

STRATEGIC MANAGEMENT – OVERVIEW AND PROCESS

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WHICH IS THE SUCCESSFUL STRATEGY?

- Microsoft's Business Model
 - sell proprietary code & give service free
- Redhat Linux's Business Model
 - source code open and free to all & technical support for a fee

RAYMONDS ACQUIRED COLORPLUS

- Strengthen Formal + casual segment
- Follow multiple brands strategy of Madura Garments
- Position as complete men's wear company –
 - Park avenue=mid/premium formal wear
 - Colorplus- premium smart casuals
 - Parx – value for money casuals
 - Manzoni- super premium shirts/suits

TATA CHEMICALS SODA ASH PLANT

- Outsourcing its IT infrastructure-
- Core activity Vs. Support functions
- Competency analysis
- Outsource to win strategy

DR. REDDY' LAB - STRATEGY

- Major focus on discovery of new chemical entities
- R&D expenditure – 8% of sales in 2003
- Focus areas : diabetes, anti-cancer, non-steroidal anti-infectives, anti-inflammatory
- Progress – licensed two anti-diabetis molecules to Novo Nordisk, five molecules in pipeline

WHICH STRATEGY IS SUCCESSFUL?

- Manage present
- Unlearn the past
- Create the future

HOW COMPANIES REACT TO ENVIRONMENT?

- Analyse the external and internal environment and evolve a strategy for implementation- proactive or reactive.

STRATEGIC MANAGEMENT - NEED

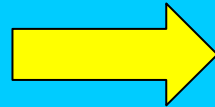
- ⊕ Preliberalized regulated economy
- ⊕ Liberalisation, Globalisation and Privatisation
- ⊕ Need for greater strategic thinking felt

CHANGING ENVIRONMENT

CHARACTERISTICS OF SECOND AND THIRD WAVE

Second wave

Standardisation



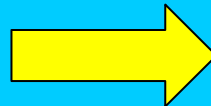
Specialisation



Synchronisation



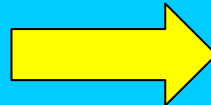
Concentration



Maximisation



Centralisation



Third wave

Destandardisation

Despecialisation

Spontaneous

Segmentation

Appropriate Scale

Decentralisation

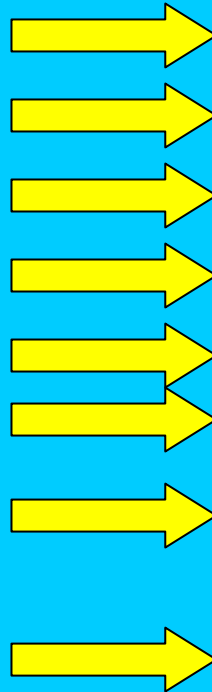
GLOBAL MEGA TRENDS

- Economic considerations transcending political considerations**
- The movement of world wide – wide free trade**
- The power full drive of telecommunications**
- The relative abundance of natural resources**
- Competition for reduced taxes**
- The Asian consumer boom**
- The advancement of democracy and the spread of free enterprise**
- Inflation and interest containment**
- The triumph of individual**

ASIAN MEGA TRENDS

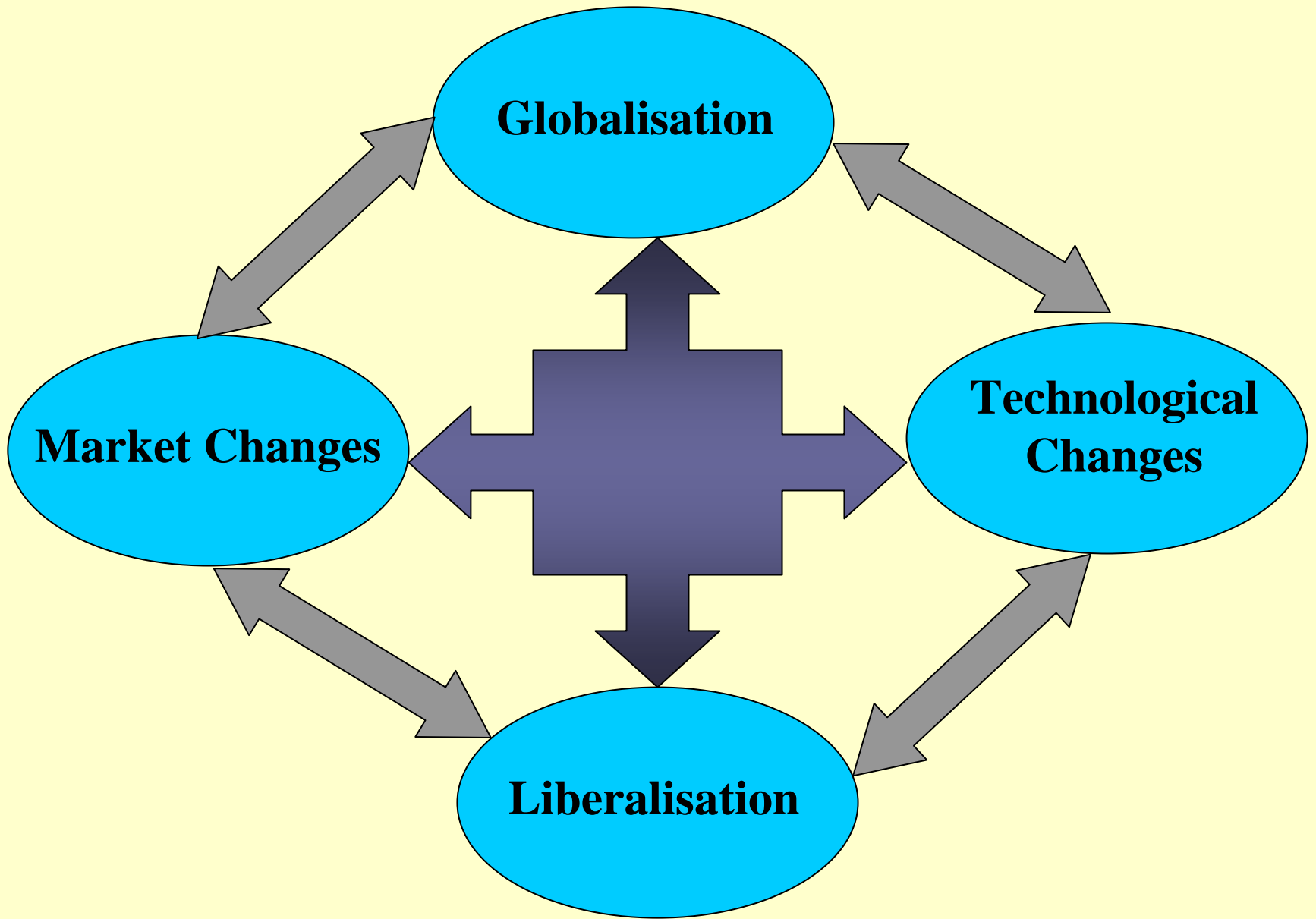
From

- 1. Nation States**
- 2. Export led**
- 3. Western influence**
- 4. Govt. Controlled**
- 5. Villages**
- 6. Labor intensive**
- 7. Male domination**
- 8. West**



To

Network
Consumer driven
The Asian way
Market driven
Super cities
High technology
Emergence of woman
East



Changing environment of organisations: Principal Constituents

Environmental Changes and Strategic response of organisation

Portfolio Related Strategic Response

- Mergers, Acquisition & Takeovers
- Demergers
- Diversification
- Share Buyback
- Divestiture/Disinvestments
- Joint Venture
- Strategic Alliances/collaborations



Process Related Strategic Responses

- Quality Strategies
- International Quality
- Certification Programmes
- Just-in-time (JIT) Inventory
- Benchmarking
- Building Core Competence
- Setting Vision & Mission
- Cost & Asset Utilisation Strategies
- Technological Upgradation & Indigenisation
- Information Technology
- Research & Development
- Marketing Strategies
- Project Management

Structure Related strategic Response

- Strategic Business Units
- Matrix Structure
- Delaying/ Flat Organisation Structure

WHAT IS STRATEGIC MANAGEMENT?

- Strategy – greek word ‘strategos’ – generalship
- Activities concerned with formulation and implementation of strategies to achieve organisational objectives

ESSENCE OF STRATEGIC MANAGEMENT

- Assess where are we now ?
- Identify where do we want to be?
- Generate options on how we might get there?
- Evaluate the options to identify which way is best?
- Ensure we reach the desired position.

- **STRATEGIC MANAGEMENT
PROCESS**

STRATEGIC MANAGEMENT PROCESS



ENVIRONMENTAL SCANNING

External:

Societal, Technological, economic,
regulatory, competitive environment- PEST
analysis ETOP analysis

Industry Analysis- Porter's Model, Strategic
groups

Internal:

Organisational Capabality analysis- SWOT,
TOWS matrix, Value Chain analysis

Organisation Structure

Culture (Belief, expectation, Values)

Resources (Assets, skills, competencies,
knowledge)

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STRATEGY FORMULATION

Mission

*Reason for
existence*

Objectives

*What results
to accomplish
when*

Strategies

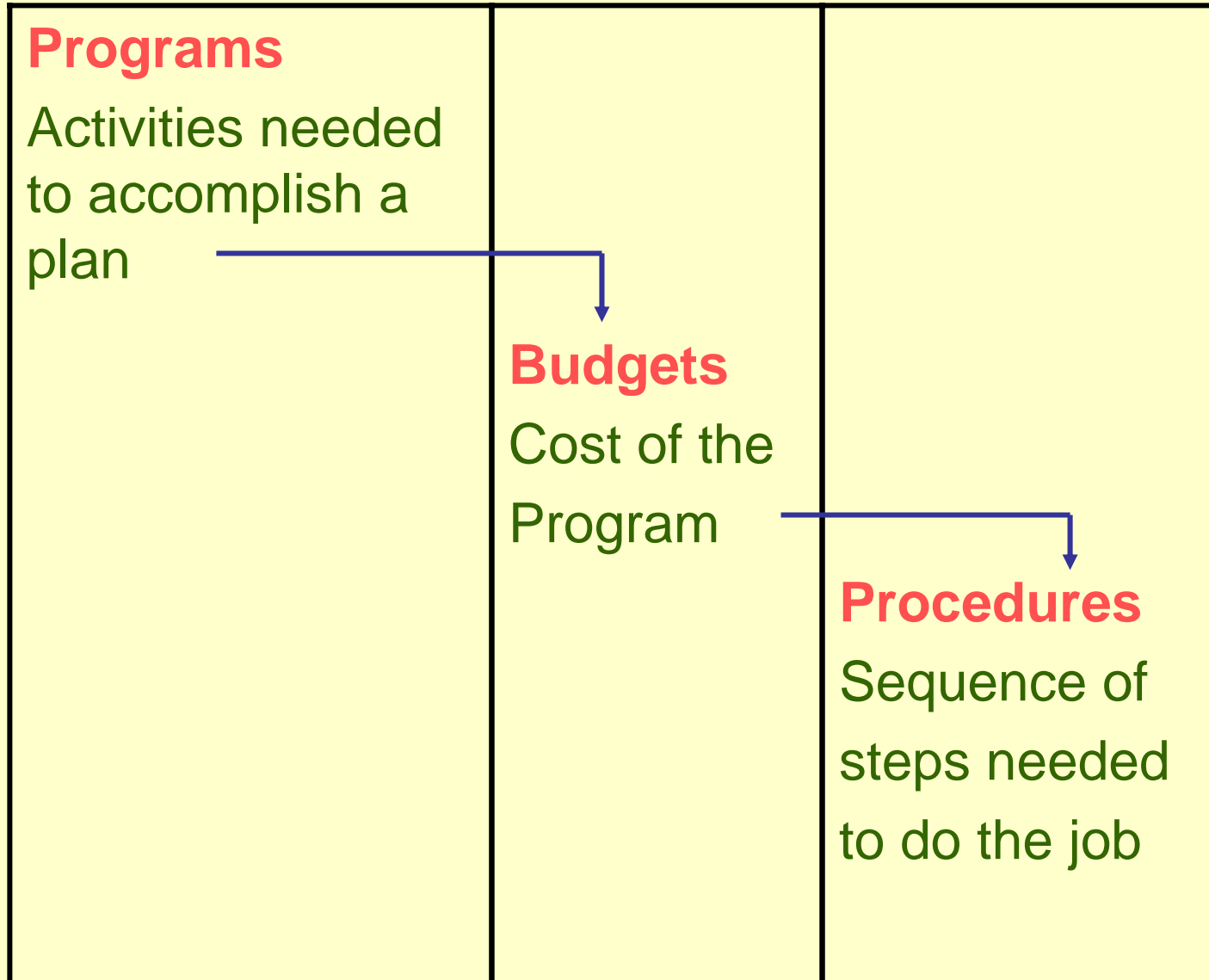
*Plan to achieve
the mission &
objective*

Policies

*Broad
guidelines
for decision
making*

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STRATEGY IMPLEMENTATION



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EVALUATION AND CONTROL

Process to monitor performance and take corrective action

- Performance

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STRATEGY FORMULATION

Development of long range plans for effective management of environmental opportunities and threats in the light of corporate strengths and weaknesses.

DIVERSIFIED COMPANY

3 LEVELS OF STRATEGY

Corporate-Level Strategy

Growth of business as a whole

Business-Level Strategy

Division/business unit/product level

Functional-Level Strategy

support corporate & business level strategy

STRATEGIC CHOICES

Understanding the bases for future strategy at both corporate and business unit levels and the options open for developing strategy in terms of both

- Corporate level – Highest level and is concerned with the scope of an organisation's strategies and the adding of value through its relationship with the separate parts of the business and the synergies created between these parts
- Business level – The competitive advantage that is created from the understanding of both markets and customers based on specific competences
- Directions and methods – How an organisation develops in terms of feasibility and acceptability

STRATEGY INTO ACTION

This is where strategies are working in practice

- Structuring – structure in terms of processes, boundaries and relations and their interactions
- Enabling – Creation of support mechanisms in the organisation in order to support strategy implementation and development
- Change – Creating an environment that facilitates change throughout the organisation