Strategic Management

Presented by - Ms. Neha Nikam
Business Policy

Business policy is an implied overall guide setting up boundaries that supply the general limit and direction in which managerial action will take place.

*The policies work as a guidelines developed to govern its actions*

**Benefit:**

These policies permits the lower level management to deal with the problems and issues without consulting top level management every time for decisions
## Characteristics of business policy

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<thead>
<tr>
<th>Characteristics</th>
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<tbody>
<tr>
<td>Provides direction</td>
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<tr>
<td>Helps in delegating the authority</td>
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<td>Focus on objectives</td>
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<tr>
<td>Resource allocation</td>
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<td>Proper coordination</td>
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<td>Dynamic in Nature</td>
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Essentials of business policy

Based on the goals
Specific
Clear
Reliable
Comprehensive
Flexible
What is strategy???

Strategy is a well **defined roadmap** of an organization. It defines the overall **mission, vision and direction** of an organization. The objective of a strategy is to maximize an organization’s strengths and to minimize the strengths of the competitors. It’s a broad long term plan designed to achieve the overall objectives of the firm.
Features of strategic management

- Future oriented
- Relates to the environment
- Top management function
- Involves multiple decisions
- Continuous process
- Dealing with threats
Components of strategic management Process

1. Establishment of strategic intent
   a) Mission statement
      • Align day to day activities in order to achieve long term success
      • States the purpose of existence
      • Explain what sets the business apart
      • Maintain a sustainable competitive advantage
b) **Vision** : Mental perception of the kind of environment an individual, or an organization, aspires to create within a broad time horizon.

c) **Business definition**

d) **Business model** : integrated framework to understand and analyse revenue model, cost structure, resource and capabilities, the activities that a firm chooses to perform etc.

e) **Goals**
Components of strategic management

Process

2) **Strategic formulation**: the PROCESS of choosing the most appropriate course of action for the realization of organizational goals and objectives.

- **Step 1. Setting objectives**
- **Step 2. Analyses of environment**
- **Step 3. Performance analysis**
- **Step 4. Framing alternative strategies**
- **Step 5. Choice of strategy**
Components of strategic management

3) **Strategy implementation**: translation of formulated strategy into organizational action.

4) **Strategy evaluation and control**
# Strategic management

<table>
<thead>
<tr>
<th>Advantages</th>
<th>Disadvantages</th>
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<tbody>
<tr>
<td>• Discharges board responsibility</td>
<td>• Future can’t be anticipated</td>
</tr>
<tr>
<td>• Facilitates better delegation</td>
<td>• Expensive</td>
</tr>
<tr>
<td>• Forces an objective assessment</td>
<td>• Over/under estimation of targets</td>
</tr>
<tr>
<td>• Provides a framework for decision making</td>
<td>• Lack of acceptance by lower level</td>
</tr>
<tr>
<td>• Promotes staff participation</td>
<td></td>
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<tr>
<td>• Minimize weaknesses</td>
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</table>
Levels of a business

Corporate

Business

Functional
Corporate level strategies

A. Stability strategy
   a) Pause/proceed strategy
   b) No change strategy
   c) Profit strategy

B. Growth strategy
   a) Market penetration (Rapid and slow market penetration)
   b) Market expansion
   c) Product expansion
   d) Diversification
      i. Vertical diversification (Backward, Forward, Balanced)
      ii. Horizontal (Taking over a similar company)
      iii. Concentric (indirectly related to existing, enlarging product portfolio)
      iv. Heterogeneous/ Conglomerate (Appeal to new groups of customers, aim is to get ROI)
   e) Mergers and acquisition (to help the enterprise grow rapidly in its sector)
Corporate level strategies

C. Retrenchment strategy (Reduce expenses and size of organisation by withdrawing from certain markets or restructuring)
   a) Turnaround strategy (Retreating a wrong decision to reverse the process of decline)
   b) Divestment of some portions (sell unit to others for technology up gradation mainly)
   c) Liquidation

D. Internationalization strategy
Business Level Strategy

A) Porter’s Generic Competitive Strategies
Porter’s Generic Competitive Strategies

A. Cost leadership

• If the achieved selling price can at least equal (or near) the average for the market, then the lowest-cost producer will enjoy the best profits.

• This strategy is usually associated with large-scale businesses offering "standard" products with relatively little differentiation

• A low-cost leader will also discount its product to maximize sales, particularly if it has a significant cost advantage over the competition
Porter’s Generic Competitive Strategies

To be the lowest-cost producer, a firm is likely to achieve or use several of the following:

• High levels of productivity
• High capacity utilisation
• Use of bargaining power to negotiate the lowest prices for production inputs
• Lean production methods (e.g. JIT)
• Effective use of technology in the production process
• Access to the most effective distribution channels
Porter’s Generic Competitive Strategies

B. Cost focus

• Here a business seeks a “lower-cost” advantage in just one or a small number of market segments.

• The product will be basic - perhaps a similar product to the higher-priced and featured market leader, but acceptable to sufficient consumers.

• Such products are often called "me-too".
Porter’s Generic Competitive Strategies

C. Differentiation leadership

- The business targets much larger markets and aims to achieve **competitive advantage through differentiation across the whole of an industry**.
- This strategy involves selecting one or more criteria used by buyers in a market - and then positioning the business uniquely to meet those criteria.
- This strategy is usually associated with charging a **premium price** for the product - often to reflect the higher production costs and extra value-added features provided for the consumer.
• Gives customers clear reasons to prefer the product over other, less differentiated products.

• There are several ways in which this can be achieved:
  • Superior product quality (features, benefits, durability, reliability)
  • Branding (strong customer recognition & desire; brand loyalty)
  • Industry-wide distribution across all major channels (i.e. the product or brand is an essential item to be stocked by retailers)
  • Consistent promotional support – often dominated by advertising, sponsorship etc
  • Example, global brands like Nike and Mercedes
Porter’s Generic Competitive Strategies

D. Differentiation Focus

• classic niche marketing strategy
• a business aims to differentiate within just one or a small number of target market segments.
• they ensures that customers really do have different needs and wants
Functional Level Strategy

• Focuses on issues of resources, processes, people etc.
• Re-engineered by SBUs
• It includes-
  • Marketing strategies
  • Product devt.
  • Human resource
  • Financial
  • Legal
  • Supply chain
  • IT
Types of strategy

- Research and devt. Strategies
- Human resource strategies
- Financial strategies
  - Maximize the stakeholder’s value
  - Planning of cash budget, sales budget etc
  - Dividend decision
- Marketing strategies: to communicate the strengths to the customers
  - Word of mouth, seasonal marketing, online marketing, e-mail marketing, freebie marketing, free sample marketing etc
- Production strategies
PORTERS FIVE FORCES MODEL
Michael E. Porter

- Born in 1947.
- Professors in Harvard Business School.
- Introduced Porter's 5 Forces Model.
- Written 18 books & over 125 Articles.
Porter’s Five Forces Chart

- Threat of New Entrants
- Bargaining Power of Suppliers
- Competitive Rivalry Within an Industry
- Threat of Substitute Products
- Bargaining Power of Customers
Porter’s model of 5 competitive forces is one of the most often used business strategy tools.

1. **Intra-Industry Rivalry**
   - How strong is the rivalry among existing players? Does only one player dominate?

2. **Bargaining Power of the Buyers**
   - How strong is the position of the buyers? Can we sell in large volumes? Do we need to discount heavily?

3. **Bargaining Power of Suppliers**
   - How strong is the position of the suppliers? Are there many? Few? Monopoly?

4. **Potential New Entrants**
   - How easy or hard it is for new entrants to start and compete? Any barriers to their entry?

5. **Substitute Products and Services**
   - How easy or hard it is for a new product or service to replace what already exists?

Source:
Importance of The 5 Forces

Measure and monitor strategy effectiveness

Strategize:
* Competitive advantage
* Cost advantage
* Market dominance
* New product development
* Contraction / Diversification
* Price leadership
* Global
* Re-engineering
* Downsizing
* De-layering
* Restructuring

How to deal with competition?

Industry analysis:
1) Industry relevance
2) Industry players
3) Industry structure
4) Future changes

Basic knowledge of business strategy & forces that influence the decision making

What strategy to use?
Threats of New Entrants

• The easier it is for new companies to enter the industry, the more cutthroat competition there will be. Factors that can limit the threat of new entrants are:

1. How loyal are the end users in this industry?
2. How troublesome or hard is it for the end users to switch and use another product?
3. Does it require a large seed capital to enter this industry?
4. Do entries to this industry regulated by government?
5. How hard is it to gain access to the distribution channels?
6. How long does it take for new staff to acquire the necessary skills to do the work?
Threats of New Entrants:

*McDonald’s company analysis*

1. The threat of new entrants in the fast food industry is high because there are no legal barriers.
2. The economies of scale and the access of the distribution are the major barriers that firms face in the industry.
3. Firms must spend a large amount of capital on advertising and marketing in order to enjoy successful existence and long life of a fast food outlet.
4. Large established companies with strong brand names such as McDonald’s make it more difficult to enter the market because new entrants are faced with price competition from existing chain restaurants.
5. Thus, it takes a pretty much time for a new business to establish in the fast food industry.
Threat of Substitutes

**Threats of Substitute** in the Porter’s theory actually means goods and services that does similar functions

- How many close substitutes are available?
- How pricy are the substitutes?
- What is the perceived quality of the substitutes?
When there is one product successful, it also leads to the creation of other products that can perform the same functions as the product of the same industry.

Porter also mentions that if one industry wishes to follow suit producing products with similar function, attention should be given to:

1. Products that enjoy steady price-performance trade-offs with the industry’s product
2. Would entail minimum switching costs for a buyer.
3. Are produced by industry earning high profits

Porter recommends that by doing advertising, product quality improvement, marketing, R&D and product distribution, an industry can improve its collective position against the substitute.
Threat of Substitute: Examples
Intensity of rivalry among established firms

1. How many close competitors exist in the industry?
2. What are the sizes of your close competitors?
3. What is the industry structure? Is it a fragmented, consolidated, oligopoly or monopoly industry?
4. What is the current industry growth rate?
4. How high are the exit barriers? Do your competitors have a high committed fixed cost thus they have to operate even at a loss?

- How diversified are your competitors?
- How extensively do your direct competitors advertise?

7. Each competitors aim to serve different needs and market segment with different mixes of

- price
- products
- service
- features
Intensity of rivalry among established firms

: Examples

- Subway
- Burger King
- KFC
- Pizza Hut
Bargaining power of Customers

1. How large are your buyers’ company?

2. How many companies are there for the buyer to choose from?

3. Are the buyers buying a huge volume?

4. Do you depend only on a few buyers to sustain your sales?
5. How hard is it for the buyers to switch and use a competing product?

6. Are the buyers purchasing from you as well as your competitors?

7. Do the buyers have the capacity to enter your business and produce the goods themselves?
Bargaining power of Customers: Example of Coca-Cola Company

depends on the marketing channel used.

1. Super Markets
2. Convenience Stores
3. Mass Merchandisers
4. Soda Shop
5. Vending machine
6. Restaurants and Food stores

Bargaining power of buyer is high for fountain supermarkets and mass merchandising because of the low profitability and strong negotiation power of retail channels but for vending bargaining power is non-existing caused by high profitability.
Bargaining power of Suppliers

- Are there substitutes for your suppliers’ products?
- Do your suppliers serve multiple industries? Does the total industry revenue accounting for only a small portion of the supplier’s total revenue?
• Do you have high switching cost to use another supplier?

• Do suppliers have the capacity to enter your business?

• Does your company capable to enter the supplier’s business?
**QUESTION MARKS**

- Low Market Share and High Market Growth
  - Don’t know what to do with opportunities; decide whether to increase investment.

**STARS**

- High Market Share and High Market Growth
  - Doing well, great opportunities.

**DOGS**

- Low Market Share and Low Market Growth
  - Weak in market, difficult to make profit.

**CASH COWS**

- High Market Share and Low Market Growth
  - Doing well in no growth market with limited opportunities.
Unrelated Diversification - BCG matrix

Annual rate of market growth

<table>
<thead>
<tr>
<th>High</th>
<th>Low</th>
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<tbody>
<tr>
<td><strong>Earnings:</strong></td>
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</tr>
<tr>
<td>high stable, growing</td>
<td>low, unstable</td>
</tr>
<tr>
<td><strong>Cash flow:</strong></td>
<td><strong>Cash flow:</strong></td>
</tr>
<tr>
<td>neutral</td>
<td>negative</td>
</tr>
<tr>
<td><strong>Strategy:</strong></td>
<td><strong>Strategy:</strong></td>
</tr>
<tr>
<td>invest for growth</td>
<td>analyze to determine whether business can be grown into a star or will degenerate into a dog?</td>
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</tbody>
</table>

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</tr>
<tr>
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<td>neutral or negative</td>
</tr>
<tr>
<td><strong>Strategy:</strong></td>
<td><strong>Strategy:</strong></td>
</tr>
<tr>
<td>milk</td>
<td>divest</td>
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Relative Market Share
BCG Matrix Explained

- BCG analysis is mainly used for **Multi Category / Multi Product** companies.

- All categories and products together are said to be Business portfolio. Thus, the various entities of your business portfolio may move forward by a different pace and with a different strategy.

- The BCG analysis actually helps you in deciding which **entities** in your business portfolio are actually profitable, which are duds, which you should concentrate on and which gives you a competitive advantage over others.

- Once you know which businesses stand where in your business portfolio, you also come to know which businesses need investments, which needs harvesting (making money), which needs divesting (reducing investment) and which needs to be completely taken out of the business portfolio.
Once the businesses have been classified, they are placed into four different quadrants of the matrix:

1) **Cash Cows** – High market share but low growth rate (most profitable).

2) **Stars** – High market share and high growth rate (high competition)

3) **Question marks** – Low market share and high growth rate (uncertainty)

4) **Dogs** – Low market share and low growth rate (less profitable or may even be negative profitability)
1) Cash Cows

- The cornerstone of any multi product business, cash cows are products which are having a high market share in a low growing market. As the market is not growing, that cash cow gains the maximum advantage by generating maximum revenue due to its high market share.

- Require least investment but at the same time give higher returns. These higher returns enhance the overall profitability of the firm because this excess revenue can be used in other businesses which are Stars, Dogs or Question marks.

**Strategies:** The cash cows are the most stable for any business and hence the strategy generally includes retention of the market share. As the market is not growing, acquisition is less and retention is high. Thus customer satisfaction programs, loyalty programs and other such promotional methods form the core of the marketing plan for a cash cow product / SBU.
2) Stars

• Unlike cash cows, Stars cannot be complacent when they are top on because they can immediately be overtaken by another company which capitalizes on the market growth rate. However, if the strategies are successful, a Star can become a cash cow in the long run.

**Strategies:** All types of marketing, sales promotion and advertising strategies are used for Stars. This is because in cash cow, already these strategies have been used and they have resulted in the formation of a cash cow. Similarly in Stars, because of the high competition and rising market share, the concentration and investment needs to be high in marketing activities so as to **increase and retain market share.**
3) Question Marks

- Several times, a company might come up with an innovative product which immediately gains good growth rate. However the market share of such a product is unknown.

- The product might lose customer interest and might not be bought anymore in which case it will not gain market share, the growth rate will go down and it will ultimately become a Dog.

- On the other hand, the product might increase customer interest and more and more people might buy the product thus making the product a high market share product. From here the product can move on to be a Cash Cow as it has lower competition and high market share.
3) Question Marks (Cont...)

- Thus Question marks are products which may give high returns but at the same time may also flop and may have to be taken out of the market. This uncertainty gives the quadrant the name “Question Mark”. The major problem associated with having Question marks is the amount of investment which it might need and whether the investment will give returns in the end or whether it will be completely wasted.

- **Strategies:** As they are new entry products with high growth rate, the growth rate needs to be capitalized in such a manner that question marks turn into high market share products. New **Customer acquisition strategies** are the best strategies for converting Question marks to Stars or Cash cows. Furthermore, time to time market research also helps in determining consumer psychology for the product as well as the possible future of the product and a hard decision might have to be taken if the product goes into negative profitability.
4) Dogs

- They have low market share and low growth rate. Thus these products neither generate high amount of cash nor require higher investments. However, they are considered as negative profitability products mainly because the money already invested in the product can be used somewhere else. Thus over here businesses have to take a decision whether they should divest these products or they can revamp them and thereby make them saleable again which will subsequently increase the market share of the product.

- **Strategies:** Depending on the amount of cash which is already invested in this quadrant, the company can either divest the product altogether or it can revamp the product through rebranding / innovation / adding features etc. However, moving a dog towards a star or a cash cow is very difficult. It can be moved only to the question mark region where again the future of the product is unknown. Thus in cases of Dog products, divestment strategy is used.
Sequences in BCG matrix

- **Market growth rate**
  - High
  - Low

- **Relative Market Share**
  - High
  - Low

- **Stars**
- **Question Marks**
- **Cash Cows**
- **Dogs**

Success Sequence: 
Disaster Sequence: 

Dashed lines indicate sequence transitions.
Strategies based on the BCG Matrix

1) **Build** – By increasing investment, the product is given an impetus such that the product increases its market share.

   Example – Pushing a Question mark into a Star and finally a cash cow (Success sequence)

2) **Hold** – The company cannot invest or it has other investment commitments due to which it holds the product in the same quadrant.

   Example – Holding a star there itself as higher investment to move a star into cash cow is currently not possible.

3) **Harvest** – Best observed in the Cash cow scenario, wherein the company reduces the amount of investment and tries to take out maximum cash flow from the said product which increases the overall profitability.

4) **Divest** – Best observed in case of Dog quadrant products which are generally divested to release the amount of money already stuck in the business.
## Portfolio Analysis – Strategic Business Units GE-McKinsey 9-Box Matrix

<table>
<thead>
<tr>
<th>MARKET ATTRACTIVENESS</th>
<th>BUSINESS UNIT STRENGTH</th>
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<tbody>
<tr>
<td>HIGH</td>
<td>HIGH: Growth Penetrate</td>
</tr>
<tr>
<td></td>
<td>MEDIUM: Invest for Growth</td>
</tr>
<tr>
<td></td>
<td>LOW: Selective Investment / Divestment</td>
</tr>
<tr>
<td>MEDIUM</td>
<td>HIGH: Selective Harvest or Investment</td>
</tr>
<tr>
<td></td>
<td>MEDIUM: Segment and Selective Investment</td>
</tr>
<tr>
<td></td>
<td>LOW: Controlled Exit or Disinvestment</td>
</tr>
<tr>
<td>LOW</td>
<td>HIGH: Harvest for Cash Generation</td>
</tr>
<tr>
<td></td>
<td>MEDIUM: Controlled Harvest</td>
</tr>
<tr>
<td></td>
<td>LOW: Rapid Exit or Attack</td>
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GE-McKinsey nine-box matrix

- A strategy tool that offers a systematic approach for the multi business corporation to prioritize its investments among its business units
- GE asked McKinsey and Company, a consulting company in the USA, to develop a portfolio approach with a wider dimension than the BCG matrix.
- In 1971 McKinsey and Co developed the business screen for General Electric to differentiate the potential for future profit in each of the 43 strategic business units.
- This matrix is also known as the industry attractiveness – business strength matrix and the nine-box matrix
Understanding the tool

• In the business world, much like anywhere else, the problem of resource scarcity is affecting the decisions the companies make. With limited resources, but many opportunities of using them, the businesses need to choose how to use their cash best.
• The fight for investments takes place in every level of the company: between teams, functional departments, divisions or business units. The question of where and how much to invest is an ever going headache for those who allocate the resources.
• How does this affect the diversified businesses?
• Multi business companies manage complex business portfolios, often, with as much as 50, 60 or 100 products and services. The products or business units differ in what they do, how well they perform or in their future prospects.
• This makes it very hard to make a decision in which products the company should invest. At least, it was hard until the BCG matrix and its improved version GE-McKinsey matrix came to help. These tools solved the problem by comparing the business units and assigning them to the groups that are worth investing in or the groups that should be harvested or divested.
Factors that Affect Industry Attractiveness

- Industry attractiveness indicates how hard or easy it will be for a company to compete in the market and earn profits.
- The more profitable the industry is the more attractive it becomes. When evaluating the industry attractiveness, analysts should look how an industry will change in the long run rather than in the near future, because the investments needed for the product usually require long lasting commitment.
- Industry attractiveness consists of many factors that collectively determine the competition level in it.
Factors that Affect Industry Attractiveness

• Industry size
• Industry growth
• Market profitability
• Pricing trend
• Competition intensity
• Overall risk and returns in the industry
• Opportunity to differentiate products and services
• Distribution structure
Factors that Affect Business Strength

- Strength of assets and competencies
- Relative brand strength
- Market share
- Customer loyalty
- Relative cost position
- Distribution strength
- Record of technological or other innovation
- Access to finance and other investment resources
Advantages

- Helps to prioritize the limited resources in order to achieve the best returns.
- Managers become more aware of how their products or business units perform.
- It’s more sophisticated business portfolio framework than the BCG matrix.
- Identifies the strategic steps the company needs to make to improve the performance of its business portfolio.
Disadvantages

- Requires a consultant or a highly experienced person to determine industry’s attractiveness and business unit strength as accurately as possible.
- It is costly to conduct.
- It doesn’t take into account the synergies that could exist between two or more business units.
# Investment implications

<table>
<thead>
<tr>
<th>Invest/Grow</th>
<th>Selectivity/Earnings</th>
<th>Harvest/Divest</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Definitely invest</td>
<td>• Invest if there’s money left and the situation of business unit could be improved</td>
<td>• Invest just enough to keep the business unit operating or divest</td>
</tr>
</tbody>
</table>
Invest/Grow box

- Companies should invest into the business units that fall into these boxes as they promise the highest returns in the future. These business units will require a lot of cash because they’ll be operating in growing industries and will have to maintain or grow their market share. It is essential to provide as much resources as possible for BUs so there would be no constraints for them to grow. The investments should be provided for R&D, advertising, acquisitions and to increase the production capacity to meet the demand in the future.
Selectivity/Earnings box.

- You should invest into these BUs only if you have the money left over the investments in invest/grow business units group and if you believe that BUs will generate cash in the future. These business units are often considered last as there’s a lot of uncertainty with them. The general rule should be to invest in business units which operate in huge markets and there are not many dominant players in the market, so the investments would help to easily win larger market share.
Harvest/Divest box

• The business units that are operating in unattractive industries, don’t have sustainable competitive advantages or are incapable of achieving it and are performing relatively poorly fall into harvest/divest boxes. What should companies do with these business units?
• First, if the business unit generates surplus cash, companies should treat them the same as the business units that fall into ‘cash cows’ box in the BCG matrix. This means that the companies should invest into these business units just enough to keep them operating and collect all the cash generated by it. In other words, it’s worth to invest into such business as long as investments into it doesn’t exceed the cash generated from it.
• Second, the business units that only make losses should be divested. If that’s impossible and there’s no way to turn the losses into profits, the company should liquidate the business unit.
Mckinsey 7S Model

McKinsey 7 “S” model applied to Social Business

Structure

Strategy

Systems

Style

Skills

Staff

“Shared Values”

Hard Systems

Soft Systems
What structure do we need to execute the strategy?

What business system do we need to use or invent to execute the strategy?

Which of our principles help us? Why do we do what we do in the way we do it?

How should we help our managers in their growth?

Original 7-S framework was introduced by Robert H. Waterman, Jr., Thomas J. Peters, and Julien R. Phillips. in "Structure is not organization", Business Horizons (1980, June). Comments and color scheme by BSC Designer.com

Legend:
- Green: Hard Ss
- Pink: Soft Ss

What should we do to solve the specified business problem?

What are the specific skills that will help us? What skills do we need to develop?

What leadership style and cultural qualities will help us to achieve a strategic objective?

7-S Framework
Introduction

• Developed in the early 1980s by Tom Peters and Robert Waterman

• The basic premise of the model is that there are seven internal aspects of an organization that need to be aligned if it wants to be successful.
Where 7S model can be used?

• To improve the performance of a company,
• To examine the likely effects of future changes within a company,
• To align departments and processes,
• To determine what is the best way to implement a proposed strategy.
The Seven Elements

<table>
<thead>
<tr>
<th>Hard elements</th>
<th>Soft elements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategy</td>
<td>Shared values</td>
</tr>
<tr>
<td>Structure</td>
<td>Skills</td>
</tr>
<tr>
<td>Systems</td>
<td>Style</td>
</tr>
<tr>
<td></td>
<td>Staff</td>
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"Hard" elements are easier to define or identify and management can directly influence them: These are strategy statements; organization charts and reporting lines; and formal processes and IT systems.

"Soft" elements, on the other hand, can be more difficult to describe, and are less tangible and more influenced by culture. However, these soft elements are as important as the hard elements if the organization is going to be successful.
The key point of the model is that all the seven areas are interconnected and a change in one area requires change in the rest of them for it to function effectively.
The Hard S

- **Strategy**: the plan devised to maintain and build competitive advantage over the competition.
- **Structure**: the way the organization is structured and who reports to whom.
- **Systems**: the daily activities and procedures that staff members engage in to get the job done.
The Soft S

- **Shared Values:** these are the core values of the company that are evidenced in the corporate culture and the general work ethic.
- **Style:** the style of leadership adopted.
- **Staff:** the employees and their general capabilities.
- **Skills:** the actual skills and competencies of the employees working for the company
Apple Inc

- **Shared Values** - business is aligned around the values of design and user experience
- **Strategy** - focus on a small number of products and to make them innovative and excellent – enabling the business to capture a huge market share relative to its size, and build a loyal customer following
• **Staff** - offers their employees huge benefits
• **Skills** - highly qualified and creative employees
• **Systems** - supply chain with built capacity for launching and supplying huge new market-dominating products
• **Style** - people are free to innovate – as long as they met Jobs’ high standards
How to use the tool?

• Step 1. Identify the areas that are not effectively aligned
• Step 2. Determine the optimal organization design
• Step 3. Decide where and what changes should be made
• Step 4. Make the necessary changes
• Step 5. Continuously review the 7s
STRATEGY IMPLEMENTATION

Steps involved in implementation

1. Communication of strategy
2. Formulation of action plans
3. Designing of organization structure
4. Consideration of relevant policies
5. Consideration of ethical values and standards
6. Motivation and training
7. Resource allocation
8. Procedural requirements
Procedural Implementation

1. Registration formalities
2. Licensing procedures
3. SEBI requirements
4. FEMA requirements
5. Clearance from pollution control board
6. Incentives, facilities and benefits given by the government
7. Consumer protection requirements
8. Provision of the Factories Act
9. Registration of patents and trademarks
10. Competition Act
Strategic role of HRM

- Creating competitive atmosphere
- Facilitation of change
- Empowerment of human resources
- Workforce diversity
- Downsizing
- Ethical issues in HRM
STRATEGIC EVALUATION AND CONTROL
Process of strategic evaluation and control

- Fixing of benchmark or standards
- Measurement of performance
- Analysing variances/ deviation
- Taking corrective actions
Importance of strategic control

- Provides direction
- Better judgment
- Keep a check on planning
- Continuous in nature
- Goal oriented
- Finding out variation
Controlling Techniques

A) Non financial control techniques
   • Program Evaluation and Review Technique and CPM
   • Reward techniques
     • Intrinsic and Extrinsic motivation

B) Financial control techniques
   • Break even analysis
   • Budgetary control
   • Profit planning
   • Balance sheet forecasting
   • ROI
SYNERGY

• It is derived from the Greek word ‘synergos’ that means working together
• Synergy is an economic effect in which different units of the firm contribute more to the firm when managed as a single unified entity
• A synergistic organisation achieve more as a group than its units could in isolation
Types of synergy

- Cost synergy
- Revenue synergy
- Financial synergy
- Market synergy
- Management synergy
Thank you..

And

ALL THE BEST...