHORT RANGE OPNL PLANS

CORP PLG & SYSTEMS APPROACH - COMPUTER MODELS CAN BE USED AS AN ADJUNCT OF SYSTEMS APPROACH; USEFUL FOR LARGE ENTERPRISES FOR FINL EVALN - HOWEVER, SH. NOT CREATE MGRL PBLMS; DATA HAS TO BE REGULARLY UPDATED

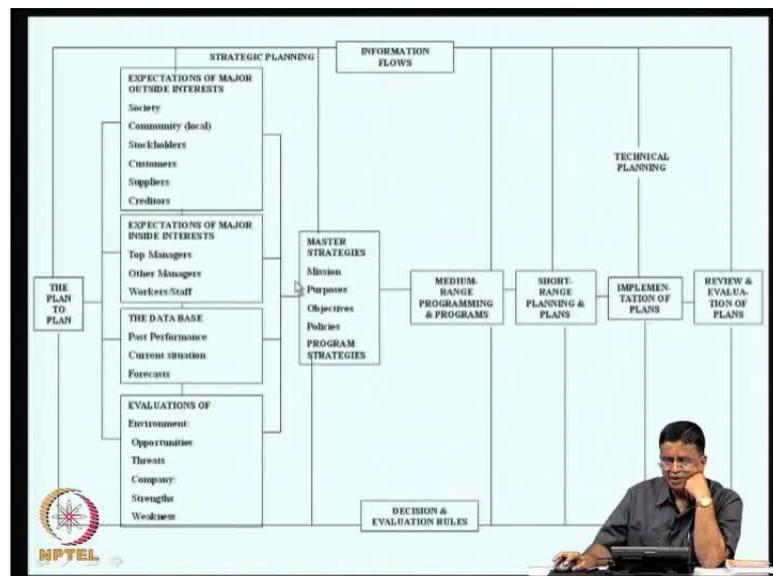
BENEFITS OF C.P. - ANTICIPATE TECHGL. CHANGES & ACHIEVE STRATEGIC OBJS & GOALS
RATIONAL RES. ALLOCATION
IMPROVED COORDINATION
EMPHASIS ON MANPOWER DEVPT
NEW PROD. DEVPT & LONG TERM NVESTMENTS
NEW SENSE OF DIRECTION

STUDIES IN US - ↑38 TO 40% IN SALES
↑ 64% IN EPS
↑ 56% IN SHARE PRICES WITH C.P.



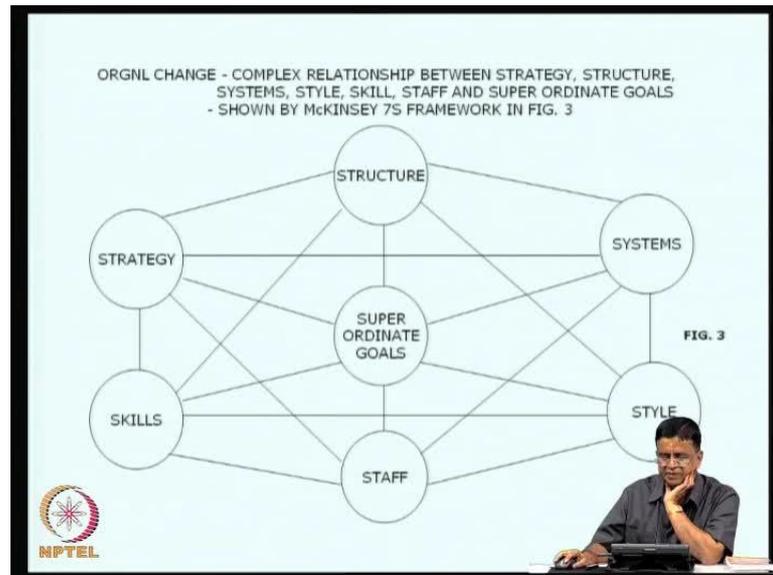
Then, we looked at the Indian scenario and again started saying which is the best decision making process in the present day context. We said the Indian organizations should go not always for the planning mode, should be willing to take some risks that is the entrepreneurial mode. Planning mode is perhaps the best approach you could do, but if it calls for entrepreneurial mode of decision making in the present day liberalized scenario the Indian organizations should be willing to going for that and they should also take the logical incrementalization mode quite seriously, so this is what we said.

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Then, we looked at the corporate plan by a diagram that is a conceptual model of corporate planning where we said how do we go through the process of corporate planning.

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Then, we went through the 7-s matrix, in the 7-s matrix if you see we went through all the aspects of the 7-s that is the super ordinate goals at the center then strategy, structure systems, style, staff and skills forming the other 6 s's.

So, this is giving you the complex relationship between strategy, structure, systems, style, skills, staff and supper ordinate goals.

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SUPER ORDINATE GOALS: SET OF VALUES AND ASPIRATIONS THAT GOES BEYOND THE THE CONVENTIONAL FORMAL STATEMENT OF CORP. OBJECTIVES; ARE FUNDAMENTAL IDEAS AROUND WHICH A BUSINESS IS BUILT - ITS MAIN VALUES
E.g.: IBM's MKTG: "CUSTOMER SERVICE"
GE's: "PROGRESS IS OUR MOST IMPORTANT MOTTO"
HEWLETT - PACKARD: "INNOVATIVE PEOPLE AT ALL LEVELS IN ORGN"
ASCI: "WE TRAIN OUR MANAGERS"
MAY NOT MEAN MUCH TO OUTSIDERS BUT HAVE TREMENDOUS SIGNIFICANCE FOR THOSE INSIDE

STRUCTURE: PRESCRIBES FORMAL RELNSHIPS AMONG VARIOUS POSITIONS AND ACTIVITIES

- REDUCES EXTERNAL UNCERTAINTY THRO' FORECASTING, RES & PLG IN THE ORGN
- REDUCES INTL UNCERTAINTY ARISING OUT OF VARIABLE, UNPREDICTABLE, RANDOM HUM. BEHAVR WITHIN THE ORGN. THRO' CONTROL MECHANISM
- UNDERTAKES WIDE VARIETY OF ACTIVITIES THRO' DEVICES SUCH AS DEPARTMENTALISATION, SPECLN, DIVN. ORGR, AND DELEGATION OF AUTHORITY'
- ENABLES COORDN OF ORGN'S ACTIVITIES & TO HAVE FOCUS

ACCCING TO MCKINSEY (7S FRAMEWORK) - RELNSHIP BETWEEN STR...
STRUCTURE RARELY PROVIDES UNIQUE STRUCTURAL SOLNS - EX...

The slide contains text defining 'SUPER ORDINATE GOALS' and 'STRUCTURE'. It includes examples of corporate values and a list of functions of structure. The text is partially cut off at the bottom. An NPTEL logo is visible in the bottom-left corner, and a person is visible in the bottom-right corner of the slide frame.

We explained what is meant by each of these s is we took the example of organizations for super ordinate goals, the American organizations, the Indian organizations. Then we went to structure, then again we went through different examples.

One of the things which we noted was the relationship between strategy and structure rarely provides unique structural solutions always there are execution problems.

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SYSTEMS-	RULES, REGNS AND PROCEDURES - FORMAL & INFORMAL THAT COMPLEMENT THE ORGN STRUCTURE (INFRASTRUCTURE)
STYLE-	'LEVER' TO BRING ABOUT ORGNL CHANGE - PATTERN OF ACTION TAKEN BY TOP MGT TEAM OVER A PERIOD OF TIME
STAFFING-	SELECTION, PLACEMENT, TRG & DEVPT OF APPROPRIATELY QUALIFIED EMPLOYEES EG: HIND. LEVER
SKILLS-	ONE OF THE MOST CRUCIAL ATTRIBUTES OR CAPABILITIES OF AN ORGN - DISTINCTIVE COMPETENCE EG: HIND. LEVER - MKTG SKILLS TELCO - ENGG. SKILLS
7-S FRAMEWORK-	THE REAL TASK OF IMPLEMENTING STRATEGY IS ONE OF BRINGING ALL 7-Ss INTO HARMONY - HELPS BY PROVIDING A CHECKLIST FOR JUDGING WHETHER ORGN IS RIPE FOR IMPLEMENTING STRATEGY - POWERFUL EXPOSITORY TOOL

Strategy & structure - hardware
The other 5s - software
Not give too much imp software at the expense of hardware

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We also said the strategy and the structure forms the hardware, the other five s form the software of the 7-s matrix. So, not give too much importance to software at the expense of the hardware was the statement that was made. So, one should not give too much importance to software at the expense of the hardware. So, this is in a sense a critical analysis of the 7-s framework, again looking more from the Indian angle.

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Global Issues for the 21st Century

- * Nations are forming Trading Associations - makes trading within regions easy but between regions difficult Ex. EU, NAFTA, Mercosur (Argentina, Brazil, Paraguay, Uruguay), ASEAN. Firms have to decide if they will do better as a regional or a global competitor.
- * World: 3 dominant trading blocks : Europe, Asia, Americas - firms will need to have meaningful manufacturing and trading activities in every trading block.
- * Globalisation: Creates opportunities but also threats to Cos. not able to adapt quickly
- * More people at all levels in an organisation are involved in Strategic Decision making - greater need for more access to info, but greater difficulty in dealing with it
- * Increasing pressure on organisations for quick response to changing conditions may make it difficult to engage in traditional mode; even with its faults, may have to go in for enterpr mode.



So, in each of these sections we have looked at what are the types of issues which we may be facing in the 21 st century for example, the types of trading associations there impact, what the world might have that is the 3 dominant trading blocks.

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BOD	- Oversees the running of the enterprise by C.E.
DIRECTORS	- Individually have no power; collective body of directors has superior total power over C.E.
BODs (powers- Sec. 292)	- Make calls on shareholders in respect of money unpaid on their shares - Issue debentures - Borrow money otherwise than Thro' debentures - Invest funds of the Co. - To make loans
BODs	- Expected to meet once in a quarter; (Quorum 1/3 of total strength or 2 directors whichever is higher)
BODs	- Marginally derived expectations - To remain effective on technology - Market growth - Divestment and diversification on sound lines - Long term productivity & quality not sacrificed for short-term profitability - Judicious earnings retention policy - Sound human values and exalted corporate culture



Then, how important the strategic decision making process is likely to be in this type of a changed scenario, so this is what we have dealt with. Then, we have come to board of directors, in board of directors we have defined what is a BOD the powers of the BOD in section 292.

Then, we have looked at section 293 also, those are the 2 important sections with respect to BODs in the Indian companies act and what is the type of expectations from the BODs.

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Strategic Management - Role of BODs

- To initiate and determine
- To evaluate and influence
- To Monitor

BODs

- 2 or 3 in small private companies to 20 in large public companies
- Structure : Ratio of WTDs to TDs is high in multinational companies like Hindustan Lever, ITC, IEL
 - : When PTDs Proportion of WTDs to TDs; in case of L&T & TISCO ratio is 1:1
 - : One MD, few WTDs, besides PTDS – MD managed company
 - : WTDs & PTDS have complementary roles to play
- Two tier BDs (Policy BD and Executive BD) – not favoured by Sachar Committee (1978)
- Japanese Cas: Most directors are whole time employees
- Part-time outside Chairman Plus WT MD; whole time-inside Chairman, plus whole time inside MD; WT inside C-cum-MD

Remuneration: <=5% of net profits if only on WTD

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So, we have looked at who is a whole time director, who is a part time director and what are the different types of board of directors which were mentioned and now what has happened now.

(Refer Slide Time: 20:49)

Top Management

- CEO (Responsible to BOD for overall management of organisation)

CEO

- Strategist, organisation builder & leader – ‘Flag Flying’ & ‘Transmitting’ to and receives signals from external environment

Top Management

- Providing direction
- Setting vision
- Setting standards

Behavioural Roles

- Interpersonal : Figurehead (for ceremonial duties)
Leader (to provide direction)
Liaison agent (for outside contracts)
- Informational : Monitor (of information)
Disseminator (within the organisation)
Spokesman (to external organisation)
- Decisional : Entrepreneur
Disturbance handler
Resource allocator
Negotiator

Planning for succession encouraging creative thinking

Skills required

- Dynamism
- Decisiveness
- Humane approach
- Conscientiousness
- Ability to understand worker’s needs
- Appealing personality
- Objectivity

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All these the some of the new things committees which were formed including the recent Narayan Murthy's committees on the BODs, so all these we have looked at that with respect to the BODs.

(Refer Slide Time: 21:09)

Corporate Values- Reflect values of managers, especially at the top

Strategic management styles

Degree of involvement by top management	High	Entrepreneurship management	Partnership management
	Low	Chaos management	Stipendiary management
		Low	High

Degree of involvement by BODs



We have also looked at 4 important strategic management styles depending on the degree of involvement by the BOD and the top management. One could be entrepreneurship where you have a degree of involvement by BOD, as well as by top management which is very high. Suppose, by top management it is high but by BOD it is low, it becomes entrepreneurship.

Suppose, it is high on both the sides it becomes partnership; suppose, it is low on both the sides it leads to **chaos** then suppose, it is low by the top management and high by the BOD it becomes stipendiary - that is the BODs trying to over reach.

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Enhancing BODs effectiveness:

- Corporate shareholding should be dispersed
- Part-time non-exec. Chairman should not be ornamental
- Role of Director should be internalised – different from heading profit centre
- BODs should be for two days
- Outside director fees should be not less than Rs.2500-
- No. of directorships by a person should be not too many
- should refrain from actual operations and policy implementation

Beer's 5 step system model for organisation's viability

System 1 : Various operational units or division of firm

System 2 : Various common service departments to co-ordinate and create orderliness in operational units' functioning – accounting, purchase, ...

System 3 : Various specialist directors for synergy of operational units – marketing, production, finance, cutting across operational divisions (inside & now of firm's operations)

System 4 : 'Outside & then' for the firm – corporate, planning, R&D, management

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FOUR RESPONSIBILITIES OF BUSINESS

- ⊗Economic - Must do
- ⊗Legal - Have to do
- ⊗Ethical - Should do
- ⊗Discretionary - Might do

Social Responsibility – includes Ethical & Discretionary

Ethical Responsibility:

- ⊗Utility: does it optimise the satisfaction of the stake holders? (Should behave in such a way that it produces the greatest benefit to the society and least harm the lowest cost)
- ⊗Rights: does it respect the rights of the individuals involved?
- ⊗Justice: is it consistent with the canons of justice (decision making equitable, fair and impartial in the distribution of costs and benefits to individuals and society)

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Then, we also looked at what one should be doing for enhancing the BODs effectiveness. Essentially, the **beer's** 5 step systems model then we looked at what are the 4 responsibilities of business, one is the economic responsibility which a business has to do that is, it has to be in the business to make some profits that is, an organization is existing to make profits. So, you cannot say profits the organization should not make at all, so that is not the purpose with which the organization is created.

(Refer Slide Time: 23:28)

Overall Corporate responsibility of IPCL

Group	Weight	Score	Product
Employees	.25	5.1	1.275
Customers	.25	5.8	1.45
Govt	.25	7.0	1.750
Society	.25	6.6	1.650
	1.00		6.125

Overall Corporate Responsibility score = 6.125



Then, legal have to do, ethical should do, discretionary might do. We looked at the ethical responsibility and then we looked at social audit took an Indian example which was done that is the Indian petrochemicals at Vadodara at that point of time now taken over by reliance.

(Refer Slide Time: 23:38)

- Reports on Corporate Governance**
- Cadbury Committee Report
 - CII Committee Report
 - Kumara Mangalam Birla Report
 - Narayana Murthy Committee Report
- 
- 

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Cadbury Committee Report

- The Committee was set up in 1991 by the Financial Reporting Council of London Stock Exchange.
- It was set up to address the Financial Aspects of Corporate Performance

Some of the Major Recommendations are:

- ✓ A single Person should not be vested with the decision making power i.e., the roles of Chairman and Chief Executive should be separated clearly.
- ✓ A majority of Directors should be independent Non-Executive directors, they should act independently and should not have any Financial Interests in the company.



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CII Committee Report

The Confederation of Indian Industry (CII) drafted some codes of Corporate Governance in 1996.

Growing International Competition, Growth in the Economy as well as Scams and Frauds brought forth the Importance Of Corporate Governance and the CII Report.

Some of the Major Recommendations are:

- ✓ Listed Companies with a turnover of at least 100 Crores and a paid up capital of at least Rs 20 Crores must appoint Audit Committees of the board within 2 years.
- ✓ Non-Executive Directors should actively participate in Board Affairs and they should be adequately compensated through Commissions and Stock options
- ✓ No person should hold Directorships in more than 10 Companies



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Kumara Mangalam Birla Report

The Committee on Corporate Governance was set up in 1999, by the Securities and Exchange Board of India (SEBI).

It was set up to address the Safeguards which are to be instituted within the Company to deal with Insider Information and Insider Trading.

Some of the Major Recommendations are:

- ✓ The Board should have an optimum combination of Executive and Non-Executive Directors and at least 50% should be Non-Executive Directors.
- ✓ Board should set up a Remuneration Committee to determine the Remuneration Packages for the Executives.
- ✓ Management should assist the Board in its decision-making process in respect of Company's Strategy, Policy, Code of Conduct and Performance Targets.



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Narayana Murthy Committee Report

SEBI instituted a Committee under Mr. Narayana Murthy which submitted its final report in the year 2003.

It was established to raise the Ethical Standards for Good Corporate Governance.

Some of the Major Recommendations are:

- ✓ Board Members should be informed about Risk Assessment and Minimization Procedures.
- ✓ All Audit Committee should be 'Financially Literate' and at least one Member should have Accounting or related Financial Management Expertise.
- ✓ Mere Explanation as to why a Company has followed a different Accounting Standards from the Prescribed standards will not be sufficient.



So, the corporate governance reports of Cadbury committee, the CII committee then, the Kumara Mangalam Birla Report and also the Narayan Murthy committee Report is what we looked at further.

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Global Issues for the 21st Century

As firms become increasingly global

- BoD's may need to become more international
- BoD's may have to consider the interests of all key stake holders and not just who own stock while taking strategic decisions
- Ability to articulate a strategic vision and motivate people to achieve it may become the most important characteristics required of a CEO

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Then, we looked at what is likely to be the future BODs role. So, we said in the light of what is happening in the country BODs may need to become more international then may have to consider the interest of all key stakeholders and not just who own stock while taking strategic decisions.

Then, the ability to articulate a strategic vision and motivate people to achieve it may become the most important characteristics required for a CEO.

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Microsoft PowerPoint [Strategic Management Part 2 copy]

Environmental analysis

Environmental Threat: Challenge by unfavorable trend

Environmental opportunity: Attractive arena for Company's action where it would enjoy a competitive advantage

Environment: Taxonomy

- Mega environment
- Micro environment
- Relevant environment

Mega environment:

- Technological advances
- Transportation Capability
- Mastery over energy
- Ability to extend and control life and serviceability
- Ability to alter characteristic of materials
- Extension of Man's sensory capabilities
- Growing mechanization of physical activities
- Growing mechanization of intellectual processes

Click to add notes

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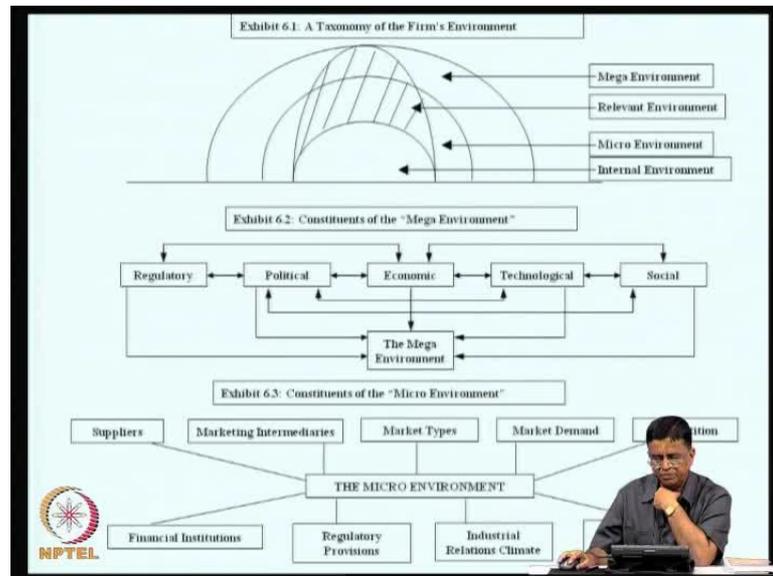
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Environmental analysis	Environmental Threat: Challenge by unfavorable trend
Environmental opportunity	Attractive arena for Company's action where it would enjoy a competitive advantage
Environment: Taxonomy	- Mega environment - Micro environment - Relevant environment
Mega environment:	Technological advances - Transportation Capability - Mastery over energy - Ability to extend and control life and serviceability - Ability to alter characteristic of materials - Extension of Man's sensory capabilities - Growing mechanisation of physical activities - Growing mechanisation of intellectual processes



Then, we looked at the different environments a company might be facing it could be the environmental analysis that is, what is meant by the mega environment, what is meant by the micro environment, what is meant by the relevant environment, we took different examples to explain this.

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Economic	Technological	Political-Legal	Socio-Cultural
GDP Trends	Total Government spending for R&D	Antitrust regulations	Lifestyle Change
Interest rates	Total Industry spending for R&D	Environmental protection laws	Career Expectations
Money Supply	Focus of technological efforts	Tax laws	Consumer activism
Inflation rates	Patent protection	Special incentives	Rate of family formation
Unemployment levels	New Products	Foreign Trade Regulations	Growth rate of population
Wage price controls	New developments in technology transfer from lab to marketplace	Attitude towards foreign companies	Age distribution of population
Devaluation/ Revaluation	Productivity improvements- automation	Laws on hiring and promotion	Regional shifts in population
Energy availability and cost		Stability of Government	Live expectancies
Disposable and discretionary income			Birth rates

We gave a taxonomy of the firms environment by different diagrams we defined what are the important variables in societal environment with respect to economic, technological, political, legal and then socio cultural. So, we gave a slide which gives list on the variables the important economic variables could be GDP trends, interest rates, money supply, inflation rates, the unemployment levels, the wage and the price controls, the devaluation or the revaluation and then the energy cost availability then the disposable and discretionary income.

Then, in the technological variables we said the total government spending for R and D then, the total industries spending for R and D. Then, the focus of the technological efforts, then the patent protection new products, new developments in technology transfer from lab to the market place then, the productivity improvements that is, what is the type of automation that is coming in.

Then, with respect to political legal variables, the antitrust regulations, the environmental protection laws and then the tax laws, special incentives, foreign trade regulations then attitudes towards foreign companies. Then, laws on hiring and promotion, the stability of the government. Then, we came to the socio cultural variables, we looked at life style change, the career expectations, consumer activism, rate of family formation, the growth rate of population, the age distribution of population, the regional shifts in population, the live expectancies and the birth rates, so all these we have looked at.

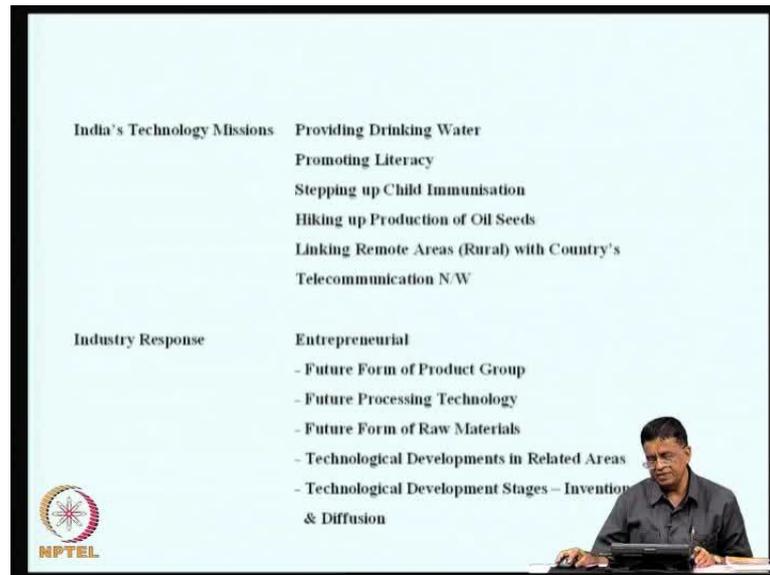
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So, we have given a diagram where we listed down the Competitive Landscape and what is really happening with respect to competition. This diagram if you see at the bottom you are having the hyper competitive environments in which the firms are competing now.

What is really happening is the fundamental nature of competition is changing, so how is it getting reflected. So, you have this emergence of the global economy creating all this hyper competitive environments. Then, you have the rapid technological change mostly brought about by the information age and the increasing knowledge intensity and then all these leading to see change with respect to the business environment.

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India's Technology Missions	Providing Drinking Water
	Promoting Literacy
	Stepping up Child Immunisation
	Hiking up Production of Oil Seeds
	Linking Remote Areas (Rural) with Country's
	Telecommunication N/W
Industry Response	Entrepreneurial
	- Future Form of Product Group
	- Future Processing Technology
	- Future Form of Raw Materials
	- Technological Developments in Related Areas
	- Technological Development Stages – Invention
	& Diffusion

We looked the different technology missions with respect to the country that is India in technology missions, whether it was providing drinking water or promoting literacy or stepping up child immunization or hiking up production of oil seeds or linking the remote areas with countries telecommunication network or the nic net.

We said what should be the industry response given this type of hyper competitiveness, so we listed down the Entrepreneurial form of response can be with respect to the changes in the form of product group or processing technology or the raw materials, the technological developments in related areas. Then, the type of technological development changes in the different stages that is the invention, innovation and diffusion.

(Refer Slide Time: 31:28)

Strategic Factors	Weight	Company A Rating	Company A Weighted Score	Company B Rating	Company B Weighted Score
I	II	III	IV	V	VI
TOTAL	1.00				

- Column I lists the Strategic Factors. These can be 8-10 most important Opportunities and threats that the Industry faces.
- Column II assigns a weight to each of the factors, from "1", most important, to "0", not important, based on the probable impact of the factor on the Industry's success. The sum of the weights should be 1, regardless of their number.
- Column III examines a particular Company, say X. A Rating is assigned for each factor 1-5 (from Poor to Outstanding) based on the Company's current Response for each Factor.




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		Assessing Impact of Opportunities Threat Matrix	
Seriousness	High	1 Major Threat	2 Moderate
	Low	3 Moderate	4 Minor
		High	Low

		Probability of Occurrences Opportunity Matrix	
Attractiveness	High	Very Attractive	Moderately Attractive
	Low	Moderately Attractive	Least Attractive
		High	Low




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Strategic Factors	Weight	Company A Rating	Company A Weighted Score	Company B Rating	Company B Weighted Score
I	II	III	IV	V	VI
TOTAL	1.00				

- Column I lists the Strategic Factors. These can be 8-10 most important Opportunities and threats that the Industry faces.
- Column II assigns a weight to each of the factors, from "1", most important, to "0", not important, based on the probable impact of the factor on the Industry's success. The sum of the weights should be 1, regardless of their number.
- Column III examines a particular Company, say X. A Rating is assigned for each factor 1-5 (from Poor to Outstanding) based on the Company's current Response for each Factor.




We also looked at what are the types of opportunity and threats, the matrix of opportunities, the impact of opportunities and the threat matrix. Then, we listed down how can we go about listing these factors - the table - and gave what we call an external factors analysis summary with respect to opportunities and threats.

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EXTERNAL FACTORS ANALYSIS SUMMARY

External Factors	Weight	Rating	Weighted Score	Comments
OPPORTUNITIES				
Emerging Trade Blocks	.15	3	45	Acquisition of a Company
Trend is to have Quality Products	.10	2	20	Quality Consciousness
Emerging New Markets	.10	1	10	Low Presence
Trend Towards Super Stores	.05	4	20	Company should Capitalize
World Moving Towards a WTO Regime	.20	2	40	To Improve Capacity Utilization for Market




We took the example of a company and said how you can what are the types of weights that can be given what is the type of ratings that the company got and what is the weighted score.

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External Factors	Weight	Rating	Weighted Score	Comments
THREATS				
Cheap Chinese Imports	.15	5	.75	High Quality of Products
Obsolescence of Product Technology	.10	2	.20	Has to Improve Technology
Opening Up of the Economy	.05	3	.15	Has to Brace itself for the Competition
Labour Laws	.05	4	.20	Good Labour Relations
Attrition of Human Resources	.05	4	.20	Has Good Image as an Employer



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Global Issues for the 21st Century

- ⊙Increasing environmental uncertainty: environmental scanning will become important. To remain competitive companies will have to develop better methods of gathering, evaluating and disseminating intelligence to those who need it.
- ⊙To manage strategically, organisations have to become more attuned to the many stakeholders who are affected by the company's actions. Shareholders will form only one part of the equation
- ⊙Distinction between developed and developing nations will begin to fade as the developing nations take on a greater proportion of the world trade.
- ⊙As more industries become hyper competitive, strategies will become increasingly short term in orientation, thus creating a paradox. Can Strategic Management exist with only a short horizon?



Similarly, when we went through the whole process again we listed what is going to happen or what might happen to the environment in the 21st century where we said you have an increasing environmental uncertainty. So, when we said increasing environmental uncertainty the importance of environmental scanning becomes highly predominant.

Then, what is the type of inference one could draw that is, to remain competitive companies will have to develop better methods of gathering, evaluating and

disseminating intelligence to those who need it. Then, we said to manage strategically organizations have to become more attuned to the many stakeholders who are affected by the companies actions, shareholders will form only one part of the equation.

Some important points coming out due to the hyper competitive environment in which firms are operating now. Then, the distinction between developed and developing nation will begin to fade as developing nations take on to a greater proportion of the world trade.

Then, as more and more industries become hyper competitive strategic strategy will becoming increasingly in short term in orientation. You are looking at a strategy which is sometimes here we took the examples from the Indian context only where we said many software companies are looking at a 1 year strategic management time horizon.

So, the hyper competitive scenario is making this time element of strategy become increasingly short term. One of the questions which I wanted you to ponder over was whether strategic management can exist with only a short time origin it is already striking.

So, when we looked at corporate planning it a was looking at a 5 to 10 years scenario. When we came to strategic management we said we are looking at a 3 year scenario. Now, you are looking at companies which are looking at a strategic management time horizon of one year only.

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Internal Corporate Analysis	(Organisational Audit)
Corporate Strength	Competitive & other distinct competencies in market place
Corporate Weakness	Constraints or obstacles which check movement in desired direction and may also inhibit organisation in gaining a distinctive competitive advantage
Criteria for Determination	
Historic	Past performance – Sales, Prof after Tax, Cap. Utilization, ... Before coming to conclusions should check replicability of 'PAST' in future
Normative	Judgement (What ought to be on level of performance (Expert opinion)
Competitive parity	Firm must at min. meet the actions of competitors – should Identify dimensions of uniqueness
Critical factor for success	KFS; EG: TV Manufacturer: advertising is a must – can't afford- may be considered as a weakness
One criterion seldom sufficient to evaluate a firm	
Measurement:	Attribute Measures Effectiveness Measures Efficiency Measures



Then, we came to the internal corporate analysis, when we came to the internal corporate analysis that is, the strengths and the weaknesses; with respect to the strengths and weaknesses, we said what could be the criteria for determination of the strengths and weaknesses could be historic that is, past performance, can be sales, profit after tax, capacity utilization or the normative is where you judge what ought to be on level of performance that is experts opinion.

The competitive parity that is, firm at most minimum meet the actions of competitors that is should identify dimensions of uniqueness. We looked at the fourth criteria that is, the critical factors of success that is the c f s or the KFS and we also said one criterion seldom sufficient to evaluate a form. We looked at the measures it can be attribute effectiveness or efficiency.

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Impact Matrix

Trends	Probability of Occurrences	Impact on Strategies			
		S1	S2	S3	S4
T1					
T2					
T3					
T4					

Impact Scale

+2	+1	0	-1	-2
Extremely Favorable	Moderately favorable	No impact	Moderately unfavorable	Extremely unfavorable

Competitive Analysis

Need to study competition

- What is driving competition in specific industry?
- What actions competitors are likely to take in the wake of increased competition?

Types of Industry Structures

Factor	Perf. Competition	Monopolistic Competition	Oligopoly
No. of Factors	Many	Many	Few
Perf. Diffn.	No	Yes	Yes
Entry or Exit	Open	Open	Restrictive

Then, we looked at what is meant by an impact matrix and then we looked at the types of industries structures possible that is it can be perfect competition or monopolistic competition or oligopoly or monopoly.

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Competitor Analysis

- Current Strategy
- Current Performance
- S&W
- Actions (Expected) in the near Future

Routes to Competitive Advantage

- Intensify function diffn. (key factors of success)
- Exploit competitor's weakness (relative superiority)
- Ask 'Why-Whys' (aggressive initiatives)
- Maximize user benefit (strategic degree of freedom)

Three Generic Strategies (Accelerating to Porter)

Industry Wide Strategic Target	Strategic Advantage	
	Differentiation	Overall cost Leadership
Particular Segment Only	← Focus →	

Uniqueness Perceived by Customer Low cost Position

Competition

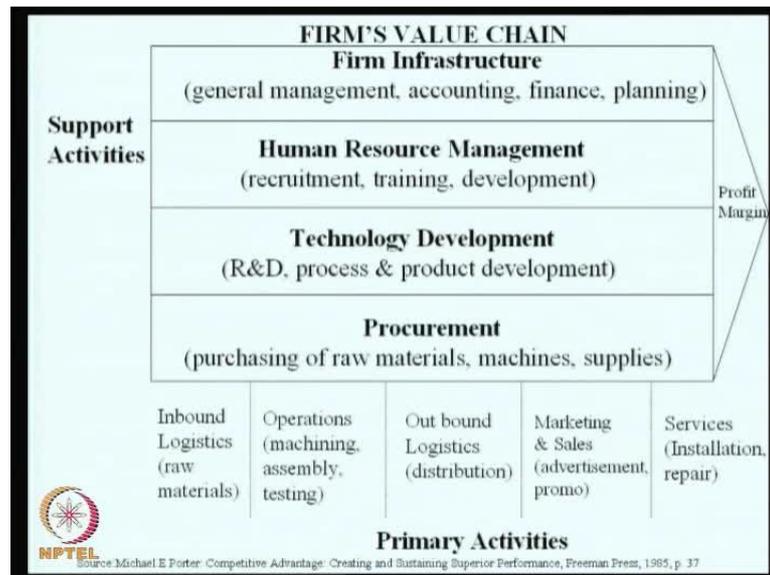
Marketing warfare viewpoint

- Defensive warfare for Market leaders
- Offensive warfare for No. 2s-attack Leader's weak
- Flanking warfare for firms with limited resources
- Guerilla warfare for smaller Companies eg. ...

Then, we looked at competitor analysis why should we do it so, we looked at the routes to competitive advantage that can be function differentiation or exploiting the competitors weaknesses or taking aggressive initiatives or maximizing the user benefit through the strategic degree of freedom.

Then, we looked at the 3 generic strategies of porter, whether it is with respect to differentiation or overall cost leadership and the focus. So, all that was what we looked at we took number of examples for competition from the marketing warfare point of view, so from the Indian context explain the whole scenario.

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We looked at again a porter is sub model which gave us what are the essential aspects of supply chain management. So, if you looked at this we said in fact contradict they form the firms value chain, so if you see we looked at the primary activities and the support activities. What forms the support activities, what forms the primary activities and what is meant by the margin and how will the value chain affect the performance of the firm.

So, the primary activities mainly are the Inbound Logistics, the Operations, Out Bound Logistics, the marketing and sales then, the services, the support activities or the firm infrastructure, the human resource management, the technology development and the procurement.

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Risks of Generic Competitive Strategies		
Risks of Cost Leadership	Risks of Differentiation	Risks of Focus
<p>Cost Leadership is not sustained:</p> <ul style="list-style-type: none"> •Competitors imitate •Technology changes •Other bases for the cost leadership erode 	<p>Differentiation is not sustained:</p> <ul style="list-style-type: none"> •Competitors imitate •Bases for differentiation become less important to buyers 	<p>The focus strategy is imitated:</p> <ul style="list-style-type: none"> •The largest segment becomes structurally unattractive •Structure erodes •Demand disappears
<p>Proximity in differentiation is lost</p>	<p>Cost proximity is lost</p>	<p>Broadly targeted competitors overwhelm the segment:</p> <ul style="list-style-type: none"> •The segment's differences from other segments narrow •The advantages of a broad line increase
<p>Cost focusers achieve even lower cost in segments.</p>	<p>Differentiation focusers achieve even greater differentiation in segments.</p>	<p>New focusers sub-segment the industry</p>

Source: Michael E. Porter, *Competitive Advantage: Creating and Sustaining Superior Performance*, The Free Press, p.21.

The Eight Dimensions of Quality		
1	Performance	Primary operating characteristics, such as a washing machine's cleaning ability
2	Features	"Bells and whistles", like cruise control in a car, that supplement the basic functions
3	Reliability	Probability that the product will continue functioning without any significant maintenance
4	Conformance	Degree to which a product meets standards. When a customer buys a product out of the warehouse, it will perform identically to that viewed on the showroom floor
5	Durability	Number of years of service a consumer can expect from a product before it significantly deteriorates. Differs from reliability in that a product can be durable, but still need a lot of maintenance
	Serviceability	Product's ease of repair
	Aesthetics	How a product looks, feels, sounds, tastes, or smells
	Perceived Quality	Product's overall reputation. Especially important if there are no objective, easily used measures of quality.

We also listed down after this basically, when does cost leadership is not sustained. Similarly, when is differentiation not sustained, when is focus not sustain as a strategy route. We gave 8 dimensions of quality as performance that is, the primary operating characteristics such as a washing machines cleaning ability, features an example is the cruise control in a car, feature supplements the basic functions and then the reliability, probability that the product will continue functioning without any significant maintenance.

Conformance degree to which a product meets standards, when a customer buy a product out of the warehouse it will perform identically to that viewed on the shop room on the show room floor. Then, what is meant by durability number of years of service a consumer can expect from a product before it significantly deteriorates.

Differs from reliability in that a product can be durable but still need a lot of maintenance kindly note this points. A product can be durable but with a lot of maintenance, then you cannot say it is a reliable product; service ability is products is of repair, esthetic is how a product looks, feels, sounds, tastes or smells. Then, perceived quality is the products over all reputation especially, important if there are no objective easily used measures of quality.

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Key Factors for Success

A key Success Factor is a competitive skill or asset that is particularly relevant to the industry. To **"PLAY IN THE GAME"** a competitor will usually need to have some minimum level of skill or asset with respect to each of the industry's Key Success Factors. If a firm has strategic weakness in a Key Success Factor and it is not neutralized by a well conceived strategy, the firm's ability to compete will be weak. Conversely sustainable competitive advantages usually will be based on Key Success Factors. In general the successful firm will have strengths in the Key Success Areas and unsuccessful competitor will lack one or more of them

Key Success Factors	To Increase Profits	To Gain Market Share
Raw-Material Procurement	Gold-mining, Wine-making	Sugar-industry, Petroleum industry
Raw-material Processing	Steel & Paper Industry	Steel & Paper Industry
Production Fabrication	Integrated Circuits, Tire Industry	Integrated Circuits, Tire Industry
Assembly	Apparel Industry, Instrumentation	Instrumentation
Design	Heavy Engineering Industry	Heavy Engineering Industry
Distribution	Bottled water, Metal cans	Home Appliances, Industry
Marketing	Branded Cosmetics, Liquor	Branded Cosmetics
Service	Automobiles	Hotel Industry



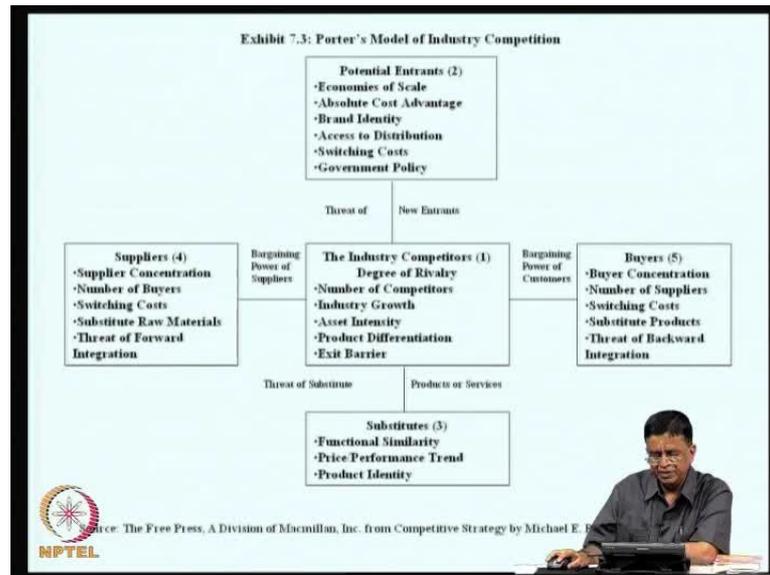

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Dimension	Basis of Comparison	Ranking	Existing	S or W
Management				
Financial				
Operations				
7S	Grid Approach (by Ansoff): F/W	Ref: x9 FNS		
Dimension	Marketing	Finance	Human Resource	Production
1. Strategy				
2. Structure				
3. Systems				
4. Shared Values				
5. Skills				
6. Style				
7. Staff				



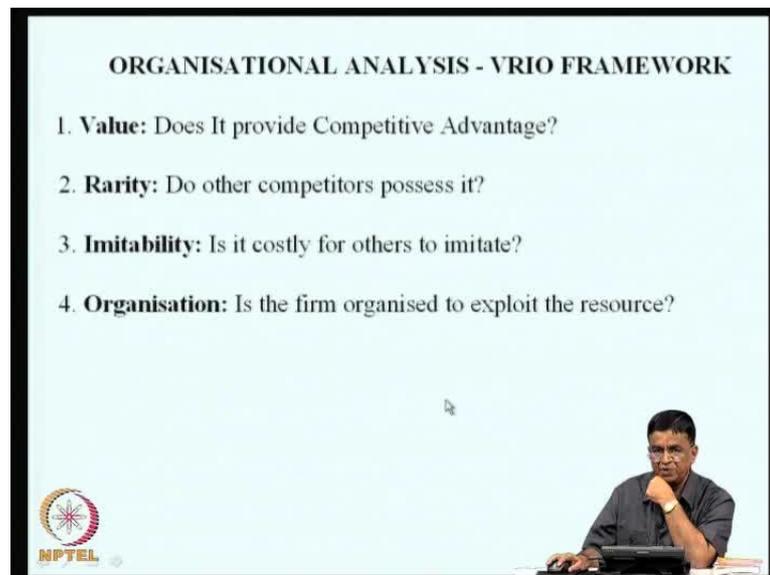

We gave all this and we listed down the key factors for success with respect to an organization that is what was given by Kenichi Ohmae.

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Then, we listed the porters model of industry computation that is popularly known as the 5 porter's model, we explain this model in grade detail. So, what is the type of computation the companies might face with respect to the degree of rivalry and the potential entrants, the substitutes, the suppliers and the buyers all 5 forming this 5 forces.

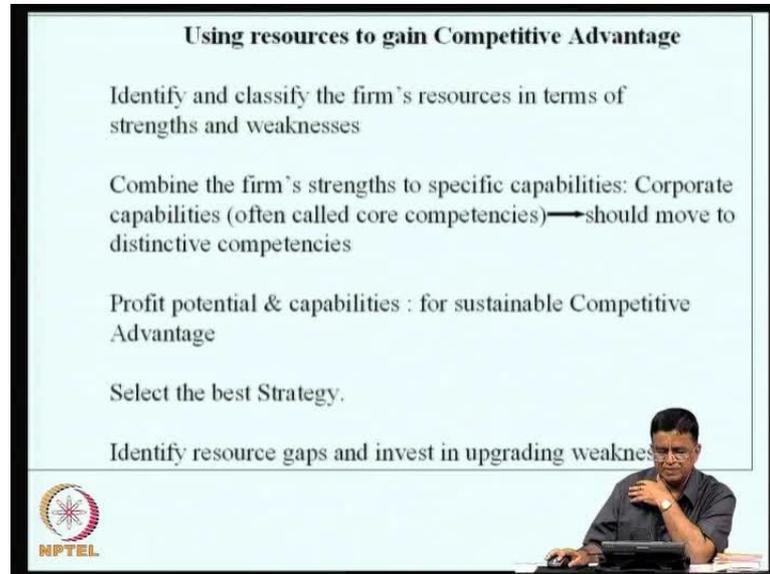
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Then, we listed down some of the important organizational analysis frame works, one is the vrio frame work where VRIO stands for value does it provide competitive advantage; rarity do competitors, do other competitors possess it.

I for Imitability it is costly for others to imitate; O for organization is the form Organize to exploit the resources.

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Using resources to gain Competitive Advantage

- Identify and classify the firm's resources in terms of strengths and weaknesses
- Combine the firm's strengths to specific capabilities: Corporate capabilities (often called core competencies) → should move to distinctive competencies
- Profit potential & capabilities : for sustainable Competitive Advantage
- Select the best Strategy.
- Identify resource gaps and invest in upgrading weaknesses

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The slide features a light blue background with a black border. In the bottom right corner, there is a small inset image of a man in a dark shirt sitting at a desk with a laptop, looking towards the camera. The NPTEL logo is located in the bottom left corner of the slide area.

We gave number of examples to address all these points. Then, we came to important aspects of how to use resources to gain competitive advantage. So, depending on the strengths and the weaknesses of the firm how can one go to specific capabilities that is the corporate capabilities often called the core competencies. From the core competencies firm should move towards the distinctive competencies and what is meant by the sustainable competitive advantage and how do you determine the sustainability of an advantage.

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Determining The Sustainability of an Advantage

Durability: Rate at which a firm's resources and capabilities become obsolete

Imitability: Rate at which a firm's resources and capabilities can be duplicated by others. A core competency can be imitated to the extent it is transparent, transferable & replicable.

- * Transparency - Speed with which other firms can understand the relationship of resources and capabilities supporting a successful firm's strategy
e.g., Gillette, Sensor, Mach 3.
- * Transferability - ability of competitor to gather resources and capabilities to support a competitive challenge
- * Replicability - ability of a competitor to use duplicated resources and capabilities to imitate the firm




The 3 aspects, one is durability, immutability, again determine by transparency - transferability, replicability we gave examples for all this.

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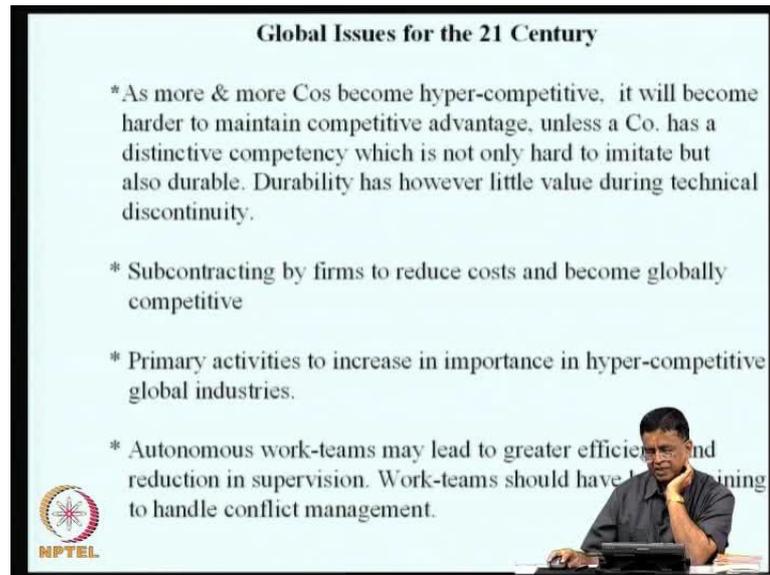
Internal Factor Analysis Summary

Internal Strategic Factors	Weight	Rating	Weighted Score	Comments
Strengths				
S1 Quality Maytag Culture	0.15	5	0.75	Quality key to success
S2 Experienced top Management	0.05	4	0.20	Know appliances
S3 Vertical Integration	0.10	4	0.40	Dedicated Factories
S4 Employee relations	0.05	3	0.15	Good but deteriorating
S5 Hoover's International Orientation	0.15	3	0.45	Hoover's name in cleaners
Weaknesses				
W1 Process-oriented R&D	0.05	2	0.10	Slow on new products
W2 Distribution Channels	0.05	2	0.10	Superstores replacing small dealers
W3 Financial Position	0.15	2	0.30	High debt load
W4 Global position	0.20	2	0.40	Hoover weak outside UK & Australia
W5 Manufacturing facilities	0.05	4	0.20	Investing now
Total	1.00	3.05		




We used all these to draw the internal factor analysis summary that is the IFAS matrix. So, we took the example of the company Maytag and listed down the weights and ratings, the weighted score what could be the type of comments that emerged out of this matrix.

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Global Issues for the 21 Century

- * As more & more Cos become hyper-competitive, it will become harder to maintain competitive advantage, unless a Co. has a distinctive competency which is not only hard to imitate but also durable. Durability has however little value during technical discontinuity.
- * Subcontracting by firms to reduce costs and become globally competitive
- * Primary activities to increase in importance in hyper-competitive global industries.
- * Autonomous work-teams may lead to greater efficiency and reduction in supervision. Work-teams should have better training to handle conflict management.

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Then, we listed down the global issues for the 21st century in the light of this hyper competitive scenario. When more and more companies are becoming hyper competitive it will become harder to maintain competitive advantage unless a company has a distinctive competency which is not only hard to imitate but also durable. Durability has however little value during technological discontinuity kindly note all these statement.

As more and more companies become hyper competitive, it will become harder for a company to maintain competitive advantage unless it has a distinctive competency which is not only hard to imitate but also durable. Durability has however little value during technological discontinuity. Then, what is likely to happen in the 21st century subcontracting by firms to reduce cost and become globally competitive, that is what we are referring to as outsourcing.

Then, primary activities to increase importance in hyper competitive global industries that is the porters value chain. With respect to the porters value chain the primary activities that is, the inbound logistics and out bound logistics all the types the activities which we listed down. Then, we said it is very possible that we will have autonomous work teams has already coming with respect to I T industries and this work teams should have better training to handle competitive environments.

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Strategic Factor Analysis Summary (SFAS) Matrix

Key Strategic Factors (Select the most important opportunities/threats from EFAS, Table 3.4 and the most important strengths and weaknesses from IFAS, Table 4.2)	1	2	3	4	Duration 5		6
					1	2	
	Weight	Rating	Weighted Score	Strength	Weakness	Long	Comments
S1 Quality Maytag culture (S)	0.10	5	0.50		X	X	Quality key to success
S2 Hoover's international orientation (S)	0.10	3	0.30		X		Name recognition
W3 Financial Position (W)	0.10	2	0.20		X		High debt
W4 Global Positioning (W)	0.15	2	0.30				Only in NA, UK, and Australia
O1 Economic integration of European Community (O)	0.10	4	0.40			X	Acquisition of Hoover
O2 Demographic force quality (O)	0.10	5	0.50			X	Maytag quality
O5 Trend to super stores (O+T)	0.10	2	0.20		X		Weak in this channel
T3 Whirlpool and Electrolux (T)	0.15	3	0.45		X		Dominate industry
T5 Japanese appliance companies (T)	0.10	2	0.20			X	Asian presence
Total Score	1.00		3.05				

Notes:

- List each of your key strategic business developed in your IFAS and EFAS tables in Column 1.
- Weight each factor from 1.0 (most important) to 0.0 (not important) in column 2 based on that factor's probable impact on company's strategic position. The total weights must sum to 1.00.
- Rate each factor from 5 (outstanding) to 1 (poor) in column 3 based on the company's response to that factor.
- Multiply each factor's weight times its rating to obtain each factor's weighted score in Column 4.

For duration of Column 5, check appropriate column either term - less than 1 year; intermediate - 1-3 years; long term - 3+ years. Use Column 6 comments for rationale used for each factor.




Then, we came to the SFAS matrix, how to develop this SFAS matrix from the EFAS matrix and the IFAS matrix which we have already looked at or which we have already drawn with respect to a company, so we took the example of the Maytag company.

Then, we said using this EFAS and the IFAS matrix, we draw the SFAS matrix, so we listed down the important trends and weaknesses, what could be the weight that can be attached, then similarly the opportunities and the threats. Over all we listed about 10 of them that is taking the strengths, weaknesses, opportunities and threats with respect to a company. So, this is a typical way of going about strategic factor analysis with respect to an organization.

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We listed all that we looked, before we go further we look how to analyze a case. So, we will take up this aspect of what we went through in a quick count summary in the next class, we will stop here, thank you.