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**PHD In Balanced Scorecard(Strategic Management)**

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**BUSINESS**

**ENVIRONMENT &**

**STRATEGIC MANAGEMENT**

**Strategy** (from Greek στρατηγία *stratēgia*, "art of troop leader")

A strategy describes how the ends (**Goals**) will be achieved by the means (**Resources**).

**Strategy** — a Comprehensive action plan that identifies long-term direction for an organization and guides resource utilization to accomplish organizational goals with sustainable competitive advantage.

- Is it planning? Is it process? Is it control? Is it organization? Staffing? Directing? Co-ordination? Reporting? Budgeting?
- All the words shown above is basics of management?
- Strategic Management is extension of management

## Michael Porter:

defined strategy in 1980 as the "...Broad formula for how a business is going to compete, what its goals should be, and what policies will be needed to carry out those goals" and the "combination of the *ends* (Goals) for which the firm is striving and the *means* (Policies) by which it is seeking to get there"

Strategy is formula?????????

# Strategic + Management

◆ *Art & science of **formulating, implementing, and evaluating**, cross-functional decisions that enable an organization to achieve its objectives.*

## Strategy focuses on:

Understanding how firms create, capture, and sustain "**competitive advantage**".

- Analyzing Strategic Business situations & formulating strategic plans.
- Implementing strategy and organizing the firm for strategic success.

# The Five Tasks of Strategic Management

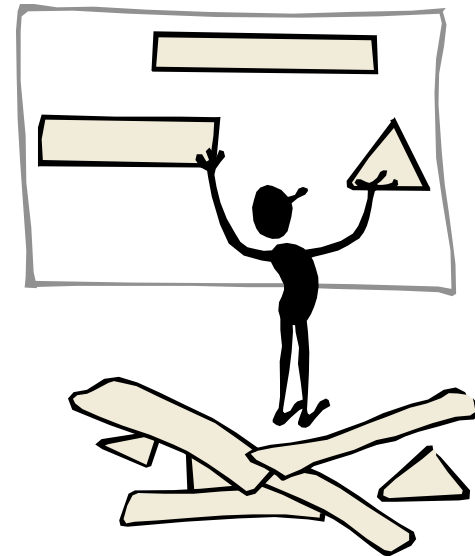


# Key Terms

**Vision Statement** – *What do we want to become?*

**Mission Statement** – *What is our business?*

***VISION IS MORE WIDER  
VISION IS LONG TERM  
MISSION IS HOW TO-  
ACHIEVE THE VISION***



# Vision Statement

- **Vision** is a picture of what the firm wants to be and, in Broad terms, what it wants to ultimately achieve. (successful professional, name in the market)
- **A** vision statement is short and concise, making it easy to remember. ( why so) (focused)
- **It** articulates the ideal description of the organization and gives shape to its intended **future.**
- Road map of companies future, organizations aspirations for the business. **panoramic view** of the position where the organization is going
- Providing specifics about **Technology & customer focus, geographic and product markets to be pursued, capabilities it plans to develop, kind of company it wants to create**

- A firm's vision tends to be **Enduring(long term)**, whereas its Mission can change in light of changing Environmental conditions. (path can be changed, can u change the destination?)
- ◆ vision statements reflect a firm's Values and Aspirations & are intended to capture the heart and mind of each **stakeholder**.
- Executives and top-level managers must formulate and implement strategies in consistent with the vision. (Tata's vision and Reliance vision is same?)



# Examples:

◆ *To make the automobile accessible to every American. (Ford Motor Company's vision when established by Henry Ford)*

Company can change its Vision?

# MISSION

- Mission is a statement of the organization's scope, often identifying its customers, markets, products, technology, and values.

(So above things are part of mission or vision?)

Goals or objectives convert the mission into targeted levels of performance to be achieved, often by a specific time.

- vision is the **foundation** for the firm's mission. The firm's mission is more concrete than its vision.

# Analysis of Mission:

- The reason for an organization's existence.

## Good mission statements identify:

- ◆ Customers
  - ◆ Products and/or services
  - ◆ Location
  - ◆ Underlying philosophy
- An important test of the mission is how well it serves the organization's stakeholders.
  - Good mission statements are highly personalized unique, it should give identity, path for development,
  - The mission should not be to make profit( writing should not have that)

# Examples

- ◆ *Our vision is to be the world's best quick service restaurant. (McDonald's)*
- ◆ *Be the Best Employer for our people in each community around the world and deliver operational excellence to our customers in each of our restaurants. (McDonald's)*

# AIR ASIA

## Our vision

- ◆ To be the largest low cost airline in Asia and serving the 3 billion people who are currently underserved with poor connectivity and high fares.

## Our mission

- ◆ To be the best company to work for whereby employees are treated as part of a big family
- ◆ Create a globally recognized ASIAS Brand
- ◆ To attain the lowest cost so that everyone can fly with AirAsia
- ◆ Maintain the highest quality product, embracing technology to reduce cost and enhance service levels

The “Business Organisation” Translates their Vision & Mission in to objectives.

**Meaning of the word “Objective”:** objectives are organisations performance targets the results and outcomes it wants to achieve. They function as yardstick

Objectives with strategic focus relate to outcomes that strengthen an organisations overall business position and competitive vitality

# Basic concepts of strategy:

Competitive advantage — operating with an attribute or set of attributes that allows an organization to Outperform its Rivals.

There can be many types of competitive advantages-- including the firm's cost structure, product offerings, distribution network and customer support.

Sustainable competitive advantage — one that is difficult for competitors to imitate.

# Corporate Strategy

Corporate strategy is basically the growth design of a company, it spells out the growth objective of company- the directions, extent, pace and timing of the companies growth.



# FRAME WORK OF STRATEGIC PROCESS

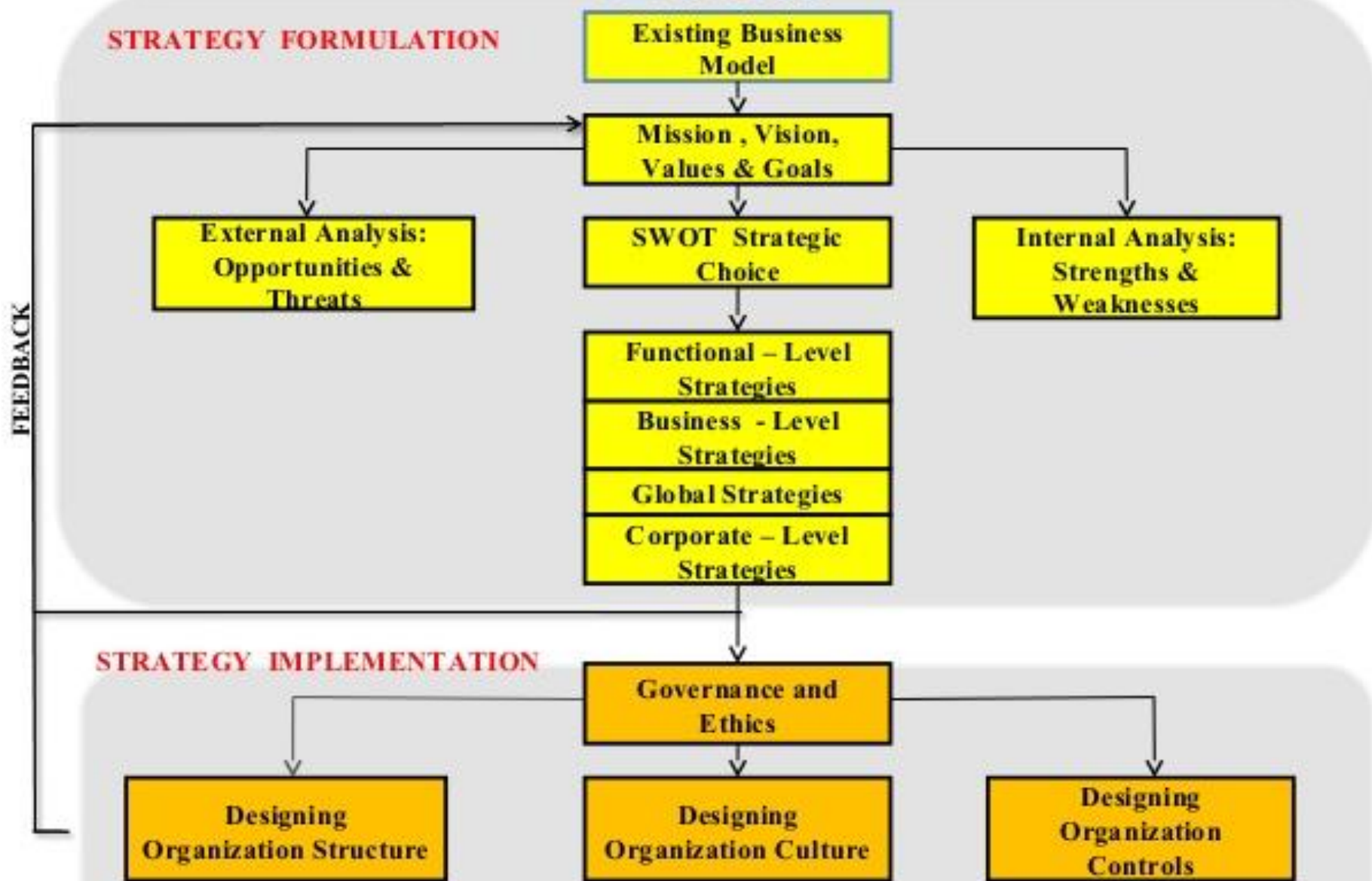
- ◆ **Stage 1:** Where we stand, Situational analysis, firm finds its Market Position, Image, Strength and Weakness(SWOT)
- ◆ **Stage 2:** where we want to reach? After vision and mission setting? Revisions requires in existing frames
- ◆ **Stage 3:** here the organisations deals with the various strategic alternatives
- ◆ **Stage 4:** Which is the best way, with SWOT
- ◆ **Stage 5:**Implementation & control stage of a suitable strategy

# Strategic Management Model

The process of Identifying & Executing the organisations Strategic Plan, by matching the companies capabilities with the demands of its environment

- ◆ Developing Vision and Mission statements
  - ◆ Establishing long term objectives
  - ◆ Generate, analyse and select strategies
  - ◆ Implement strategies, management issues  
( marketing, finance, HR, R&D, MIS issues
- Measure & evaluate performance

# Components of Strategic Management Process



# Objectives of Business

- ◆ Survival: obvious objective, first stage,
- ◆ Stability: cautions, conservative objective
- ◆ Growth: increase in the assets, sales,
- ◆ Efficiency: is an economic version of the technical objectives of productivity, its operational objective
- ◆ Profitability: sole motive of business enterprise

# Business & Environment

- ◆ *Business takes Inputs from the Environment then its processed then output to the environment (society)*
- ◆ *Business & Environment both are dynamic; they are constantly changing, so with the change focus should be on Business Dynamics*
- ◆ *Business do not function in isolation, it function within a whole gambit of relevant Environment*

# Characteristics of business Environment

- ◆ Complex: (factors, events, conditions, from different source all are together not in isolation)
- ◆ Dynamic: changing daily
- ◆ Multi-faceted: a particular change in the environment, or development, may be viewed differently by different observers
- ◆ Far reaching impact: ignoring any crucial factor may leads towards problems

# Environment scanning?

- ◆ Environmental scanning can be defined as the **process** by which organizations monitor their relevant environment to Identify opportunities and threats affecting their business for taking strategic decisions
- ◆ Helps in deciding future path
- ◆ **Threats** and **Opportunities** existing in the environment
- ◆ Events, can be **Internal** and **External**, both are to be studied
- ◆ Trends are to be studied

# Internal Environment

- ◆ Related to small area or immediate periphery of an organization.
- ◆ Internal environment is the condition, people events and factors within the organization.
- ◆ **Organisation:** owners, board of directors, employees

**( MISSION/ VISION/ VALUE/  
CULTURE/QUALITY/STRUCUTE/HUMAN  
RESOURCE)**



# External environment:

## Micro & macro

- ◆ Customer, competitors, market, suppliers, intermediaries are micro

## Macro

- ◆ Social
- ◆ Cultural
- ◆ Population
- ◆ Demographic: population in area, district, country or in world.
- ◆ Legal
- ◆ Political
- ◆ Global

# Micro( External)

- ◆ Employees, customer base, how finance can be raised, firms suppliers, community within which the firm operates, direct competition
- ◆ Macro:
- ◆ **What is liberalization? Globalization? Its impact?**

# PESTEL ANALYSIS:

- ◆ POLITICAL
- ◆ ECONOMICAL
- ◆ SOCIO CULTURAL
- ◆ TECHNOLOGICAL
- ◆ ENVIORMENTAL: energy consumption, waste disposal
- ◆ Legal: business laws, employees law, employment law, health and safety laws, regional legislation

# Political Factors

- Political stability
- Political principles and ideologies
- Current and future taxation policy
- Government term and changes
- Trust areas of political leaders
- Administrative jawboning

# Economical factors

- ◆ Economy situation and trends
- ◆ Market and trade cycle
- ◆ Specific industry factors
- ◆ Customer/end user drivers
- ◆ Interest and exchange rates
- ◆ Inflation and unemployment
- ◆ Strength of consumer spending

# Social Factors

## Present in the external environment

- Beliefs & Values
- Attitudes & Opinions
- Lifestyles

## Developed from

- Cultural conditioning(habituatation)
- Demographic makeup
- Religion
- Education
- Ethnic (in terms of traditional)conditioning.

# Technological Factors

- ◆ **Technological forecasting** helps protect and improve the profitability of firms in growing industries.
- ◆ It alerts strategic managers to impending challenges and promising opportunities.
- ◆ The key to beneficial forecasting of technological advancement lies in accurately predicting future technological capabilities and their probable impacts.

# Strategic responses to the environment

- ◆ Least resistance: manage to survive, they are very passive in their behaviour, not ambitions, they stick to the goal with the policy of least resistance
- ◆ Proceed with the caution: take intelligent interest, they don't react to all but they don't ignore even,
- ◆ Dynamic response: dynamic organisation, they change quickly, they have readiness to change as well



# IMPORTANT TERMS

**Collusion:** (combination that can be illegal, generally secretive, many a time to gain unfair advantage, its kind of implicit arrangement)

**Cartel:** formal or explicit agreement among the competing firms, reducing cost increasing profitability. Public cartels Private cartels

**KEIRETSU:** (generally two companies,(of the same industry) share the stock holding, members are peers,(many board members they hold stock of each others) japan automobile industry, buying and selling they have strategy.

- ◆ **Conglomerate**: combination of companies doing entirely different businesses
- ◆ **Consortium**: with the objective of participating in a common activity or pooling their resources of achieving common goals
- ◆ **Multinational Corporation (MNC)**: is a **corporation** that has its facilities and other assets in at least one country other than its home country. Such **companies** have offices and/or factories in different countries and usually have a centralized head office where they **co-ordinate** global management.

- ❑ Multinational corporations (MNCs in short) are also known as Transnational Corporations (TNCs), Super National Enterprises, Global companies, cosmo-corps & so on
- ❑ Nastele international is an example of an enterprise that has become multinational it sells the products in most countries and manufactures in many. Besides, its managers and shareholders are also based in different nations.

# Porters' five forces model (competitive analysis) ( 7 marks of question)

frame work for industry analysis and business strategy development. Competitive pressure in five areas.

- ◆ Threat of new entrants
- ◆ Bargaining power of customers
- ◆ Bargaining power of suppliers
- ◆ Rivalry among current players
- ◆ Threats from substitutes

# Porter's Five Forces

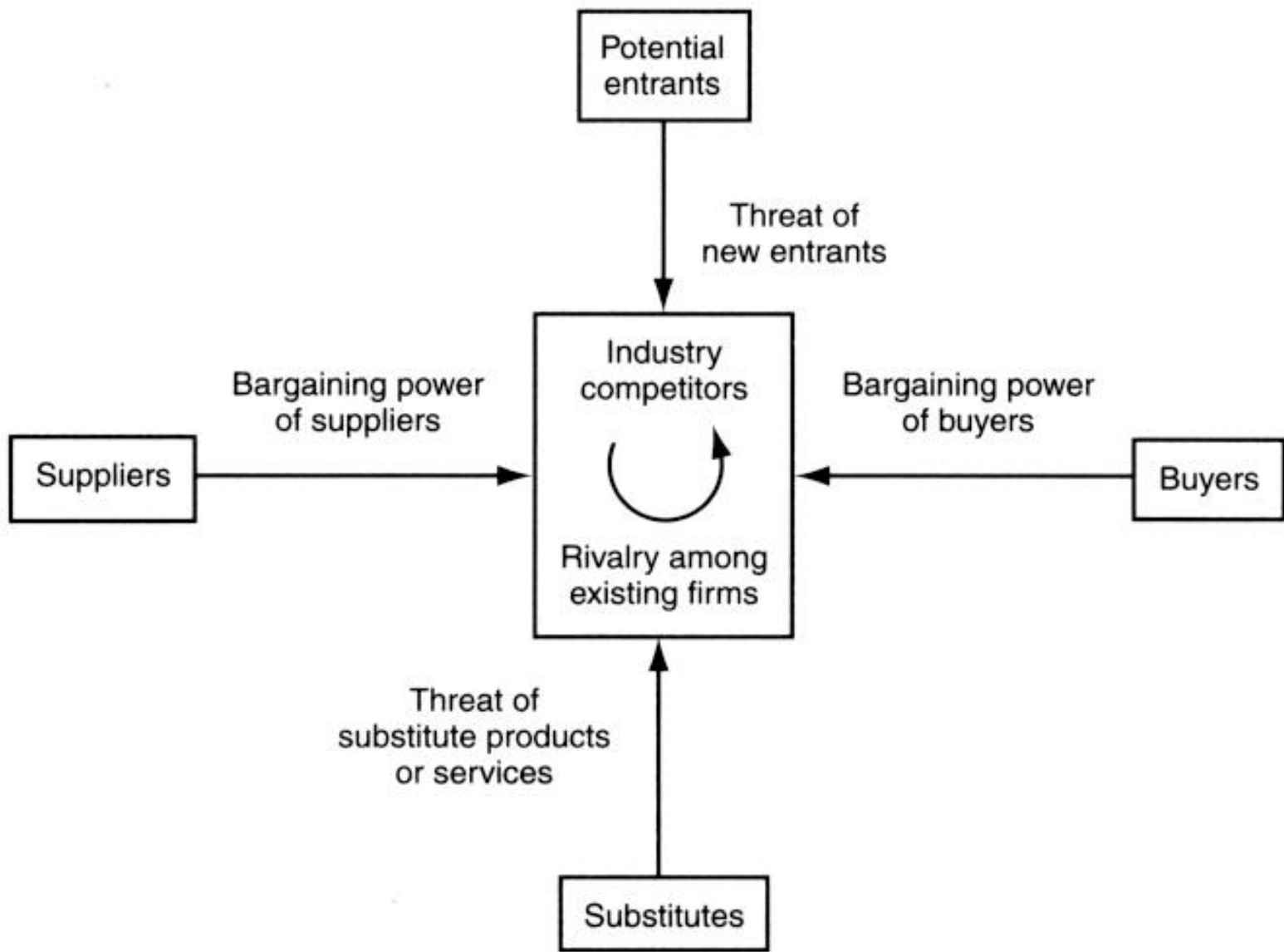


FIGURE 2-2 Porter's Five Forces Model

### Barriers to entry:

- Economies of Scale
- Proprietary product differences
- Brand identity
- Switching costs
- Capital requirements
- Access to distribution
- Absolute cost advantages:
  - Proprietary learning curve
  - Access to necessary inputs
  - Proprietary low-cost product design
- Government policy
- Expected retaliation

### New entrants



### Rivalry determinants:

- Industry growth
- Fixed (or storage) costs/value added
- Intermittent overcapacity
- Product differences
- Brand identity
- Switching costs
- Concentration and balance
- Informational complexity
- Diversity of competitors
- Corporate stakes
- Exit barriers

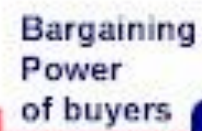


### Suppliers



### Determinants of supplier power:

- Differentiation of inputs
- Switching costs of suppliers and firms in the industry
- Presence of substitute inputs
- Supplier concentration
- Importance of volume to supplier
- Cost relative to total purchases in the industry
- Impact of inputs on cost or differentiation
- Threat of forward integration relative to threat of backward integration by firms in the industry



### Buyers

### Determinants of buyer power:

#### Bargaining leverage:

- Buyer concentration versus firm concentration
- Buyer volume
- Buyer switching costs relative to firm switching costs
- Buyer information
- Ability to backward integrate
- Substitute products
- Pull-through

#### Price sensitivity:

- Price/total purchases
- Product differences
- Brand identity impact on quality/performance
- Buyer profits
- Decision makers' incentives

### Substitutes



### Determinants of substitution threat:

- Relative price performance of substitutes
- Switching costs
- Buyer propensity to substitute

# 1.Intensity of Competition among Rivals

- ◆ Bharti Airtel has strong rivals in telecommunication sector of India like BSNL and Vodafone.
- ◆ Initially, it had only two competitors but now this figure has jumped to more than ten.
- ◆ All these companies are providing similar services with the same capabilities. Although it has enhanced its investment in last few years and working hard to expand its network yet the presence of strong competitors is a major threat for its successful survival.
- ◆ The detail data are available in the first section.

## 2. Bargaining Power of Buyer

- ◆ Although subscribers are not concentrated, not purchase in bulk but still can easily switch for better quality, coverage and rates.
- ◆ In this context subscribers' position is strong. Bharti is the leading operator in Access segment in terms of number of subscribers.
- ◆ However, in term of net additions during the quarter, Idea recorded the highest growth of 7.66 million, followed by Bharti (6.29 million) and Vodafone (4.88 million).



### 3. Threats from Substitutes

- ◆ Presence and easy availability of substituted products is a great threat for the successful survival of any organization since it can enforce the company to cut the price of its product.
- ◆ The growth rate of reliance is more than Bharti and that of Vodafone is almost comparable to Bharti as shown in table 1.

## **4. Potential Entry of New Competitors**

- ◆ Since current telecom technologies involve heavy capital investment so chances of success for new entrants are very limited.
- ◆ Still it is seen that few new entrant like Idea is growing very rapidly and the growth rate is much higher than the top service providers.

## **5. Bargaining Power of Suppliers**

- ◆ As far as the suppliers are concerned, the pros and cons to all service providers are equal that may be in human resource or products.

*Understanding the dynamics that shape how much profit potential exists within an industry is key to knowing how likely a particular firm is to succeed within the industry. There are five key forces that determine the profitability of a particular industry.*



**POTENTIAL ENTRANTS** are firms that are not currently considered viable competitors in the industry but that may become viable competitors in the future. For example, Tesla Motors' production of electric vehicles poses a threat to displace the traditional powers in the auto industry, and Chinese auto makers are rumored to be eyeing the US market.



**SUPPLIERS** to the auto industry include firms such as Lear Corporation who produces auto interior systems.



**INDUSTRY COMPETITORS** in the auto industry include firms such as Ford, Chrysler, and GM.



**BUYERS** are those firms that buy directly from the industry such as automobile dealerships. Automakers also have to pay careful attention to end users, of course, such as individual drivers and rental car agencies.



**SUBSTITUTES** for the auto industry's products include bicycles and mass transit. Luckily for automakers competing in the US market, Americans are notoriously reluctant to embrace these substitutes.



# **Barriers to *Entry* ...**

- ✓ **large capital requirements or the need to gain economies of scale quickly.**
- ✓ **strong customer loyalty or strong brand preferences.**
- ✓ **lack of adequate distribution channels or access to raw materials.**

# Power of **Suppliers** ...

high when

- \* A small number of **dominant, highly concentrated suppliers** exists.
- \* Few good substitute raw materials or suppliers are available.
- \* The **cost of switching** raw materials or suppliers is high.

# **Power of Buyers ...**

**high when**

- \* Customers are concentrated, large or buy in volume .**
- \* The products being purchased are standard or undifferentiated making it easy to switch to other suppliers.**
- \* Customers' purchases represent a major portion of the sellers' total revenue.**

# *Substitute products ...*

competitive strength high when

- \* *The relative price of substitute products declines .*
- \* *Consumers' switching costs decline.*
- \* *Competitors plan to increase market penetration or production capacity.*

# *Rivalry among competitors*

## intensity increases as

- \* *The number of competitors increases or they become equal in size.*
- \* *Demand for the industry's products declines or industry growth slows.*
- \* *Fixed costs or barriers to leaving the industry are high. "An industry's profit potential is largely determined by the intensity of competitive rivalry within that industry."*



# *Summary ...*

*As rivalry among competing firms intensifies, industry profits decline, in some cases to the point where an industry becomes inherently unattractive.*

- ◆ **Future Group was founded on a simple idea: Rewrite rules, retain values. This fundamental belief created a new kind of marketplace, forever transforming Indian retail. Today our core values continue to guide how we do business and improve the quality of life of the people we serve.**
- ◆ At Future Group we are committed to being a catalyst of positive change in the communities, societies and business sectors in which we operate. We envision India's transformation into the legendary '**Sone Ki Chidiya**' (golden bird), taking wings once again to reach greater heights.
- ◆ We take pride in our Indianness. Our belief in inclusiveness for long-term sustainable growth and economic prosperity evokes trust among consumers, employees, suppliers, partners, shareholders and the community.

# Porter's five force model



# Analysis



5 Forces	Analysis
Rivalry among the competitor	<ul style="list-style-type: none"><li>• Reliance Retail, Aditya Birla Group , Vishal Retail's, Bharti and Walmart, etc</li></ul>
Threat of entrants	<ul style="list-style-type: none"><li>• FDI policy not favorable for international players.</li><li>• Domestic conglomerates looking to start retail chains.</li><li>• International players looking to foray India.</li></ul>
Bargaining power of supplier	<ul style="list-style-type: none"><li>• The bargaining power of suppliers varies depending upon the target segment.</li><li>• The unorganized sector has a dominant position.</li><li>• There are few players who have a slight edge over others on account of being established players and enjoying brand distinction.</li></ul>
Bargaining power of buyers	<ul style="list-style-type: none"><li>• Consumers are price sensitive..</li><li>• Availability of more choice.</li></ul>
Threat of substitutes	<ul style="list-style-type: none"><li>• Unorganized retail</li></ul>

- ◆ Monitoring environment is ancillary to the main object of business, organisations main object can be survival, stability, growth, profitability
- ◆ Organisation monitors environmental factors, and analyse its impact on their own goals and activities
- ◆ Business efficiency is very useful operational objective of organisation
- ◆ Profit motive is one of the object of any business activity, except non profit making organisations. Like govt, charitable institutions etc.

- ◆ Corporate strategy is basically the growth design of the firm
- ◆ All strategies emerge from the corporate vision of the firm
- ◆ Strategies not needed in Non profit making organisations..
- ◆ Strategies provide an integral framework for management to negotiate its way through a complex and turbulent external environment
- ◆ Control system runs parallel with strategic levels
- ◆ Strategy is proactive only



**THANK YOU**

- ❑ Strategic management is not needed in non profit organisation..
- ❑ **“Vision shared”** from top to all....company wants to deliver the same. **“Shared vision”** means individual relate themselves with the vision. Greater concept
- ❑ Strategy is partly proactive and partly reactive/organisation will analyse possible environmental scenarios and create strategic frame work. As environmental factors can not be determined in advance its reactive also with situational change