INSTITUTE OF MANAGEMENT AND INFORMATION TECHNOLOGY

CUTTACK

CORPORATE STRATERGY

(18MBA208)

STUDY MATERIAL

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SEMESTER- 2

MODULE -1

STRATEGY AND PROCESS

Meaning of Environment -

Environment refers to the surrounding external object which influence the day to day activities of a business undertaking.

Characteristics of Environment

1) The nature of is very complex due to number of external forces.

2) The economic environment, political environment, social legal environment etc are changing very frequently. Therefore the environment is dynamic in nature.

3) The environmental factors are multi-dimensional in nature. A manager has to study both internal and external factors very carefully.

4) The impact of environmental studies depends upon critical evaluation of various environmental factors.

Dimensions of Environment

The environmental factors are broadly divided into 2 categories-

A) Internal Environment

B) External Environment

A) Internal Environment

Internal environment refers to all those factors which are under the control of business undertaking.It includes share holders, employee, supplier, customers.(Outside the party but directly involved with organisation)

> There are 4 factors which influence the working of a business (Strength, weakness, opportunity and threat) It is popularly know as SWOT Analysis.

1) STRENGTH

Strength is an inherent capacity of an organization can be used to gain strategic advantage.

It includes--

I) Favourable location of business

II) Excellent distribution network.(Market executive should be efficient to reach out to customer)

III) The iso 9000 quality certificate process to buy the business.

IV) Established R&D center.

> To use latest technology available in the market

>To improve the quality of the product.

V) Good management reputation. Such as the CEO should be reputed and experience.

<u>2) WEAKNESS</u>

> Weakness is also an inherent limitations or constraints which creates strategic disadvantage.

> It includes the following--

i) uncertain flow of cash.

ii) Weak management information systems.

There should be lack of coordination & cooperation among the employee in an organization.

iii) Absence of strong marketing executive for major products lines.

Iv) Low morality and commitment of workers towards the organization.

> Due to unhealthy working environment and low wages the workers isn't dedicated to the organisation

<u>3) OPPORTUNITY</u>

Opportunity is a favourable condition or environment which helps an organization to strengthen it's position.

It includes--

i) Favourable industry trend . E.g - jio

ii) Irregular changes in technology. No need of R&D, no additional expenditure.

iii) Possibility of reaching target market.

iv) Available of reliable business partner. Partners should be honest & co-operative.

4) THREATS-

> Threats is an unfavorable condition or environment which creates risk & damage to the organization. It includes the following:-

i) Unfavorable & unstable political situation. E.g - PATANJALI demand increases.

in the period of modi govt tat provides no tax restrictions to the business.

ii) Obstacles & restrictions in licensing new business.

iii) Uncertain competition intention

iv) Lock of financial lacking

* The growth & diversification of an organisation will not occur.

EXTERNAL ENVIRONMENT

The environment which indirectly influence the activities of a business is know as external environment. It includes-

1) Economic env 2) International env 3) Market env 4) Political env 5) Regulatory env 6) Supplies env 7) Technological env 8) Socio cultural env.

1) ECONOMIC ENVIRONMENT-

The economic env is related with production, distribution, monetary & fiscal policy. The factor to be include under the economic env are as follows..

> The economic condition of a country that is developed, developing or under develope.

> The pattern of society i.e democratic, capitalist, socialist & mixed economy.

> The economic policy like industrial, monetary & fiscal policy

> The economic indices like national income, distribution of income, capital income , capital rate of saving & investment.

> Infrastructure facilities like developed financial institution, transportation & common facilities.

2) INTERNATIONAL ENVIRONMENT

It consist of the concept of globalization, export,import policy of that govt following are the factors of international environment-

i) The process of globalization and it's direction

ii) The export & import policy of govt

iii) The global demographic pattern

iv) The nature , quality, & skill of human resources

v) The information systems like communication network.

vi) The technology used by the country

vii) Global compitition & developed domestic industries.

3) MARKET ENVIRONMENT

The market environment is related with customer society and competition.

Following are the important factors to be included under market environment--

>The need, preference, attitude and bargening power of customer.

> The quality, design, image & price of a particular product & it's substitute.

> The marketing intermediate like wholesaler, retailers & their quality of service.

> The role of competitors & unfair trade practices.

4)POLITICAL ENVIRONMENT-

Political environment is related to management of political affairs and its impact on business sector.

Following are the important to be included under political environment-

>The nature of political system idiology and philology of political leaders.

>The goals, stability of the government.

>The co-ordination and co-operation of general public towards that decision taken by the government.

>Various economic policy formulated by the government and its impact over business sector.

5) REGULATORY ENVIRONMENT-

The regulatory environment refers to plans, policies formulated by government and rules and regulation prepare by judiciary.

The following are the important factor under this environment-

>The constitutional Framework, fundamental rights and decision of legislation power between Central, state and local government.

>Policies related to licensing monopolies foreign investment and financies of industries. >Policies related to distribution and pricing and their control.

>Policies related to exports and imports. >Other policies related to public sector under learning small scale enterprise college industries etc.

>The rules and regulation regarding environmental pollution customer protection.

>Regulations over corporate management and avoidance of industrial sequences. >Regulation regarding foreign trade, transfer of technology.

>Regulation of monopolistic and restriction trade practices.

>Rules and regulation regarding protection of patterns and trademarks.

6) SOCIO-CULTURAL ENVIRONMENT-

The socio-cultural environment consists of human relation within the society. It includes behaviour, tradition, culture followed by the particular society. Following are the important factors to be included under socio-cultural environment:-

>Demographic characteristics such as population, density of population, age, rural urban mobility, distribution of income etc.

>It is concerned with environmental pollution, corruption in the society, role of business in the society etc.

>Socio-cultural environment also include attitude, social customs, lifestyle, expectation of society from business. >Family structure, family value and attitude of family towards society and business sector.

7) SUPPLIERS ENVIRONMENT-

The supplier environment consists of factors related to cost, reliability of raw material for the purpose of production. The regulatory of production depends upon a reliable supplier. Following are the important factors to be included under supplier environment--

>Cost, availability and continuity of supplier material.

>Availability of credit facility for the purpose of finance.

>Bargaining power of suppliers and existence of substitute(choose alternate supplier).

>The dependable human resource of supplier, for regulatory of supplier material.

>In case of supplier of capital goods, the availability of spare parts and after sales service should be taken into consideration.

8) TECHNOLOGICAL ENVIRONMENT-

Technological environment refers to improve knowledge material and machine used in production of goods and services. Following are the important factors under technological environment--

>The source of technology that is internal and external.

>The cost of developing or occuring the technology.

>The state of technological development and rate of changes in technology.

>The impact of technology on human being and over existing machinery.

>Communication and infrastructure technology in management.

CORPORATE STRATEGY

The strategy formulated by corporate sector for its growth and survival. BUSINESS POLICY-

> It refers to the function and responsibility of management towards the problem which affect the success of an organisation.

>The management has to look after effective utilisation goal.

STRATEGY-

>Strategy is a plan or course of action or a set of decision rules.

>The strategy include the following aspects.

a)It is related to those activities which move and organisation from its current position to a desired goal.

b)It is concerned with estimation and collection of the resources necessary for the achievement of organisation goal.

c)After collection of resource, the management has to look after effective utilisation of these resource.

d)In the last stage of strategy, the management has to evaluate the efficiency and effectiveness of each and every department. Necessary action should be taken in case of adverse situation. STRATEGIC MANAGEMENT- Strategic management is defined as the dynamic process of formulation, implementation, evaluation and control of strategies to realise organisation objectives.

ELEMENTS OF STRATEGIC MANAGEMENT PROCESS--

>The strategic management process is broadly divided into 4 categories-

1)Establish the strategies-

It involves the following aspect

a)Creating and communicating the vision b)designing a mission statement

c) defining the business d)adopting the business model

e)selling the objective.

2) FORMULATION OF STRATEGIES-

a)Analysing both environmental and organisational aspects.

b) formulated the corporate level and business level strategies.

c)Analysing the formulated strategies with the alternatives available in the market.

d)finally preparing the strategic plan.

3) IMPLEMENTATION OF STRATEGIES-

a)Designing the organisational structure to activate the strategies

b)Managing the behavioural implementation

c) Managing functional implementation

d)Providing duties and responsibilities to different subordinates.

4) PERFORMANCE EVALUATION AND CONTROL-

a) Measuring the actual performance

b) Comparison of actual performance with the plants previously set up

c) Exercising strategic control.

d) If necessary reformulate that strategies

ETOP

The environmental scanner has to face number of difficulties while scanning the environment. His difficulties are-

i)A strategic planner may focus excessively on a particular environment.

ii)There may be chance of delay of strategic planning due to danger of paralysis at the time of analysis.

iii)The purpose of environment scanning also influence the future of organisation strategies. A strategic planner has to give more focus on decision making rather than environment scanning.

iv)The strategic planner may not integrate the operational and functional activities of the organisation.

v) Environmental scanning should not be realistic.

Following factors are to be considered for environmental scanning-

a)The age, education, experience and motivational lavel of a strategic planner should be upto standard.

b)The strategic planner should consider the nature of business, size and complexity involved during the process of production, distribution of goods and services.

c)The nature of environment depends upon complexity, volatility, diversity and therefore the environment scanning is uncertain, so a strategic planner has to collect valuable informations from different environmental scanning.

ETOP involve dividing the environment into different sectors and then analysing the impact of each sector over the organisation, for this purpose sub-division of environmental factors are necessary.

Environmental scanning leads to identification of many issues that will affect strategic planning. The following factors are to be considered for strategic planning and management in relation to environment factor.

i) ECONOMIC ENVIRONMENT -

For strategic planning, growing influence among urban consumer, rising of disposal incomes and increasing standard of living are the main factors to be considered for strategic planning and management.

ii) MARKET ENVIRONMENT-

For strategic planning and management growth rate of competitors industries, changes in taste and fashion of consumer and the process of distribution are the main factors.

iii) POLITICAL ENVIRONMENT-

The government towards different sector and financing following by the financial institutions are the important factors which comes under political environment.

iv) REGULATORY ENVIRONMENT-

The factors to be included under regulatory environment are export and import restriction, licensing system, duties drawback and tax rate imposed during the process of production and distribution.

v) SOCIO ENVIRONMENT- The survival and growth of business sectors ultimately depends upon the attitude and cooperation of general public. For this purpose an organisation has to conduct number of welfare activities.

vi) TECHNOLOGICAL ENVIRONMENT-

The factors to be considered for strategic management under technologic environment includes technological upgradation of machinery, manufacturing process, product innovation etc.

vii) SUPPLIER ENVIRONMENT-

The government are giving more emphasis to the small scale industries. Accordingly the large scale organisation has to collect raw material from the competition market.

STRATEGIC ADVANTAGE PROFILE-

Strategic advantage profile is the advantage posses by a business undertaking in comparison to other organisation. Due to these advantage the organisation will be able to expands its market share which is helpful for survival, growth and expension of the business. There are number of advantage factors which can be divided into 5 categories

i) Marketing and distribution

ii) Research development and engineering

iii) Production and operation management

iv)Corporate resource person

iv)Financial viability

i) MARKETING AND DISTRIBUTION-

An effective and efficient marketing system is necessary to gain advantage over other organisation.

Following are the important factors and advantage for which an organisation is superior than other organisation.

a) The lable of competition prevailing in the market

b)Efficient and effective market research system

c) Quality of product and services mix.

d) Strong new product to be introduced in the market.

e) The organisation should try to protect pattern and copyrights

f) The pricing strategy should be effective and competition.

g) Efficient and effective Sales force

h) Effective advertising policy

i)The company should provide efficient and prompt after sales service.

II) RESEARCH, DEVELOPMENT AND ENGINEERING:-

Due to changing environment research and development is an essential part of every business undertaking.If necessary the organisation should maintain its own Research and development department to make continus improvement of its product.

Following are the strategic advantage posses by an organisation:-

a)Basic research capability within the organisation.

b)Excellent product design, process design and its improvement

c) The packaging system should be superior to protect the product from damage.

d) Improvement in usability of old product.

e) Ability to meet design and customer requirement.

f) The organization should have well equipped laboratory and testing center.

g) Trained and experienced personnel should be appointed to make research and development.

h) The working environment should support new innovation on creativity and technological forecasting.

<u>3) PRODUCTION AND OPERATION MANAGEMENT:-</u>

The production and operation department ensure smooth flow of production without efficient production department, the marketing department will not be able to achieve its target.

Following are the advantages posses by an organization in comparison to others :-

1) The prevailing global competiton due to growth of multinational company.

2) The cost challenges faced by different manufacturing organization.

3)The improved technology used in manufacturing process.

4) As per as possible quality new material should be used to minimized the wastage.

5) Optimum utilization of plant capacity.

6) Growth of service sector and availability of infrastructure.

7 bargaining power of the organization reduced the cost of labour.

4. **CORPORATE RESOURCE PERSON**:-

The top level of management who are responsible for planning ,decision making of the organization are known as corporate persons. The overall growth and development depends upon the quality possessed by such personnel.

Following are the important advantages with regard to corporate person-

A) The organization structure should be more clear about authority and responsibilities of each and every employees.

B) The role of trade union and its favourable attitude towards the organization.

C) The selection and recruitment policy of the organization should be more clear.

D) The technological capability of the employees working in the organization.

E) The team spirit among the employees.

F) The position of demand and supply of labour in labour market.

G) The cultural and working environment for the employees in the organization.

5. **FINANCIAL VIABILITY**:-

The financial resources are the live blood of every business undertaking. The fiancé department ensures sufficient availability of financial resources and its optimum utilization.

Following are the important factors to be considered under financial viability:-

A) Cost of raising capital.

B) Risk involved in investment in different projects

C) Role of capital market.

D) Pole of attitude of govt. towards different sectors.

E) Rate of return received by the organization on its investment.

F) Attitude of financial institution towards different corporate structure.

G) Cash flow position.

6. **VISION:**-

According to portler ,"Vision is defined as description of something, corporate culture, business technology and activity. The vision provides some tangible results.

The following are the important charecteristics of vision:-

A) It is an organizational character with care value and principles.

B) The vision should be unique and independent.

C) It provides ultimate source o our priority plans and goals.

D) The vision is always directed towards future.

E) The vision should not be too high. It should be achievable.

F) The vision always moves from top to buttom.

BENEFITS OF VISION:-

1) The vision provides a inspiration to each and every employees working in the organization.

2) The vision helps in creation of common identify and a sense of purpose.

3) The vision provides a sense of competitiveness among the employees and also among different organization.

4) Vision is a basic for taking risk and experiment.

5) It provides a long term thinking for achievement of organizational goal.

6) It maintains team spirit and creates integrity among the employess.

MISSION:-

Mission is an important component in strategic management. Mission is what an organization is and why it exist. Mission is defined as the role that an organization plays in the society.

It refers to the particular needs of the society.

In simple words mission is considered as the scope of business activities. Mission Is also a part of corporate social resposibilites.

Following are the important charecteritics of Mission:-

A) Mission should be feasible. It means the mission should not be impossible statement and it should be realistic and achievable.

B) The mission should be precise. It means the mission statement shoul not be too narrow and too broad.

C) The mission should be clear. It means the mission statement should be understand by each and every employee

D) The mission statement should be motivating so that it will create team spirit among the employees.

E) mission statement must be distinctive. It means the mission of a particular organization should be different from others.

F) The mission statement should specify the objectives to be achieved.

GOALS AND OBJECTIVES :-

Goals refers to what an organization helps to achieve with in a future definite period. The goals can be divided into two types i.e.; Financial and Non-Financial.

Objectives are the end specify how the the goals are to be achieved. Each and every organization must have a potential set of goals and objectives for its growth and expansion.

ROLES OF GOALS AND OBJECTIVES:-

A) The objectives defines the relationship among various business environment.

B) The objective helps to achieve the vision and mission of an organization.

C) The objective provides the basis for strategic decision making.

D) The objective provides standards for performance appraisal of each and every individual employee and also the performance of different departments.

CHARECTERISTICS OF OBJECTIVES:-

A) The objectives of the organization should be simple and understandable to each and every employee.

B) There should be proper delegation of authority and responsibility to achieve the objectives.

C) The objectives should be related for a specific time period.

D) The objectives should be measurable and controllable.

E) The objectives should be challenging to face the changing business environment.

F) The objective bring the relationship among different activities of an organization.

G) The objectives should be fixed of on the basic of different constraints.

Module-2

INDUSTRY STRUCTURE AND COMPETITIVE ADVANTAGE

INDUSTRIAL ANALYSIS:-

There are number of company of fearings similar type of product and services which are close substitute to each other.

The substitute provides similar benefits to the customers. The analysis of industry offering similar product and services is known as industrial analysis.

There are number of factors to be considered for industrial analysis.

According to Michel Proter there are five forces responsible for survival growth and development of an industrial sector. These forces are:

A) Threats of new entrant.

B) Rivalry among competitor.

C) Bargaining power of buyers.

D) Bargaining power of suppliers.

E) Threats of substitute products.

A) THREATS OF NEW ENTRANT:

Some of the industrial sectors are profitable in nature. While deciding about establishment of new industries an industrialist / enterprenuer has to consider number of factor which directly or indirectly influence the industrial activity.

1) Usually the capital recruitment for establishing an industry is huge in nature which is e-recovable in nature

2) The existing customer may not accept new product due to some amount of switching cost.

3) Due to product differentiation the new industrial sector has to insure some additional cost in advertisement, product innovation, creation of goodwill in the market.

4) It is too difficult for a new industrial setup to access the distribution channel more conveniently

5 new industrial undertaking may face difficulties about technological development, collection of raw materials, benefits of govt. subsides and favourable location of business.

6) The licensing system and govt. polices may also restrict the entry of new industry.

B) RIVALRY AMONG COMPETITOR:-

Due to govt. restriction a particular industry cannot create monopoly in the market. Therefore competition in the market a natural process. Each and every industry has to complete with each other to survive and grow in the market.

Following factors are to be considered by a industrial undertaking in the competitive market:-

1) The competitive structure i.e. no of competitors their size and their diversity is the most important factor.

2) The nature of demand of customer about existing product. If there is high demand a new entrant has to formulate its strategy just to survive for a limited period. In case of low demand for the existing product a new industry may entry easily in the market.

3) The existing industry may not exit from the market quickly due to huge amount of investment. As per as possible the existing industry will try to recover atleast variable cost and some portion of fixed cost.

The industry in the mature stage might be a declining industry tomorrow. Therefore each and every industry has to make proper analysis of environmental conditions to avoid the declining stage.

C) BARGAINING POWER OF BUYERS :-

The bargaing power of buyer constitute the ability of buyers and customers either individually or collectively for the reduction in price and improved quality and services of the product.

Following are the important bargaining power and its remedial measures to minimize the bargaining power.

1) When there are few buyer and each buyer place large quantity of order then the bargaining power will be high. In order to reduce the bargaining power the organization should wider its market to increase the number of customers.

2) When the switching cost is very low, the customer easily switch over to an alternate product. In this situation the organisation should try to maintain high switching cost.

3) When the purchase product constitute high percentage of buyer cost then the bargaining power will also be high. Therefore the organization should try not to depend upon buyers supplier material.

4) When the buyer have the ability to integrate themselves the bargaining power will bw high. Therefore the organization should follow divide and rule policy not to integrate themselves.

5) When ther are number of substitute available then in order to minimize the bargaining power the organization product should be unique in nature.

D) BARGAINING POWER OF SUPPLIERS:-

The bargaining power of supplier constitute the ability of supplier either individually or collectively to influence the prices of raw materials. In order to improve the quality of product and reduce the cost of productor. The bargaining power of supplier should be minimize.

Following are the steps taken by the organization to minimize the bargaining power of suppliers.

1) When the supplier are few in number then the bargaining power will be high. Therefore the organisation should try to find out the alternative source of supply. If

the substitute material had labour force are not freely available then the bargaining power will also be high. To minimize this situation the organization should try to collect raw materials and labour force from a distance market.

2) If the switching cost is high from one supplier to another supplier then to minimize the bargaining power, then the organization should try to avoid more discount from alternative supplier.

3) If the cost of experienced labour force is high in labour market then the organization should provide training facility to the existing labour force to improve their skills and experience.

4) When the organization purchases small quantity of materials then it is not important for the supplier to retain and supply the raw material to the organization. Therefore as far as possible the organization will try to purchase the raw material in quantities.

E) THREATS OF SUBSTITUTE PRODUCT:-

Substitute product or services are different in nature but satisfy some customers needs. The availability of substitute product constitute a negative competitive force in the industry. Therefore the availability of substitute product restricts the prices of final product. The organization has to formulate the business strategy keeping in view the strength and weakness of competitors.

STRATEGIC GROUP:-

Strategic group is defined as a group of competitors following similar strategy and therefore they can be able to complete with each other. The basic set of strategic dimensions are technologically leadership the degree of product quality, pricing policy, channels of distribution and customer service.

When the industry follow similar strategy then they are termed as homogeneous group. Similarly if the industry follow different strategy then they are heterogeneous in nature.

The basic purpose of strategic group analysis is to identify and classify the industry on the basis of nature of activity. The strategic group analysis is very closely related with competitors analysis.

COMPETITORS ANALYSIS:-

The industry analysis and strategic group analysis emphasizes on competitors analysis. The competitors analysis refers to the action and reaction of individual firms within an industry or a strategic group.

According to Photer, the competitors analysis is to be made for the following purposes:-

1) In order to determine the competitors probable reaction to the industry and environmental changes.

2) Anticipate the response of each competitors to the likely strategic model.

3) Develop a profile for possible strategic changes of each competitors.

Some of the important components of competitors analysis are as follows:-

:: The components of competitors analysis are broadly divided into four categories i.e.-

A) FUTUIRE GOALS OF COMPETITORS:-

It deals with the goals of our competitors as compare to our goal. The management has to decide the area of emphasis to be given to minimize the risk of our business as compare to competitor risk.

B) CURRENT STRATERGY OF COMPETITOR :-

It deals with how the competitor is able into face changing business environment and how we are prepared to face these changes. It means we have to analysis our strength to face the changing environment.

C) THE KEY FACTORS EMPHASISED BY THE COMPETITORS:-

The management has to analyse the area of emphasis given by our competitor i.e. quality product, reasonable price, customer service etc. Accordingly the organization should also emphasis on these area.

D) CAPABILITIES OF A COMPETITOR:-

It refers to the strength and weakness of our competitors. Mostly emphasis should be given on the weakness of competitors. So that suitable strategy can be formulated.

The strategic moves may be either offensive or defensive . In a competitive market defensive strategy should be formulated to survive in the market.

INDUSTRIAL EVOLUTION:-

The govt. of India after independent has taken number of steps for the growth and development of industrial sector and for also economic development of the country. There are number of regulatory mechanism formulated by the govt. to keep control over trade, industry and commerce.

The regulatory mechanism are as follows:-

1) Formulation of company

2) Licensing procedure

3) SEBI

4) MRTP Act

5) Foreign collaboration

6) Exim Policy

7 of pattern and Trade mark

8) Labour Legislation

9) Environmental Protection and pollution

10) Consumer protection act

11) Incentives and facilities

1) FORMULATION OF COMPANY:-

All the companies in India must be registered under Indian Companies Act 1956. Or 2013. For registration of company it is the responsibility of the promoter to prepare necessary legal document an application along with requisite fee are to be submitted with the register of company.

After verification of all documents the registrar of companies will issue certificate of incorporation.

<u>2) LICENSING PROCEDURE:-</u>

In the year 1956 industrial policy resolution has been passed for licensing system and regulation of different industry. A license is a retail permission from the govt. to start a new industrial undertaking after implementation of new economic policy in the year 1991 the licensing system was more liberalized. Except some specific industry the licensing system became more liberal.

<u>3) SEBI (SECURITY BOARD EXCHANGE OF INDIA):-</u>

SEBI is a statutory body which was created as per SEBI act 1992. The basic objectives of formulation of SEBI are to protect the interest of investors to promote the development of security market and regulate the security market. The SEBI enjoys comprehensive power to regular and issues guidelines from time to time regarding stock exchange. The SEBI also looks after capital, re-structuring at the time of merger and amalgamation.

<u>4) MRTP ACT (1969):-</u>

The MRTP Act (1969) was introduced to prevent monopolies and restrictive trade practices and to avoid concentration of economics power in the hands of few industrialist. So that healthy competition will take place among the industrial sector. The competition act 2002 was replaced in place of MRTP Act. The basic objective of competition act to prohibit the anti-competitive agreements, abuse of dominant position by a particular enterprise into regulate merger and amalgamation of two or more enterprise.

<u>5) FOREIGN COLLABORATION :-</u>

Foreign collaboration is essential for diversification and expansion of industrial activities in domestic country. This is possible only with the latest technology and availability of financial resources. Foreign collaboration brings transfer of technology brings foreign enterprise and domestic enterprise. Similarly the availability of financial resources can be assure in two ways i.e. FDI(Foreign Direct Investment) and FTI(Foreign Institutional Investment). However both FDI and FTI are regulated as per SEBI guidelines.

6) EXPORT IMPORT POLICY:-

Due to globalization there is growth of number of multinational companies. The MNC's are to follow the rules and regulation of different country exporting and importing the goods and services. The export and Import policy of the central Govt. regulates the foreign trade policy of that our country. As per the existing policy the central govt. at the power to prohibit, restrict, regulate the international export and import. The foreign trade development and regulation act 19925 to provides for that development of international trade. This act also help both exporter and importer their exchange the foreign currency in policy.

7) PROTECTION OF PATTERNS AND TRADEMARKS:-

The international environment changes brings more importance for the protection of pattern and trademark. In India the Indian pattern act was passed in the year 1970 and it was further amended in the year 2005. Similarly the trademark was passed in the year 1999. The protection of patterned trademark have special importance to the importance like chemicals, computer software , food and pharmaceuticals. The protection of trademarks not concerned with invention or creation but aims to protect the goodwill and reputation of the brand of a corporate sector.

8) LABOUR LEGISLATION:-

The labour constitute significant resources for the growth and development of the organization. In India there are more than 150 laws and provisions regarding labour forces. The laws and provisions are as follows:-

A) The labour laws related to the weaker section of the society.

B) Labour laws regarding contract workers and laborers of miners.

C) Labour laws related to wages, Incentives safety help and welfare of the workers.

D) Labour laws related to trade unions industrial relations workers participation in management.

9) ENVIRONMENTAL PROTECTION AND POLUTION CONTROL:-

Industrial activity usually contributes environmental degradation , bio diversity of a particular region over use and misuse of basic life support system and natural resources. Therefore the govt. of India as passed environmental protection act in the year 1986. These are amended several times. The ministry of environment and forest deals with the implementation of policy and program related to the conservation of natural resources. Through central govt. and state govt. Are empowers to formulate their own polices and programs. This is one corporate social responsibility of every industrial undertaking.

10) CONSUMER PROTECTION ACT:-

The cental Govt. has passed consumer protection act in the year 1946. And was further amended on 2002. The basic objective of this act is to provide maximum consumer protection and to protect the rights of consumer. This act also provides right to information and redressed of consumer dispute. Different consumer protection council has been formulated by both central and state govt. for the statement of dispute between company and consumer. This act also takes number of steps to create awareness among the consumer. So that the consumer will be exploited by the unfair trade practices followed by the companies.

11) INCENTIVES AND FACILITIES:-

The govt. of India has passed industrial policy resolution to achieve employment generation correction of regional imbalances, promotion of exports oriented industries, utilization of installed capacity and indigenous development of industry for import substitution.

Some of the important polices and schemes are:-

A) Loans at concessional rate of interest.

B) Subsidies in different forms.

C) Establishment of special economic zone and free trade zone.

D) Providing tax holiday.

E) Single window clearance for industrial project.

F)Promotional role in terms of pricing distribution, availability of raw materials and provisions of infrastructure facilities.

<u>1 .GENERIC BUSINESS STRATEGIES</u>

Business strategy depends an industry structure and position of firm in the industry.

Industry structure depends on porter's five forces.
Positioning is based on competitive advantage and competitive scope.
Competitive advantage is derived from two approaches of lower cost and differentiation.
Therefore porter had classified business strategies into three types i.e
Cost leadership(lower cost/broad target)
Differentiation(broad target)
Focus(lower cost or differentiation/narrow target)

<u>Cost leadership/lower cost:-</u>

When an organization provides products and services at low cost as compared to competitors ,then it is termed as cost leadership. Customers prefer a lower cost product as it provides same utilities which are available in the market.

When all organizations after products at a comparable price the cost leader organisation earns higher profit due to low cost product.

<u>How to achieve cost leadership</u>:-

Accurate demand forecasting
High capacity utilisation to attain economies in production.
High level standardisation of product and offering uniform services.
By offering generalized set of utilities in product /services to cover greater no. of customers.
Investment in cost savings technologies.

Condition under when cost leadership is used

When the price based competition is vigorous.

The buyer may be large and posses a signified bargaining power.

There is lesser customer loyalty and switching cost is also low.

The product is standardised and its consumption takes place in such a manner that differentiation is superfluous.

There might be few ways available for differentiation takes place.

BENEFITS:-

It is possibly the best insurance against industry competition.

The threat of cheaper substitutes can be successfully faced.

Acts as an effective entry barrier for potential entrants.

Powerful buyers posses higher bargaining power to effect a price reduction.

Powerful suppliers posses higher bargaining power to negotiate increase in input price.

Risk under cost leaderships.

Chance of duplication of cost reduction techniques by competitors.

It is not a market-friendly approach as the interest of customer's are ignored.

The scope for product and services may be reduced because less efficient producer may not choose to remain in the market.

The technological development may lead to creation of a cheaper product, which is adopted by new competitors.

Differentiation business strategy

When some special features are incompared into the products/services as per customers demand who are willing to pay for it ,then the strategy adopted is termed as differentiation business strategy. The customers prefer differentiated product and willing to pay for it as the product provides some additional utility .therefore a differentiator organisation can change a premium price for its product/services. So profit for the organisation come from the difference in premium price charged and additional cost incurred in providing additional features .

How to achieve differentiation:-

Providing features that offer utility for customer and matcher tastes and preferences.
By lowering overall cost for the buyer
The features that raise the performance of the product.
The features which increases buyer’s satisfaction.
Promise to provide high quality product.
Enable the customer to claim distinctiveness from other customers and enhance her status and prestige among the buyer community.
Offering full range of product.

Condition under which differentiation is used.

Market is too large and few farm offer standardised product/services .
The needs and preferences of customers are too diversified.
Possibility of charging premium price .
Possibility to generate brand loyalty .
There is sample scope for increasing the sale of product in the basis of differentiated features and premium pricing.

Benefits

The organisation distinguish themselves on the basis of differentiation and reduce the no. of competitors.
Increasing brand loyalty.
Powerful suppliers can negotiate price increases.
Powerful buyer do not usually negotiate price decreases.
Differentiation acts as an entry barrier to new entrants and it is a negligible threat to the established differentiator.

Risks under differentiation strategy

In a growing market it is too difficult to sustain in long run.
Differentiation fails due to unnecessary features added by the organisation which are not valued by customers.
Limit over changing premium price.
Failure to communicate adequate benefit arising act of differentiation.

Several differentiation ultimately lost the distinctiveness.

Focus business strategy:-

business strategy essentially rely on either cost Leadership or differentiation .and provides services to a narrow segment of the total market .the focus is given to a particular customer group which may be classified on the basis of age ,gender ,income ,occupation,(demographic)or geographic i.e rural/urban or north Indian /south Indian or left style i.e traditional or modern.

How to achieve focus strategy

Choosing comfortable market by identifying groups not covered by cost leaders and differentiators.
Creating superior skills .
Creating superior efficiency.
Achieving lower cost /differentiation as compared to competitors .
Developing innovative ways in managing the value chain.

Condition under which focus strategies are used

There is some type of unquieness in the segments.
There are specialized requirements for using the product/ services.
The market is big enough to be profitable for focused organisation.
There is a promising potential for growth.
The organisation should have necessary skill and extensive to serve focused segments.
The customers loyalty should be developed towards organisation.

BENEFITS:-

The focused organisation is protected from competition.

The organisation purchase input in small quantities and the suppliers can not increases the input price.
Powerful buyers are less likely to shift loyalties.
Acts as powerful burrier to the substitute product/services.
Acts as an effectives entry barrier to potential entrants.

Risks under focus strategies

It requires development of distinctive competencies which is a difficult process.
Focus on narrow market segment may be difficult to move to other segment.
Due to limited market and small scale production the cost may be high.
Development of new technology may cause rising cost .
Rising competition in the market is threat to the focused organisation.
The big players provide attractive offer to shift the attention of customer.

Generic building Block of competitive Advantage

The competitive advantage consists of four generic building blocks i.e-

Quality->it refers to better design ,durability and reliability of the product.
Efficiency->it enables a company to lower its cost
Innovation->it refers to art of creating new product or process and development of product or providing superior attribute to the existing product.
Customer responsiveness->identifying and satisfying customers need and also providing more utility to the product .the competitive advantage may be durable or sustainable .

Durability of competitive Advantage

It is a sustainable factor that provides a business an edge over its competitors .it provides following benefits- BUSINESS
Provides quality at reasonable price.

Offers superior value.
Generates loyalty.
Economies of scale.

Shareholders:-

High earning growth.
Predictable earnings.
Huge free cash flow.
Good dividend pay out ratio.

Sustainable competitive Advantages

These are the company assets ,attributes or abilities that are difficult to duplicate or exceed and provide a superior or favourable long term position over competitors .it provide following benefits:-

Distinctive competence to the firm .
Route to the long term marketing success.
Higher profitability.
To remain competitive evergreen.
Long-term survival and growth.

COMPETENCIES

An organisation develop certain strengths and weakness on the basis of its resource and behaviour so competencies are special qualities posses by an organisation that make them withstand the procedure of competition in the market place. in other words competencies are the strategic advantages and disadvantages that exist for an organisation which determines the ability to complete with its rivals .the competencies may be two types i.e-

Core competencies->when an organisation develops its competencies over a period of time and converts them into a fine art of competing with its rivals ,then these are termed as core competencies.

Distinctive competencies:-the specific abilities possessed by the organisation exclusively or relatively in large measure are known as distinctive competencies. the distinctive may be in the term of

Superior product quality on a particular attributes.

Supplying highly specialized product to a particular market segments.

Superior research and development skill of an organisation.

Access to low cost financial researches.

<u>Personal capability:-</u>

It is related with existence of skilled and experienced human resources. The top level authority shared look offer, manpower, planning ,selection, development,

Compensation , safety , walfare ,security ,job satisfaction, working condition etc to improve the strengths of human resources. some of the typical strengths which support the development of personal capability are-

Efficient and effective personal system.

Fair remuneration.

Excellent training opportunities and facilities

Congenial working environment.

Highly satisfied and motivated employees.

Low level absenteeism.

Safety and security measures followed by the organisation.

High level organisation loyalty.

<u>Managerial capability:-</u>

It is related with capability of different managerial level i.e top and supervisory level. the are responsible for integrating coordinating and directing all the functional activities. the general management are responsible for corporate planning ,strategic management corporate social responsibilities.

Some of the typical strength which influence general management capability are –

Effective system for corporate planning .
Reward and incentive system for top managers.
Entrepreneurial orientation for risk taking.
Favourable corporate image .
Good report with government and bureaucracy.
Effective management of organisational changes.
Development –oriented organisational culture.
Effective management of organisational changes.

Technological capability:-

It is related with use of latest technology in production process and designing the communication system for smooth flow of information .the production department should use updated technology to improve the quality and efficiency of product similarly the information system should be computer based.

Finally factors support towards strength of technological capability
Easy and convenient access to information system .
Wide spread use of computerised information system.
Availability and apearibility of high –tech equipment.
Positive attitude towards sharing information.
Wide coverage and networking of computer system.
Top management , buyers, sellers, employees must be well conversant with it technology.

GLOBALISATION

The new economic policy has introduce three concept that is liberalisation, privatisation and globalisation (LPG)

LIBERALISATION-

It refers to freeing the economy from licensing system. Due to liberalization the private sector are permitted to do their business activities which were reserved for public sector cardier

As a result the consumer will get efficient service from the private sector.

PRIVATISATION-

It refers to the change of management and control of public sector in the hands of private sector. The private sector can manage and control the organisation in an efficient way so that the loss bearing organisation can become profitable organisation.

GLOBALISATION-

It refers to integrating the domestic economy with work economy the process is also known as internationalisation of business. Due to globalisation the competition bet domestic industries and MNC's will increase and ultimate benefit goes to the customers.

FEATURES OF GLOBALISATION-

I) There will be integration of domestic economy with world economy.

II) There will be growth of number of MNC's.

III) The restrictions on trade and investment between 2 nations are more liberalised.

IV) The developed country will financially and technologically support the underdeveloped country for their economic development.

V) The MNC will try to implement the effective strategy to monitor and control the foreign operation.

BENEFITS OF GLOBALISATION-

I) The globalisation process can offer attractive alternative expansion and growth of a particular industry.

II) Due to expansion of global activities, the level of production will increase and there will be economic in production and higher profitability.

III) There will be expansion and extension of market and which create goodwill for a particular organisation.

IV) There will be transfer of technology among the participating countries.

V) A developed country will established its industries in under developed countries and which contribute economic.

DISADVANTAGE OF GLOBALISATION-

I) The domestic, small and medium scale industries may not complete with the MNC's. As a result their may be chance of close down of domestic industries and it creates unemployment situations in domestic market.

II) Due to excessive import, there may be chance of trade deficit and foreign currency reserve will also reduced

III) Due to economic and political instability the globalisation process may be highly affected

IV) It's too difficult to manage the cultural diversity among different countries. Therefore the MNC's may face difficulties while distributing their product.

V) Tha transportation and distribution cost may be high and ultimately the consumer have to pay high price.

VI) There are trade restrictions among different countries and due to these factor the globalisation process will also affect.

. **MODULE-III**

STRATEGY IMPLEMENTATION AND EVALUATION

STRATEGIC ALTERNATIVES:-

The corporate level strategies are related about decisions like-
Allocating resources among different business of a firm.
Transferring resources from one set of business to others.
Managing the portfolio of business.

In order to take the above decision a set of strategic alternatives are available. the strategic alternatives revalve around the question of weather to continue or change the current business or improve the efficiency and effectiveness of the firm to achieve corporate objectives.

According to Glueek there are four strategic alternatives i.e Expansion, stability, Retrenchment and any combination of these three.

Expansion strategies:-

____This type of strategy is followed when an organisation aims at high growth by boarding its shape of activities in terms of customers group, customers functions and alternatives technologies.

Expansion strategy need changes a company's internal organisational structure and almost all aspects of internal functioning. It will improve the overall performance of the organisation.

The expansion strategy is to be following due to following reasons-

When the environment demands increase in pace of activity.
Psychologically, strategists may feel more satisfied with the prospects of growth from expansion.
Increasing size may lead to more control over the market and competitors.
High scale operations bring more experience to the employees.

The expansion may be in the form of concentration, integration, diversification, digitalisation

Internationalisation.

Stability strategies:-

This type of strategy is adopted by the organisation when it attempts at incremental improvement of its performance by marginally changing one or more business activities. for example providing after sales services to improve company's_image .An organisation follows this strategy to face volatile environment and a highly competitive market. the principle of this strategy is not doing anything but sustaining moderate growth line with the existing trends.

The organisation follows this strategy due to following reasons-

It is less risky ad less involves less changes In organisation structures .
The environmental conditions are more stable .
To stabilize all the activities after a period of rapid expansion.
Minimum threatening from the competitors in the market.

Retrenchment strategy:-

_This strategy is followed with an organisation aims at contraction of its activities through a substantial reduction or elimination of the scope of one or more business or customers group or customers functions or alternative technologies. Retrenchment involves total or partial withdrawn from customers groups, customer functions or use of an alternative technology .this strategy is followed to improve overall performance by eliminating unprofitable areas.

Retrenchment strategy can be adopted for the following reasons-

Due to continuous losses and the organisation becoming unviable.
The environment faced is threatening.

To ensure stability by reallocating the resources from unprofitable to profitable business.

Combination strategies:-

___The strategy is the combination of stability , expansion and retrenchment strategies. The process of formulating combination strategy is more complex as compared to other three strategies .A strategist has to consider number of environmental and organisational factors and face the challenges of real life business to formulate this strategy. the combination strategy may be simultaneous or sequential or both.

Under the following situation an organisation should adopt the combination strategy.

The organisation is large and faces complex environment.
The organisation is composed of different business each of which lies in different industry , requiring a different response.

Business level strategies:-

Business level strategies are the course of action adopted by an organisation for each of its business strategy to serve identified customers groups and provide value to the customer. by satisfaction of their need .in this process the organisation uses its competences to gain ,sustain and enhance its competitive advantage.

Michael .porter has emphasized an competition and competitive strategy.

According to him there are two dynamic factors which determine the chance of a competitive strategy .i.e

Industry structure
Positioning of firm in industry.

Industry structure:-

There are five competitive forces which determine the long term profitability of an organisation i.e.

The threat of new entrants
The threat of substitute products/services
The bargaining power of suppliers
The bargaining power of buyers
The rivalry among the existing competitors

Positioning of firm in industry:-

Positioning as the overall approaches of the firm towards competing .it is designed to gain a sustainable competitive advantage and based on two variables i.e

Competitive advantage:-it can arise due to two factors i.e lower cost and differentiation.
Competitive scope:-it defines the breadth of an organisation within the industry I.e broad target and narrow target.

Global/international strategies:-

Global strategies are a type of expansion strategies that require organizations to market their products and services beyond the domestic or national market. To formulate these strategies an organisation has to access. The international environment, evaluate its own capabilities, trade policy of different country, investment barriers etc.

According to Bartlett and Ghoshal the international strategies are divided into four categories i.e

International strategy
Multi-domestic strategy

Global strategy
Transnational strategy.

International strategy:-

This is a simple strategy which create value by transferring product and services to foreign market where these products and services are not available. The international firm offers standardised product by maintaining tight control over its overseas operations.

Multi-domestic strategy:-

The multi-domestic firm attempts to customize their product and services according to local conditions operating in the different countries .this strategy is formulated to achieve high level local responsiveness but it leads to high cost structure due to research and development.

Global strategy:-

Global strategy tries to focus on low cost structure by concentrating production of standardised products or services at a few favourable location. the lost cost can be achieved due to experience and location economies. these products_and services are offered globally at competitive prices.

Transnational strategy:-

This strategy is adopted as a combined approach of few cost and high local responsiveness simultaneously. It is too difficult to manage these two approaches .however a transnational firm should transfer the expertise from its foreign subsidiaries to its head and other foreign subsidiaries through the process of global learning.

Strategic decision in globalization:-

Entry modes:-mode of entry means the manner in which the firm would commence the international business .the entry mode may be any of the following way.

Expert entry:-in this mode the firm produces in the home country and market in the overseas Market either directly or through intermediaries.
Contractual entry:-in this mode there will be non-equity association between an international company and any other legal entity in overseas market by way of licensing or franchising or through technical agreement.
Investment entry:-in this mode production in overseas market based on either equity investment or direct foreign investment by a foreign firm In the form of joint venture or strategic alliances.

Normally exporting and licensing mode of entry are more easier as it involves lower risk strategic alliances is also popular due to sharing of skill ,technology and risks.

Which international market to enter ?

Different international market has different profile in term of benefits cost and risks.

A systematic and careful assess of expected benefits cost and risk of market entry are essential the firm also analysis long term profit potential and growth before entering into an international market.

*Time of entry:-the timing of entry is meant weather the international entry is made earlier than other international companies or later than them .Early entry build up brand name ,demand sales volume ,market share and create entry barriers for other company but they may likely to face greater risk.

*scale of entry:-the scale of entry may be small scale or large scale .small scale entry is less riskful but it is unprofitable .However large scale operation is profitable due to large scale economies in production but chances of risk is very high.

Integration strategies:-

Integration means combining activities related to the present activity of a firm on the basis of value chain. Value chain is a set of interlinked activities performed by an organisation. For example from procurement of raw materials down to marketing of finished product to the ultimate customer. Integration is an expansion strategy because it widen the scope of business activities. there are two types of integration strategies i.e Horizontal and vertical.

Horizontal integration:-if an organisation takes up the same type of product at the same level of production or marketing process, then it is said to be horizontal integration.

A horizontal integration strategy results in a bigger size which provide benefit from economies and the firm will be able to compete in the market strategy.

Vertical integration:-

Any activity undertaken with the purpose of either supplying inputs such as raw materials or serving as a customer for output such as marketing of firm's products is termed as vertical integration .in other words vertical integration takes place when an organisation starts marketing new products that serve its own needs.

Again vertical integration may be backward and forward integration. Backward integration means retreating to the source of raw materials .forward integration moves the organisation ahead taking it nearer to the ultimate customer.

Benefits:-

Reduced capital and operational cost.

Freeing up assets for more productive use.

Enabling focus an activities in core competences areas.

Utilizing advanced technologies.

Complementing resources based with out sourcing partners.

Limitation:-

Increased cost of co-ordinating integration over multiple stages of value chain.

Technological absolicense due to relying on outside manufactures.

Increased mobility and exit barriers .

Either over or under utilisation of resources because of uneven productivity .

Lack of information and feedback from suppliers and distributors .

Loss of strategic flexibility owing to dependence on outsiders.

Diversification strategies:-

Diversification involves a substantial change in terms of customers groups or customers functions or alternative technology of one or more of a firm business. When new products are made for new market then diversification takes place. By adopting diversification ,an organisation does something novel in terms of making new products or serving new markets or doing both simultaneously.

There are two basic strategic alternatives in diversification i.e.

->Concentric or related diversification:-

If the new business is in any way related to the original business in terms of the customers group served, customers functions performed or alternative technologies employed then it is termed as related diversification. It may be market related or technology related or both.

->Conglomerate or unrelated diversification:-

When an organisation adopts a strategy which requires taking of those activities which are unrelated to the existing business either in terms of customers groups or customers functions or alternative technologies .then it is termed as unrelated diversification. for example offering new products manufactured through an unfamiliar technology for a new set of customers. this strategy is more risky as it requires portfolio management.

Necessity of Adopting Diversification strategies:-

These strategies are adopted to minimize risk by spreading it over several business.
These strategies can be used to capitalise on its capabilities and business model so as to maximize organisational strength or minimize weakness.
Switching over to another business if growth in existing business is blocked due to environmental and regulatory factors.

Reasons for Related Diversification:-

Achieving financial synergies in terms of saving in transaction cost and tax.
Releasing marketing synergies by increased market share.
Achieving economies in scale due to use of common resources for different products .
Effective utilisation of human resources with common skill and competencies
Releasing informational synergies by using common data base and networks.
Releasing managerial synergies by using common set of administrative skill and experience.

Reasons for unrelated Diversification:-

Spreading business risk by investing in different industries.

Maximizing returns by investing in portfolio business and selling out unprofitable ones.
Taking advantages of emerging opportunities.
Stabilizing returns by avoiding economic upswings and downswings.
Exercising of personal chance by industrialists and managers.
Migrating form business under threat from the business environment .

Risks of Diversification:-

Formulation and implementation of unrelated strategy is more complex because it requires high level managerial ,operational and functional competencies.
These strategies require wide variety of skill to manage diversified activities.
Balanced attention cannot be given towards different diversified activities.
Diversification often does not result in the promised reward because an organisation may not be able to get the benefits of strategic advantage.
There may be chance of increase in diversification ,cost of managing, integrating and controlling wide portfolio.

Strategic Alliance :-

This concept is more popular for entry into foreign market. Strategic alliances are co-operation between two or more independent firms involving shared control and continuing contribution by all partners for mutual benefits. The relationship among independent firms is reciprocal with each other and they agreed to share their strength with each other. The strategy under this concept should be clearly defined and responsibilities should also be assigned among the participating firms.

Reasons for strategic Alliances:-

By making alliances with foreign firm, an organisation can easily enter into foreign market.
Using complimentary skills and assets with strategic partners.
Reducing manufacturing cost by utilizing local resources.
Sharing of risks among strategic partners.
Exchange of technological capabilities.
Local participation helps to remove no. of trade restrictions.

Pitfalls in strategic Alliances:-

Lack of trust and commitment creates misunderstanding among partners.
Chances of conflicts in goals and interests between domestic and foreign firms .
Hassly implementation of strategy and plans.
Focusing on controlling the relationship rather than managing it for mutual benefits.

Types of strategic Alliances:-

There are four types of strategic alliances i.e.

Pro competitive alliances.
Non-competitive alliances.
Competitive alliances.
Precompetitive alliances.

->Pro competitive Alliances:-

This is a vertical value chain relationship between manufacturers and their suppliers or distributers .Such alliances offer the benefits of vertical integration ,without firm actually investing in resources for manufacturing inputs or distributing semi-finished or finished grids.

->Non –competitive Alliances:-

This is an alliances between non-competitive firms. Their area of activity do not coincide and they are sufficiently dissimilar to prevent feelings of competitiveness.

->Competitive alliances:-

This is a partnership which brings two rival firms in a co-operative arrangement .In such type of alliances the foreign companies enter into co-operative arrangement with local rivals for specific purpose .

->pre competitive alliances:-

This is a partnership among two or more unrelated industries. However they make co-operative arrangement for activities like new technology development ,new product development or creating awareness about new product.

Merger and Acquisition strategies:-

Merger is a combination of two or more organisation in which one acquires assets and liabilities are combined and new stock is issued .it may be in the form of amalgamation or consolation or integration. Similarly when an organisation acquires another then it is termed as acquisition .If both organisation dissolves their identity to create a new organisation then it is known as consideration. This is one of the popular strategic alternative adopted by Indian companies.

Reasons for mergers and Acquisition :-

To increase the value of organisational stock.
To increase the growth rate and make a good investment.
To improve the stability of its earnings and sale .
To balance complete or diversity its product line .
To reduce completion.
To acquire needed resources quickly.
To avail tax confessions and benefits.

Issues in mergers and Acquisitions:-

Some strategic ,financial, managerial and legal issues involved in merger are –

The strategic advantages and distinctive competences of merging firm have to analyzed .Accordingly future objective of m and A can be fixed up.

There financial issues i.e. valuation of shares in merger ,sources of financial for acquiring firms and tax concession and incentives should be properly analyzed.

Usually merger are followed by changes in staff ,chief executives and top managers to avoid the problems of managing the firm professionals management would be adopted.

Various provisions relating to mergers and amalgamation as per companies Act, MRTP Act and Income tax Act should also be properly followed.

Strategic analysis

strategic analysis is the investigation of the objective factors being considered in the process of strategic choice. Strategic analysis is mean to help answer the following questions:

Which industries to enter and which industry to leave?

Which business to create or acquire or divest?

Which products in markets to retain or grow or divest?

strategic analysis is a dynamic area of strategic management where new tools and techniques are continuously being developed, after replacing some of the older techniques. This is necessary due to internationalisation and digitalization of business activities. Strategic analysis can be done at two levels i.e corporate and business levels. Corporate level focuses on techniques and business label emphasizes on competition.

Process of strategic choice

Strategic choice is essentially a decision making process. the decision making process consists of setting objectives, generating alternatives, choosing one or more alternatives to achieve the organisational objectives in best possible min and finally implementing the chosen alternative.

Following are the four steps to be adopted in the process of strategic choice:

Focusing on strategic alternatives:-

This could be done by visualising the future state and working backward.Focous should be given on cap which is the difference between projected and desired performance. Strategies are to be formulated to minimise the performance gap.

2.Evaluating the strategic alternatives:-

before final choice of strategy each one should be evaluated for its capability to help the organisation achieve its objectives. both objective and subjective factors are to be analysed together.

3. Choosing from among the strategic alternatives:-

the evaluation of strategic alternatives provide your liver assessment that which alternative is most suitable under existing conditions.a blueprint of different strategies is to be prepared and the conditions under which they would operate. Accordingly one or more strategies have to be chosen for implementation.

Subjective factors in strategic choice

strategic decision making is a complex activity. The strategy formulation is not entirely an analytical process but takes into to account the non analytical or subjective factors too.

The following subjective factors are to be considered for strategic choice-:

consideration to government policies and priorities is one of the most important subjective factors that strategies take into account while exercising strategic choice that is economic policy, industrial policy, fiscal policy etc.
the distinctive competencies and critical success factors produced by the organisation should be taken into consideration by a strategist.
The strategic choice is more likely to be for those alternatives which arise out of past strategic actions. Accordingly strategies try to eliminate the

strategic alternatives that lead the organisation too far away from their existing positions.

The decision style adopted by strategists may be aggressive or defensive. the decision style affects attitudes towards bearing risk and risk is a determining subjective factor in strategic choice.

Internal political consideration refers to strategist's interrelationship, price structure and balance in the the providing political environment. so strategic choice adversely affected the process of negotiation and which the resources of the organisation will hibe allocated.

The strategic choice can be exercised when the strategists are sufficiently satisfied that all possible alternatives have been considered and no feasible alternatives and likely to emerge in near future. The competitors actions and reactions are also to be e considered in strategic choice.

Business portfolio analysis

Business portfolio analysis could be defined as a set of techniques that help strategists in taking strategic decisions with regard to hiindividual product or business in a firm's portfolio. It is primary used for competitive analysis and strategic planning in multi product and multi business firms.the main advantage in adopting a portfolio approach is that resources could be targeted at the the corporate level to the business that process the greatest potential for ~~creating competitive advantage. Portfolio analysis divert resources from~~ cash rich business to more prospective one which promise faster growth.

Two important business portfolio analysis techniques are-:

Boston consulting group (BCG matrix)

General electrics Nine cell (GE Nine cell matrix)

Boston consulting group (BCG matrix)

BCG Matrix was developed by Brace Handerson of the Boston consulting group in the the early 1970s.the BCG matrix is a tool that allows to classify and evaluate the products and services according to their techniques. The Matrix positions of the product or service classified age Lo aur high performance in two ways i.e rate of the growth of the market and market share of a product or service offered facing the the competitors. The fossils of the BCG matrix denotes question marks (?) ,dogs, starts and cash cows.

BCG Matrix can be represented as below

1. Question mark	2. Stars
3. Dogs	4. Cash cows

MARKET

Question mark:-

This cell represents low market share and high market growth. In this situation strategist must know what to do with opportunities ; decide whether to increase investment to capture market share or not.

2. Stars:-

This cell represents hai market share and high market growth and the fark doing well with great opportunities.

3. Dogs:-

This sale represents low market share and low market growth. Due to weak in market share and low growth rate, it is too difficult to make profit.

4. Cash cows:-

this cell represents high market share and low market growth. In this situation the firm is doing well in no growth market with limited opportunities.

GE Nine cell matrix:

This corporate portfolio analysis is based on the the pioneering efforts of the general electric (GE) company of USA, supported by the consulting firm of me Kinsey and company in 1970s.this nine cell grid measures business unit strength

against industry attractiveness. The industry attractiveness factors include market size, market growth pestel factors like political ,social ,technological legal, and porter's five forces like competitive rivalry , buyers power, supplier power ,threats of new entrants and threat of substitution. Business unit strength include market share, growth in market share , brand equity, distribution channel process and profit margin as compared to competitors.

The nine cell Matrix divided strategic decision into three parts i.e grow or invest, hold or selectivity ,harvest or divest.

Growth / invest:-

the farm under this selection of greed generally have hai market share and promise hai returns in the future. So investments should be made.

2. Hold / selectivity:-

The farm on the these selection of grade can be ambiguous and should only be invested in if there is money left over after investing in the profitable units.

3. Harvest / divest:-

Poor performing units in an unattractive industry end of in this selection of grid.this should only be invested in if they can make more money than previous investment. Otherwise they should be liquidated.

The below picture represents GE nine cell matrix-

Invest/grow	Invest/grow	Hold/selective
Invest/grow	Hold/selective	Harvest/divest
Hold/selective	Harvest/divest	Harvest/divest

Me kinsey's 7s framework:

This model was developed in late 1970s by Tom Peter and Robert Waterman, former consultants at me kensey's company. They identified 7 internal elements of an organisation need to align for it to be successful and making every part of the organisation work in harmony.

The model categorises the seven elements its area hard or soft.

The three had elements are strategy, structures and system. elements are relative Li easy to identify and management can influence from directly.

the four soft elements are shared values, skills, style , staff. Three elements can be harder to describe , Less tangible and and more influenced bye buy your company culture.

Let's look at each of the the elements individually-

Strategy:-

This is organisations plan for building and maintaining competitive advantage over its competitors.

2. Structure:-

This element describes that how the company is organised from top to bottom.

3. Systems:-

This is the the daily activities and procedures followed by the staff to get the job done.

4. Shared values:-

These are the the core values of the organisation , as shown in its corporate culture and general work ethics. These are the super co-ordinate goals of this model.

5. Style:-

It refers to the style of leadership adopted.

6. Staff:-

This is concerned with the employees and their general capabilities.

7. Skills:-

It refers to the actual skills and competencies of organisation's employees.

Placing shared values in the the centre of the model emphasizes that these values are Central to the the development of of all the critical elements . The seven elements need to to balance and in force each other for in an organisation to perform well. If necessary changes like restructuring, new processes organisational mergers, new systems and change of leadership maybe initiated.

Balanced scorecard:

Balanced scorecard as a means of of assessment of strength and weakness of an organisation. Balanced scorecard attempts to do do away with the bias in performance measures towards financial indices and tries to built a a holistic system of measurement. It is a a set of measures that gives top managers fast but comprehensive view of the the business. Keeping score of strengths and weaknesses in critical area of performance enables quantitative as well as qualitative analysis of the the organisation. Therefore balanced scorecard is a comprehensive strategic management system.

The balance scorecard identifies for key performance measures as follows:-

Customer perspective / response towards organisation
General business perspective/ strength and weakness
Innovation and learning perspective Financial perspective

Strategic evaluation and control

Strategic evaluation and control constitutes the final phase of strategic management. Strategic evaluation operates at two levels i.e strategic and operational. Strategic lavell emphasizes on consistency of strategy with the environment. The operational level, the effort is directed at assessing how well the organisation is pursuing with given strategy. Operational control consists of setting standards, measuring performance, analysing variances and taking corrective action. The purpose of strategic evaluation is to evaluate the effectiveness of strategy in achieving organisational objectives.

Strategic evaluation and control could be defined as the the process of determining the effectiveness of given strategy in achieving organisational objectives and taking corrective action wherever required.

Importance of strategic evaluation

The importance of strategic evaluation lies in its ability to co-ordinate the tasks performed by individual managers and also groups , divisions etc. Other importance of strategic evaluation are-

To receive feedback on current performance so that appraisal can be done and goals performance rewarded. This is essential for the motivation of employees.

It helps to keep a check on the validity of strategic choice and also to determine the effectiveness of strategy.

It provides a considerable amount of information and experience two strategist that can be useful for new strategic planning.

It helps in successful implementation of strategic management process.

Designing strategic control system

Strategic control is the process used by organisation to control the formation and its execution of strategic plans. It is a specialised form of management control.

The following processes are to be adapted file designing strategy control system.

Determine what to control-strategist to determine diarrhoea he has to make control. Ah to identify the key areas to be assessed.

Setting standards-while setting standards strategist has to encounter the following three questions i.e

What standards should be set?

How should these standards be

expressed?

In what terms should did standards be expressed ?

On the basis of standard set the responsibilities among subordinates / department will be assigned. the standards can be expressed both in quantitative and qualitative criteria.

Measurement of performance:-The information system is the the key element in measurement of performance. The measuring list drawn through the the accounting, exporting and communication system. The performance measurement maybe done Ada individually or departmental both in quantitative and qualitative terms.

Compare performance:-The present performance should be compared with past performance when present performance is better than fast then no action is needed.

Analysing variances:-in this step the actual performance is to be e compare with standard performance to know the variance. The barbarians maybe favourable or unfavourable. In case of unfavourable variances, the cockroaches should be detected.

Taking corrective action:-The analysis of variances identify the causes of poor performance. Accordingly the top level authority should take corrective action to improve the performance.

<u>Structure and strategy</u>

The organisation structure is the the arrangement of tasks . in other words structure of management from top to bottom. In organisation structure specifies 3 key components i.e-

It identifies the formal reporting relationships, including the number of levels in the the hierarchy and the span of control of management.

It specifies the grouping of individuals in to departments and departments into to the the total organisation.

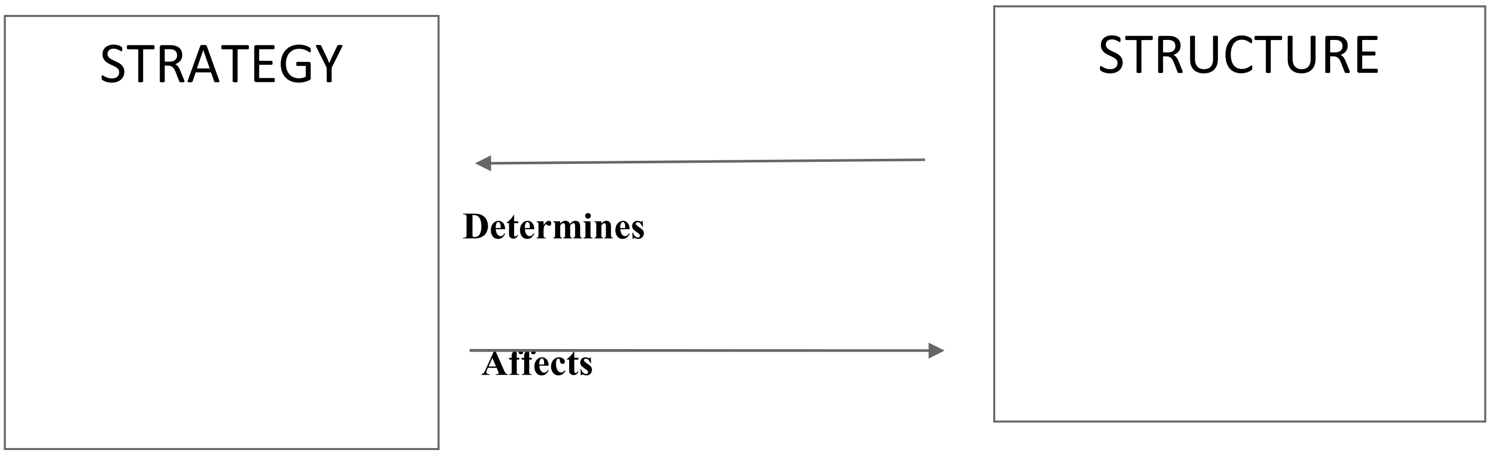
It consists of design of system to ensure effective communication, coordination and integration of efforts across the department.

The organisational structure may be horizontal or vertical. The political structure is designed primarily for exercising control by superiots uber subordinates work in the organisation. The horizontal structure is designed for coordination and collaboration of work among peers in the the organisation.

Strategist has to study the organisation structure clearly while formulating and implementing the strategy. So both structure in strategy are are interrelated to each other.

Matching structure and control to strategy

Matching the organisation structure to the particular needs and requirements of strategy has arisen out of the research done by Chandler. He proposed the idea that structure follows strategy. There is a two way relationship between structure and strategy. The relationship reflects that stategy determines the structure and structure conversely impacts the strategy.



The structure once established, might support the selection of some types of strategies. Show the structure of of an organisation should be such that it enables smooth implementation of chosen strategies , supports operational flexibility. Matching structure with strategy is a continuous process.

The implementation of new or revised strategy results mismatch and there will be reduction in performance and effectiveness. The situation ultimately requires changes in organisation structure to improve the the performance.

The theory of organisation structure extended by child which includes environment and effectiveness. Frequent changes in organisation structure are are necessary two face environmental complexity and uncertainty. The environmental changes affect formulation of strategy. The strategy determines organisation structure. The relationship between strategy and structure is planned by environment in one direction and effectiveness in other.

<u>Strategic changes:-</u>

Strategic management has to deal with dynamic situations within and outside organisation. An organisation needs to process dynamic capabilities to adjust with both internal and external environment . strategy implementation almost always necessities change. Managing changes therefore ,is an essential requirement for success of strategy implementation. The manager diagnose the organisational problems ,anticipate the future challenges and opportunities and then proceed to plan for change.

Strategic change is a complex subject. Therefore following three issues should be taken into consideration.

->Degree of change:

-changes can be classified as radical or incremental. Radical changes in value a major transformation within the organisation. i.e. redesigning organisation structure .incremental changes are small ,slow moving and routine changes which are limited to one part of the organisation .so a strategist gives more emphasis on radical changes as compared to incremental changes.

->Timing of change :-

The timing of change focuses on the question; When to change? when organisation choose to focuses change and prepare to face it ,then it is anticipatory change. In strategy implementation ,we are concerned with both these type of changes. i.e. reactive and anticipatory.

->Activity areas of changes:-

frequent changes are available to technology, new product and services job redesign etc .For the purpose of strategy implementation we are more concern about activity areas like structure ,leadership and behaviour. These three areas might be of greater relevance to radical ,anticipatory changes in the contemporary Indian context.

The major ideas of strategic changes are

->Restructure or Re-organisation:-

it refers to changing the organisation structure in line with changes in environment and strategies.

->Reengineering:-

It is the fundamental rethinking and radical redesign of business processes to achieve dramatic gain in areas such as cost ,equity ,service and speed.

->Delayering:-

This is the process of reducing the no .of levels in the organisational hierarchy to facilitate better control and communication with in the organisation.

->Flatter structure :-

This structure result due to delayering .it seeks to open up the lines of communication by removing layers within the organisation.

Corporate polities and power:-

All corporate culture include a political component and therefore all organisation are political in nature. The likes and dislikes views and opinions of organisational members are different. A strategist has to understand these factors and make the use of power for effective strategic management.

Corporate polities is the carrying out of the activities not prescribed by policies for the purpose of influencing the distribution of advantages within the organisation. power is defined as the ability to influence others. A manager derives power within an organisation from five sources i.e.

->Reward power arises from the ability of managers to reward positive outcomes.

->coercive power arises from the ability of manager to penalise negative outcomes.

->Legitimate power arises from the ability of managers to use position to influence behaviour .

->Referent power arises from the ability of managers to create liking among subordinates due to charisma or personality.

->Expert power arises from the manager's competence knowledge and expertise that is acknowledged by others.

The nature of the organisation itself creates the conditions for power and politics .the organisation structure ultimately leades to power and politics .the organisation structure not only creates hierarchies, position and relationship but also leads to conflict ,coalition, drives and ambitions among the people who constitute organisation.

The exercise of power and use of politics has two impacts i.e. negative and positive .When viewed negative power and politics leads to domination ,manipulation, dishonesty for achieving individual or group intrest and there may be chance of conflict and disharmony in the organisation structure. if power and polities are use used positively people will work together for achieving organisational objectives .so the conflict in use of power can be resolved through the process of negotiations and collaborations.

According to Henery Mintzbeng, the corporate polities is neither inherently good nor bad. though must of the time corporate polities leads to conflict which is not good for an organisation, yet these are needed to bring changes in the strategic implementation . A manager can not effectively formulate and implement strategy without use of politics and powers .in India the presence of politics and use of power are more visible than other cultures due to nature of Indian society and high level enviousness of Indian manager.

Techniques of strategic Evaluation and control:-

Strategy evaluation and control is the sixth step in the strategic management process. A well executed strategy ensures successful achievement of organisational goal and objectives .strategy evaluation and control done after measuring result shall not help in taking corrective actions. therefore strategist systematically review ,evaluate and control the process of strategy implementation in the early stage.

Techniques for strategic evaluation:-

->GAP Analysis:-

This technique is used to measure the gap between the organisation's current position and desired position .this analysis is used to evaluate various aspect like from profit and production to making and research and management information system. Financial data of the organisation and competitors are to be analysed to evaluate the gap.

->SWOT Analysis:

Analysis evaluates the organisation's strengths ,weakness, opportunities and threats .Strength and weakness are internal factor while opportunities and threats are external factors .this identification is essential in determining how best to focus resources to take advantages strength and opportunities and combat weakness and threats .

->PEST Analysis:-

This analysis identifies political ,economic ,social and technological factors .political factors include legislation regarding wages and benefits of employees .Economic factors include all shifts in the economy. social factors include demographic and changing attitudes .technological factors include new innovations. this external factor must be considered throughout the decision making process.

Bench making:-

This technique evaluates how close the organisation has come to its objectives as well as how far it has left to go. this type of comparison is made with other organisation or with own prior situation .Accordingly the policies and procedures may be evaluated regularly to identify where adjustments are necessary to maintain the sustainable competitive advantage .

Techniques of strategic control

->premise control:

-Every strategy is based on certain assumption about environmental and organisational factors. premises control is necessary to identify key assumption and keep track of any change in them so as to access their impact on strategy and implementation .the responsibility for premise control can be assigned to the corporate planning staff, which can identify key assumptions and keep a regular check on their validity.

->Implementation control:-

the implementation of a strategy results in a series of plan ,programes and projects .implementation control is a aimed of evaluating weather the plans ,programs and projects are actually guiding the organisation to wants its pre-determined objectives or not. this control may be either through identification and monitoring of strategic thrusts or milestone reviews which is related to substantial resources allocation.

->strategic surveillance:-

This technique is designed to monitor a broad range of events inside and outside the company that are likely to threaten the course of firm's strategy. strategic surveillance can be alone a broad-based ,general monitoring ,on the basis of selected information that are likely to affect the course of strategy of an organisation.

->Special Alert control:-

The special alert control is based on a trigger mechanism for rapid response and immediate reassessment of strategy in the light of sudden and unexpected events. this can be exercised through the formulation of contingency strategies .and assigning the responsibilities of handling unforeseen events to crisis management teams. crisis are critical situations that occure unexpectedly and threaten the course of strategy .so the crisis management team should be prepared for the worst and in a position to handle crisis.