



STRATEGIC MANAGEMENT

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GURU GOBIND SINGH INDRAPRASTHA UNIVERSITY, NEW DELHI
MASTER OF BUSINESS ADMINISTRATION (ON WEEKEND BASIS)

Strategic Management

Course code: MBA 202

L-2, Credits: 3

Objective: To develop an understanding of the Strategic Management process in a dynamic and competitive global environment.

Course Contents

Unit I

Nature of Strategic Management: Concept of Strategy; Vision Mission, Goals and Objectives; External Environmental Analysis; Analyzing Companies Resource in Competitive Position; Mintzberg's 5Ps of Strategy; Strategic Management Process, Corporate Governance. (10 Hours)

Unit II

Strategy Formulation: External Environmental Analysis; Analyzing Companies Resource in Competitive Position- Concept of Stretch, Leverage and Fit; Strategic Analysis and Choice, Porter's Five Forces Model, Concept of Value Chain, Grand Strategies; Porter's Generic Strategies; Strategies for Competing in Global Markets. (12 Hours)

Unit III

Corporate-Level Strategies: Diversification Strategies: Creating Corporate Value and the Issue of Relatedness, Vertical Integration: Coordinating the Value Chain, The Growth of the Firm: Internal Development, Mergers & Acquisitions, and Strategic Alliances Restructuring Strategies. (10 Hours)

Unit IV

Strategy Implementation and Evaluation: Structural Considerations and Organizational Design; Leadership and Corporate Culture; Strategy Evaluation: Importance and Nature of Strategic Evaluation; Strategic and Operational Control, Need for Balanced Scorecard. (10 Hours)

Text Books

1. Thomas L. Wheelen, J. David Hunger (2016), Concept in Strategic Management and Business Policy, 14/e, Pearson Education.
2. Arthur, A, Thompson and Strickland, A. J. (2014), Strategic Management – Concept and Cases, 19/e, McGraw Hill Education.

Reference Books

1. Kark, Rajneesh (2008), Competing with the Best: Strategic Management of Indian Companies in a Globalizing Arena, Penguin Books, India.
2. Azhar Kazmi (2015), Business Policy and Strategic Management, 4/e, Mc GrawHill Education.
3. Hitt Michael A., Ireland R.D. and Robert E Hoskisson, (2017), Strategic Management: Competitiveness & Globalization, Concepts and Cases, 12/e, Addison Wesley.
4. Fred David (2015), Strategic Management : A Competitive Advantage Approach, Concepts and Cases, 15/e, Pearson Education.

COURSE OBJECTIVES



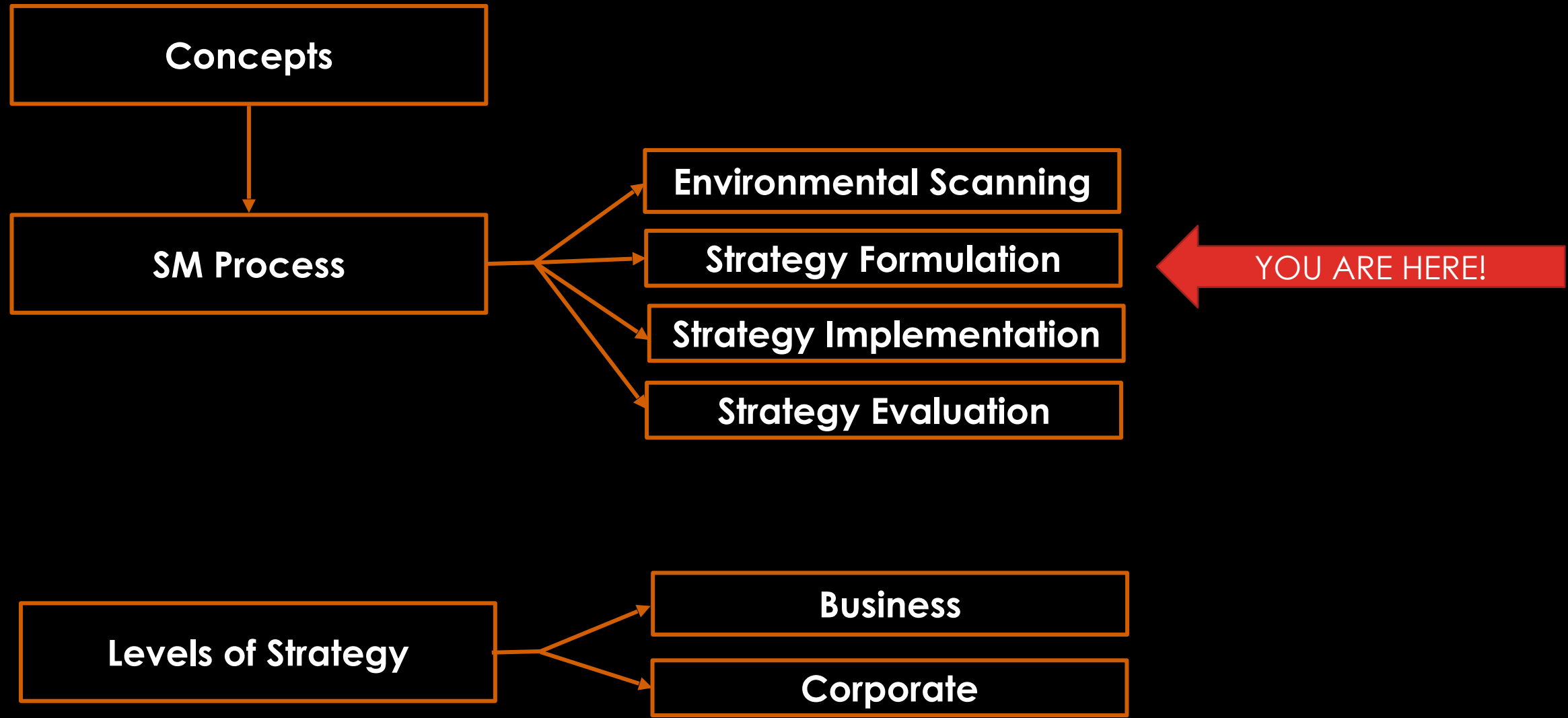
BY THE END OF THIS SESSION, YOU WILL KNOW...

- What are the different levels of strategy
- What are the three issues that Corporate strategy addresses?
- What are directional or GRAND STRATEGIES?

RECAP OF LAST SESSION

- Value and sources of value
- Value chain analysis

STRUCTURE OF THE COURSE



LEVELS OF STRATEGY

Like the Russian Dolls,

Corporate strategy is an overarching approach to business that business units must interpret when creating **Business and Functional strategies**.



Level of Strategy	Definition	Example
Corporate strategy	Market definition	Diversification into new product or geographic markets
Business strategy	Market navigation	Attempts to secure competitive advantage in existing product or geographic markets
Functional strategy	Support of corporate strategy and business strategy	Information systems, human resource practices, and production processes that facilitate achievement of corporate and business strategy

CORPORATE STRATEGY WITH EXAMPLE

- **Questions it answers:**
 - Which markets you want to play in? Auto-car engine
 - Which region? India
 - Which part of the value chain? Design / Testing/ Fabrication / Assembly?
- It determines the overall direction of the firm in terms of general attitude towards growth and management of Business
 - Growth
 - Stability
 - Retrenchment
- Example: Infosys has a Corporate Growth strategy of predictability, sustainability, profitability and de-risking (PSPD)

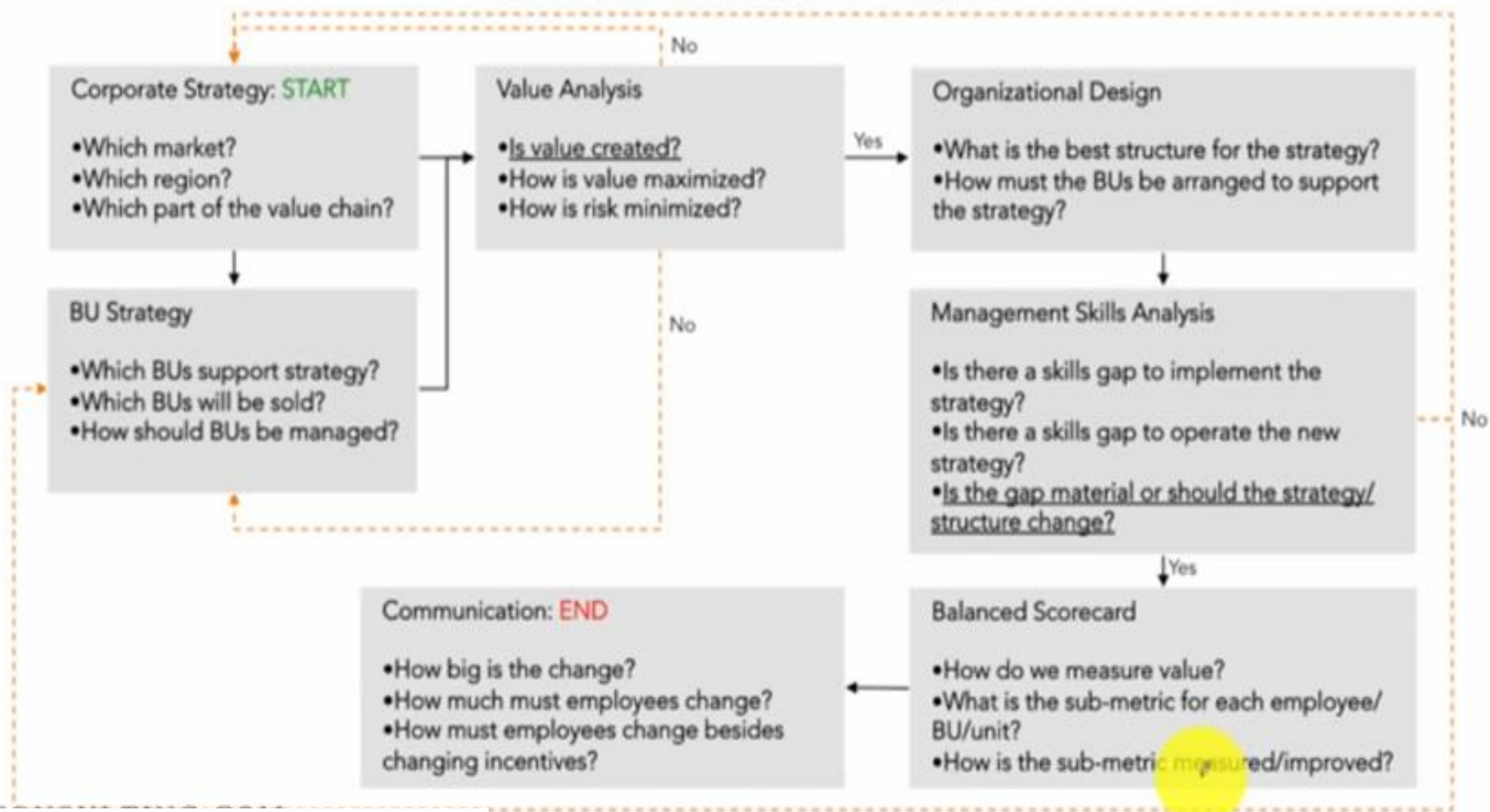
BUSINESS STRATEGY WITH EXAMPLE

- Aims at improving competitive position in the market by the Business Unit (SBU)
- Example: Infosys follows a differentiation strategy in it's Global Service Distribution Model

FUNCTIONAL STRATEGY WITH EXAMPLE

- Approach in functional area to achieve Corporate and Business unit objectives.
- It is concerned with development of distinctive competence to provide an organization with competitive advantage.
- Example - if corporate leadership has a goal of increasing market share by 10 percent in one year, it might use a strategy of doubling the marketing budget for the next year. The marketing department would align with this objective and figure out strategies to optimize the efficiency of the increased budget to achieve this market share.

Corporate strategy is radically different from all other types of strategy due to its messiness and wide open boundaries



THREE ISSUES THAT CORPORATE STRATEGY ADDRESSES

How to ...

- Apply **directional** strategies (also called **GRAND** Strategies) – Growth, Stability, Retrenchment
- Apply **Portfolio analysis** to guide firms with multiple products and businesses
- Develop a “**parenting**” strategy for a multi-business form

GRAND OR DIRECTIONAL STRATEGIES

• GROWTH



Concentration

Vertical Growth
Horizontal Growth

Diversification

Concentric
Conglomerate

• STABILITY



Pause/Proceed with Caution
No Change
Profit

• RETRENCHMENT



Turnaround
Captive Company
Sell-Out/Divestment
Bankruptcy/Liquidation



GROWTH: CONCENTRATION

- Focusing on existing line of business and increasing the products or markets served
- Vertical Integration – Taking over a function previously performed by a supplier (backward integration) or distributor (forward integration)
 - Discuss examples
- Horizontal Integration – Combining operations with another competitor in the same industry expanding into other geographies or increasing product/service offering.
 - Discuss examples



GROWTH: DIVERSIFICATION

- Focusing on developing new products in new markets
- Concentric (Related) Diversification–
 - Discuss examples
- Conglomerate (Unrelated) Diversification -
 - Discuss examples

RECAP – QUIZ BASED

Detergent manufacturer may get into soap business (Nirma Chemicals)

Concentric Diversification

Apple, maker of the popular I-phone starts manufacturing the chipset used in its popular devices.

Vertical Integration

A truck manufacturer may go in for passenger cars (Tata Motors)

Concentric Diversification

Bharat Vijay Mills, a textile manufacturer, gets into synthetic tanks

Conglomerate Diversification

Escorts, a tractor company, forays into healthcare, Escorts Hospital.

Conglomerate Diversification

Apple Stores to sell its entire product offering through it's retail stores in India

Forward Integration

RECAP – QUIZ BASED

Vodafone and Idea merge to form Vodafone-Idea

Horizontal Integration

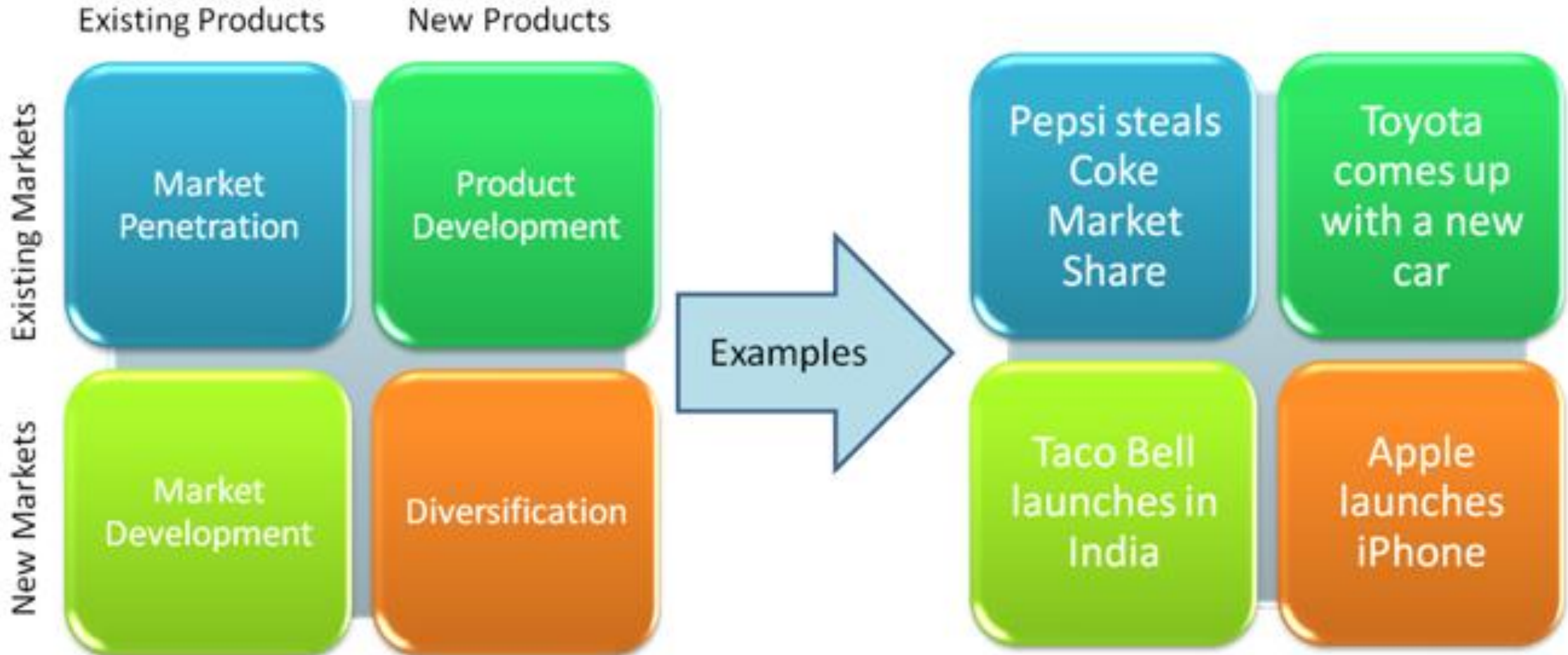
A scooter manufacturer may enter the field of motor cycles (Bajaj Auto)

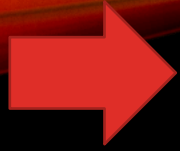
Concentric Diversification

A cigarette manufacturer, entered the field of hotels, ITC Ltd.

Conglomerate Diversification

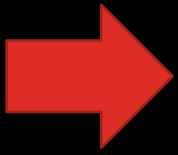
ANSOFF GROWTH MATRIX





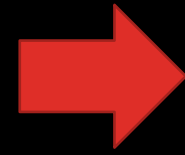
STABILITY: PAUSE/ PROCEED WITH CAUTION

- An opportunity to rest before continuing a growth or retrenchment strategy until an environmental situation changes
- Example - Dell in 1990 slowed down after growing 295% growth in two years
 - Discuss examples



STABILITY: NO CHANGE

- Many small town businesses followed this strategy until they were forced them to rethink their strategy or perish
- Discuss examples

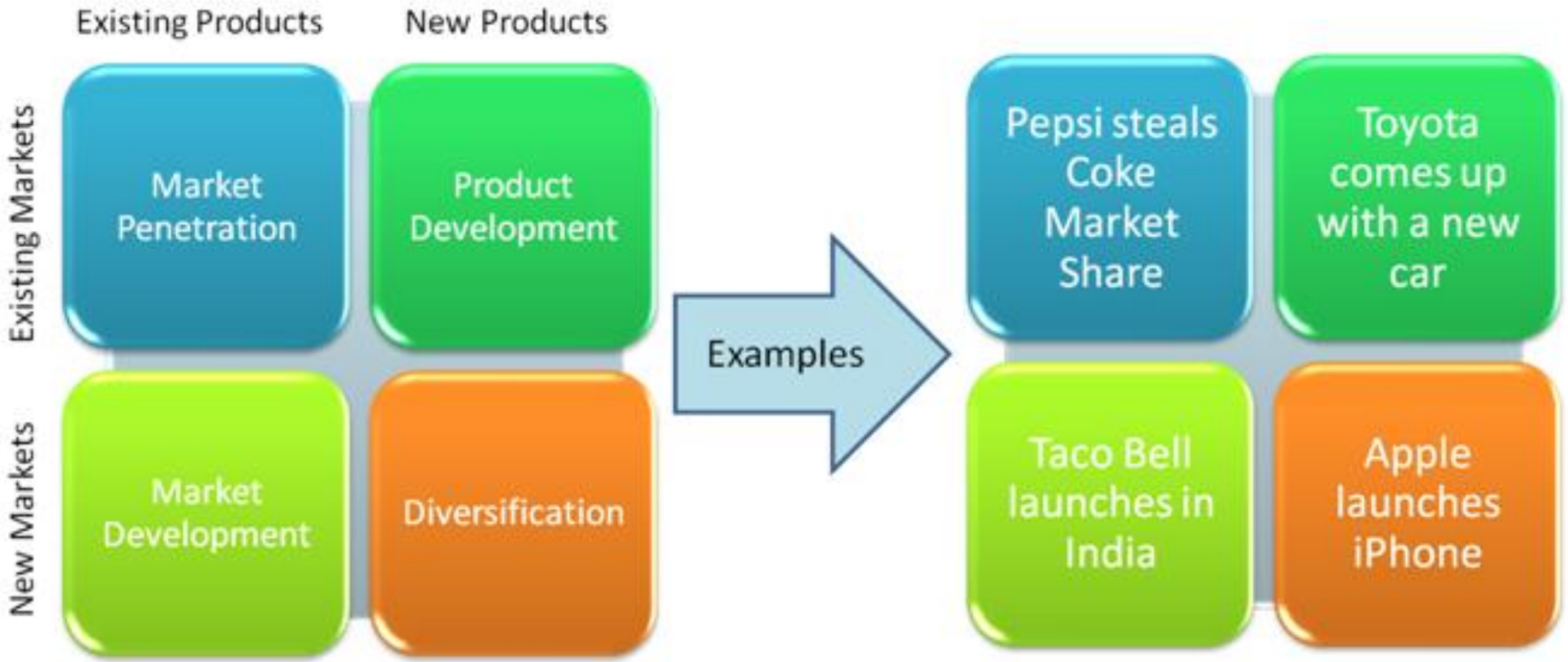


STABILITY: PROFIT

- The **Profit Strategy** is followed when an organization aims to maintain the **profit** by whatever means possible. Due to lower profitability, the firm may cut costs, reduce investments, raise prices, increase productivity or adopt any methods to overcome the temporary difficulties.
- It's not sustainable
- Discuss - examples

In general, all stability strategies can be very useful in the short run, but they can be dangerous if followed for too long.

WHAT IS THIS CALLED?





RETRENCHMENT: WHY?

Reasons or symptoms when firms would go for retrenchment strategy?

- Performance is disappointing
- Survival is at stake- Economic recessions, production inefficiencies, innovative breakthroughs by competitors
- Losses or lower profit margins
- No competitors (Example: Kodak, Pagers)
- Cash-flow problems
- High employee turnover and low morale – strikes/ lockouts
- Capacity underutilization
- Mismanagement



RETRENCHMENT: TURNAROUND

- Identify the reasons for losses and address problems
- Restore and turnaround may be possible. Worth giving it a try.
- Some ways of turnaround:
 - Cost reduction
 - Lay off non-business critical employees
 - Drop off items from production line
 - Avoid elaborate promotional efforts
 - Eliminate low margin customer groups
 - Improve cash flows by sale of assets
 - Change in Top management
- First Indian PSU - ITI



RETRENCHMENT: DIVESTMENT

- Liquidation of a portion of business or a major division
- Turnaround was unsuccessful
- Turnaround is not an option
- Technological upgradation is required but there is no capital to invest
- Discuss Examples
- Reliance Communication Divested by Anil Ambani



RETRENCHMENT: BANKRUPTCY/ LIQUIDATION

- Most extreme and unattractive strategy which involved closing down a firm and selling its assets
- Loss of employment, termination of future opportunities and stigma of failure
- Discuss Examples
- Enron, WorldCom and Lehman Brothers

ASSIGNMENT

- Combination strategies are unpredictable to competitors and hence better than other strategies. Discuss.
- “*Stability strategy is essentially no strategy at all*” - Do you agree? Discuss with examples.

NEXT CLASS..

- How is Portfolio analysis used to guide a firm with multiple products and businesses
- BCG Growth Share Matrix
- How to develop parenting strategy for a multi-business firm