The background of the slide is a light beige, textured surface resembling a spiral-bound notebook. On the left side, there is a vertical metal spiral binding. The text is centered on the page.

PowerPoint Presentation
of
STRATEGY AND SUSTAINABLE
ENTERPRISE

Prepared by: P.NAGESH

UNIT-I

➤ MEANING AND DEFINATION OF STRATEGY:

The word strategy has originated from the military in the context of fighting war and devising strategies for winning war. strategy has come into existence from the Greek word strategos which means generalship the actual direction of military force as distinct from the policy governing its development.

What are the foundations of strategic competitiveness?

➤ Basic concepts of strategy:

- Competitive advantage — operating with an attribute or set of attributes that allows an organization to outperform its rivals.
- Sustainable competitive advantage — one that is difficult for competitors to imitate.

Basic concepts of strategy (cont.):

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.

- Strategic intent — focusing all organizational energies on a unifying and compelling goal.

Study Question 1: What are the foundations of strategic competitiveness?

- Basic concepts of strategy (cont.):
 - Strategic management — the process of formulating and implementing strategies to accomplish long-term goals and sustain competitive advantage.

Study Question 1: What are the foundations of strategic competitiveness?

- Goal of strategic management is to create above-average returns for investors.
 - Returns exceeding those for alternative opportunities at equivalent risk.
 - Earning above-average returns depends in part on the organization's competitive environment.

Study Question 1: What are the foundations of strategic competitiveness?

➤ Environments and competitive advantage:

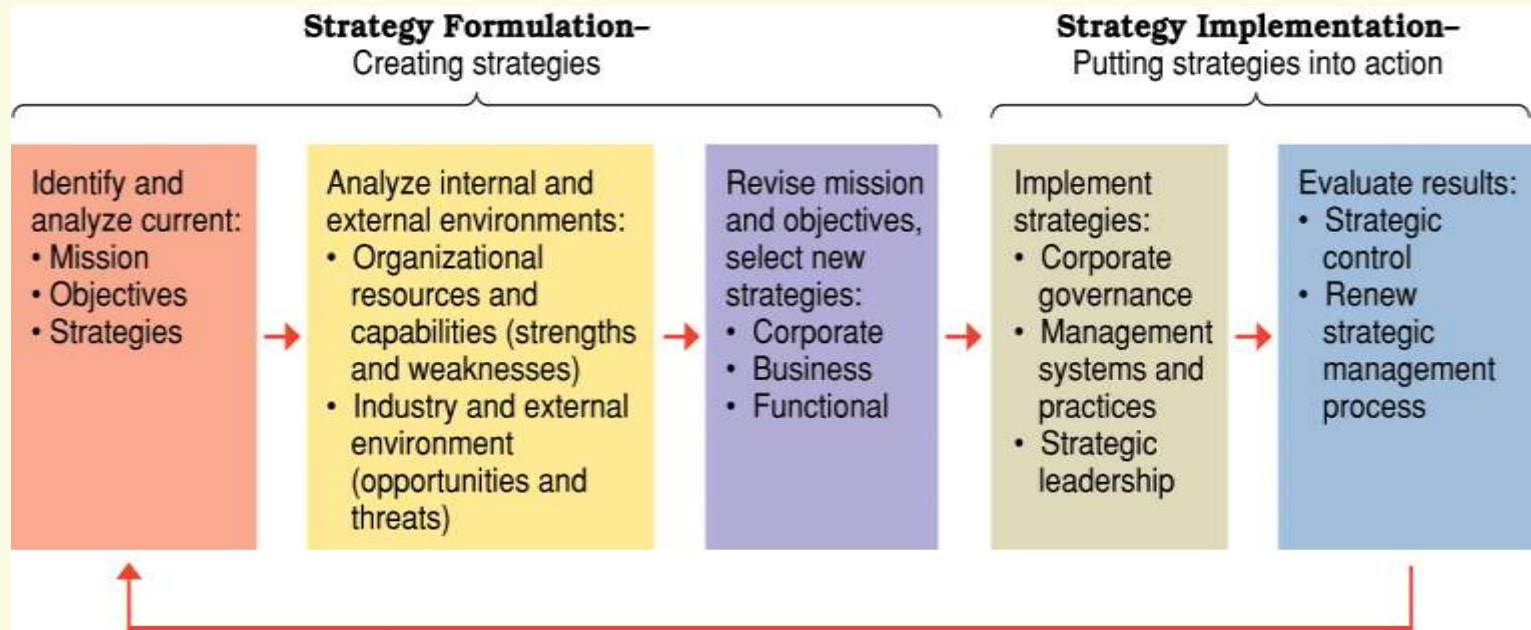
- Monopoly.
 - Only one player and no competition.
 - Creates absolute competitive advantage.
- Oligopoly.
 - Few players not directly competing against each other.
 - Long-term competitive advantage in defined market segment.
- Hypercompetition.
 - Several players directly competing against each other.
 - Any competitive advantage is only temporary.

Study Question 2: What is the strategic management process?

➤ Strategy formulation

- The process of creating strategy.
- Involves assessing existing strategies, organization, and environment to develop new strategies and strategic plans capable of delivering future competitive advantage.

Figure 9.1 Strategy formulation and implementation in the strategic management process.



Study Question 2: What is the strategic management process?

- Strategic question for strategy formulation:
 - What is our business mission?
 - Who are our customers?
 - What do our customers consider value?
 - What have been our results?
 - What is our plan?

Study Question 2: What is the strategic management process?

➤ Strategy implementation

- The process of allocating resources and putting strategies into action.
- All organizational and management systems must be mobilized to support and reinforce the accomplishment of strategies.

Study Question 2: What is the strategic management process?

- Essential tasks for strategy implementation:
 - Identify organizational mission and objectives.
 - Assess current performance vis-à-vis mission and objectives.
 - Create strategic plans to accomplish purpose and objectives.
 - Implement the strategic plans
 - Evaluate results; change strategic plans and/or implementation processes as necessary.

Study Question 2: What is the strategic management process?

➤ 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.

Figure 9.2 How external stakeholders can be valued as strategic constituencies of organizations.



Study Question 2: What is the strategic management process?

➤ Analysis of values:

- Values are broad beliefs about what is or is not appropriate.
- Strong core values for an organization helps build institutional identity, gives character to an organization, and it backs up the mission statement.
- Organizational culture reflects the dominant value system of the organization as a whole.

Study Question 2: What is the strategic management process?

➤ Organizational culture ...

- Shapes the values of managers and other organization members.
- Points people in common directions.
- Helps build institutional identity.
- Gives character to the organization in the eyes of employees and external stakeholders.
- Backs up the mission statement.
- Guides the behavior of organizational members in meaningful and consistent ways.

Study Question 2: What is the strategic management process?

➤ Analysis of objectives:

- Operating objectives direct activities toward key and specific performance results.
- Typical operating objectives:
 - Profitability
 - Market share
 - Human talent
 - Financial health
 - Cost efficiency
 - Product quality
 - Innovation
 - Social responsibility

Study Question 2: What is the strategic management process?

➤ What are our Strengths?

- Manufacturing efficiency?
- Skilled workforce?
- Good market share?
- Strong financing?
- Superior reputation?

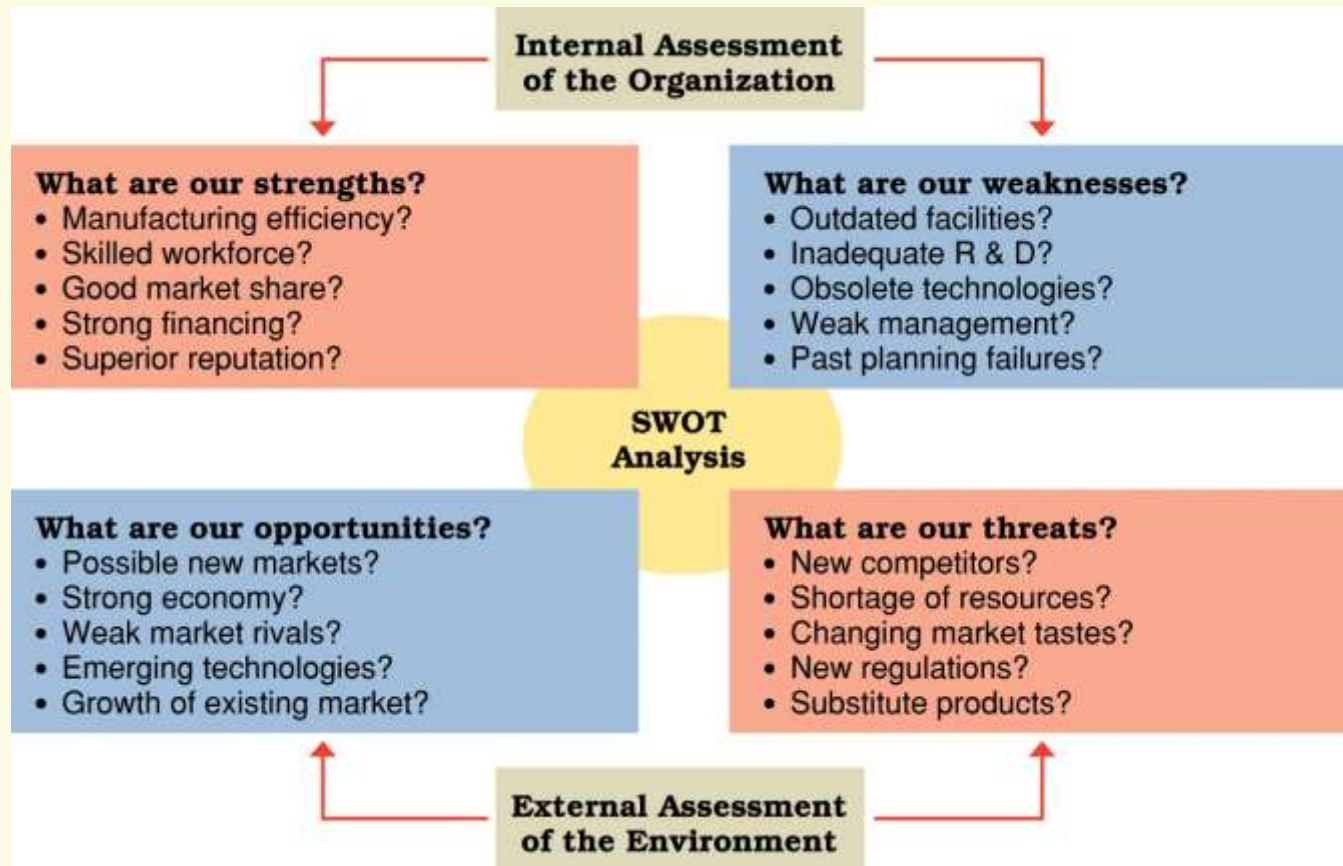
➤ What are our Weaknesses?

- Outdated facilities?
- Inadequate research and development?
- Obsolete technologies?
- Weak management?
- Past planning failures?

Study Question 2: What is the strategic management process?

- Analysis of organizational resources and capabilities:
 - Important goal of assessing core competencies.
 - Potential core competencies:
 - Special knowledge or expertise.
 - Superior technology.
 - Efficient manufacturing approaches.
 - Unique product distribution systems.

Figure 9.3 SWOT analysis of strengths, weaknesses, opportunities, and threats.



Study Question 2: What is the strategic management process?

➤ What are our Opportunities?

- Possible new markets?
- Strong economy?
- Weak market rivals?
- Emerging technologies?
- Growth of existing market?

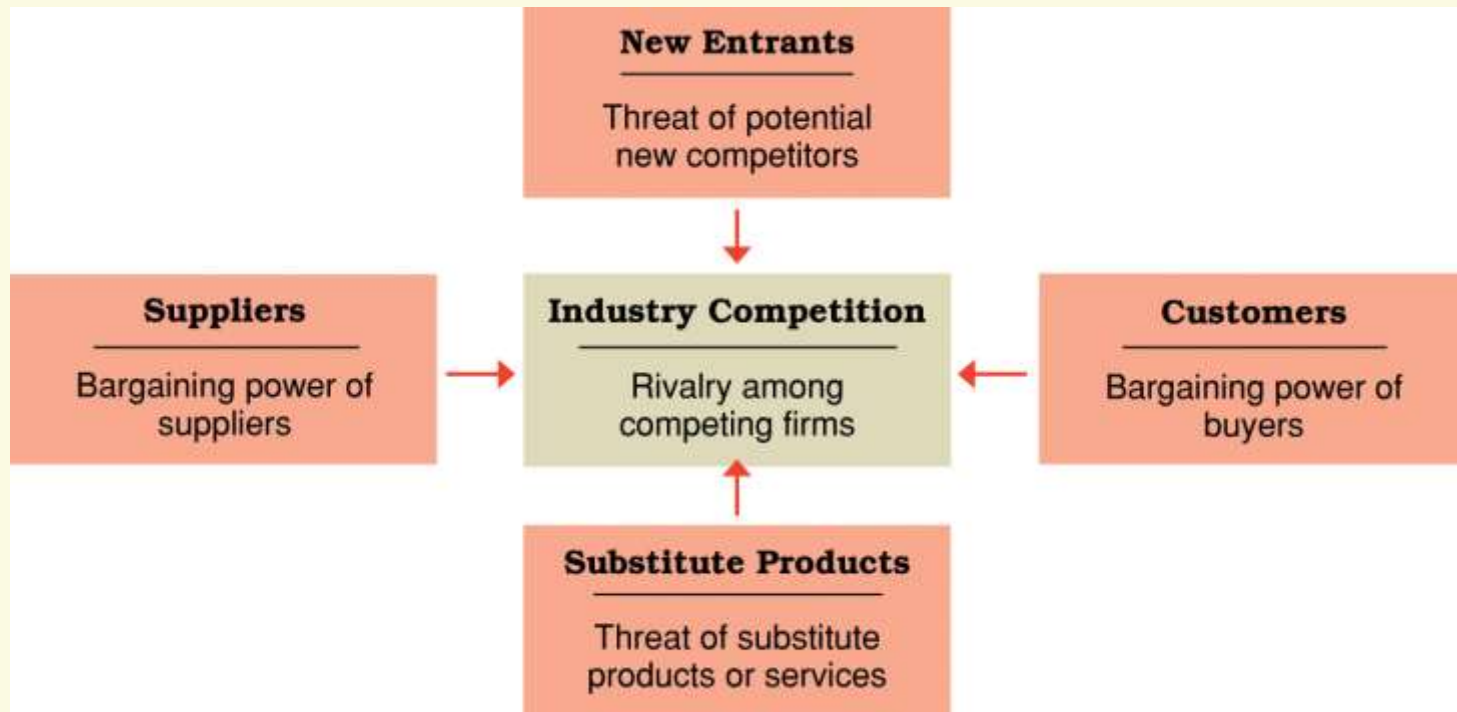
➤ What are our Threats?

- New competitors?
- Shortage of resources?
- Changing market tastes?
- New regulations?
- Substitute products?

Study Question 2: What is the strategic management process?

- Analysis of industry and environment:
 - Assessment of macro environment:
 - Technology.
 - Government.
 - Social structures and population demographics.
 - Global economy.
 - Natural environment.
 - Analysis of industry environment:
 - Resource suppliers.
 - Competitors.
 - Customers.

Figure 9.4 Porter's model of five strategic forces affecting industry competition.



Source: Developed from Michael E. Porter, *Competitive Strategy* (New York: Free Press, 1980).

Study Question 3: What types of strategies are used by organizations?

- Strategic forces to be examined in conducting an industry analysis:
 - Industry competitors
 - New entrants
 - Suppliers
 - Buyers
 - Substitutes

Figure 9.5 Three levels of strategy in organizations—corporate, business, and functional strategies.

Corporate strategy

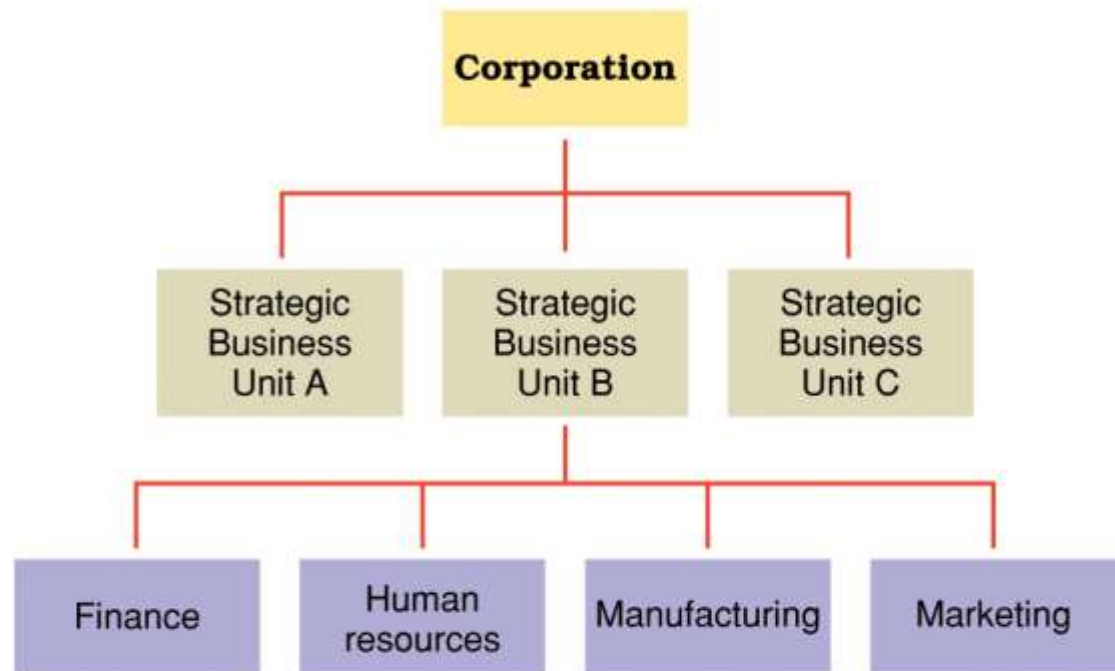
What businesses are we in?

Business strategy

How do we compete in each of our major businesses?

Functional strategy

How do we best support each of our business strategies?



Study Question 3: What types of strategies are used by organizations?

- Strategic implications of strategic forces:
 - Unattractive industry.
 - Five forces are favorable for the firm.
 - Attractive industry.
 - Five forces are unfavorable for the firm.

Study Question 3: What types of strategies are used by organizations?

- Questions addressed by different strategic level:
 - Corporate strategy
 - In what industries and markets should we compete?
 - Business strategy
 - How are we going to compete for customers in this industry and market?
 - Functional strategy
 - How can we best utilize resources to implement our business strategy?

Study Question 3: What types of strategies are used by organizations?

- Growth and diversification strategies:
 - Growth strategies
 - Seek an increase in size and the expansion of current operations.
 - Types of growth strategies:
 - Concentration strategies
 - Diversification strategies
 - Related diversification
 - Unrelated diversification
 - Vertical integration

Study Question 3: What types of strategies are used by organizations?

- Restructuring and divestiture strategies:
 - Readjusting operations when an organization is in trouble.
 - Retrenchment
 - Correcting weaknesses by making changes to current operations.
 - Liquidation
 - Restructuring
 - Downsizing and rightsizing
 - Restructuring through divestiture

Study Question 3: What types of strategies are used by organizations?

➤ Global strategies:

- Globalization strategy.
 - World is one large market; standardize products and advertising as much as possible.
 - Ethnocentric view.
- Multidomestic strategy.
 - Customize products and advertising to local markets as much as possible.
 - Polycentric view.
- Transnational strategy
 - Balance efficiencies in global operations and responsiveness to local markets.
 - Geocentric view.

Study Question 3: What types of strategies are used by organizations?

➤ Cooperative strategies

- Strategic alliances — two or more organizations partner to pursue an area of mutual interest.
- Types of strategic alliances:
 - Outsourcing alliances
 - Supplier alliances
 - Distribution alliances

Study Question 3: What types of strategies are used by organizations?

➤ E-business strategies

- The strategic use of the Internet to gain competitive advantage.
- Popular e-business strategies
 - Business-to-business (B2B) strategies
 - Business-to-customer (B2C) strategies

Study Question 3: What types of strategies are used by organizations?

➤ Web-based business models:

- Brokerage model
- Advertising model
- Merchant model
- Subscription model
- Infomediary model
- Community model

Study Question 4: How are strategies formulated?

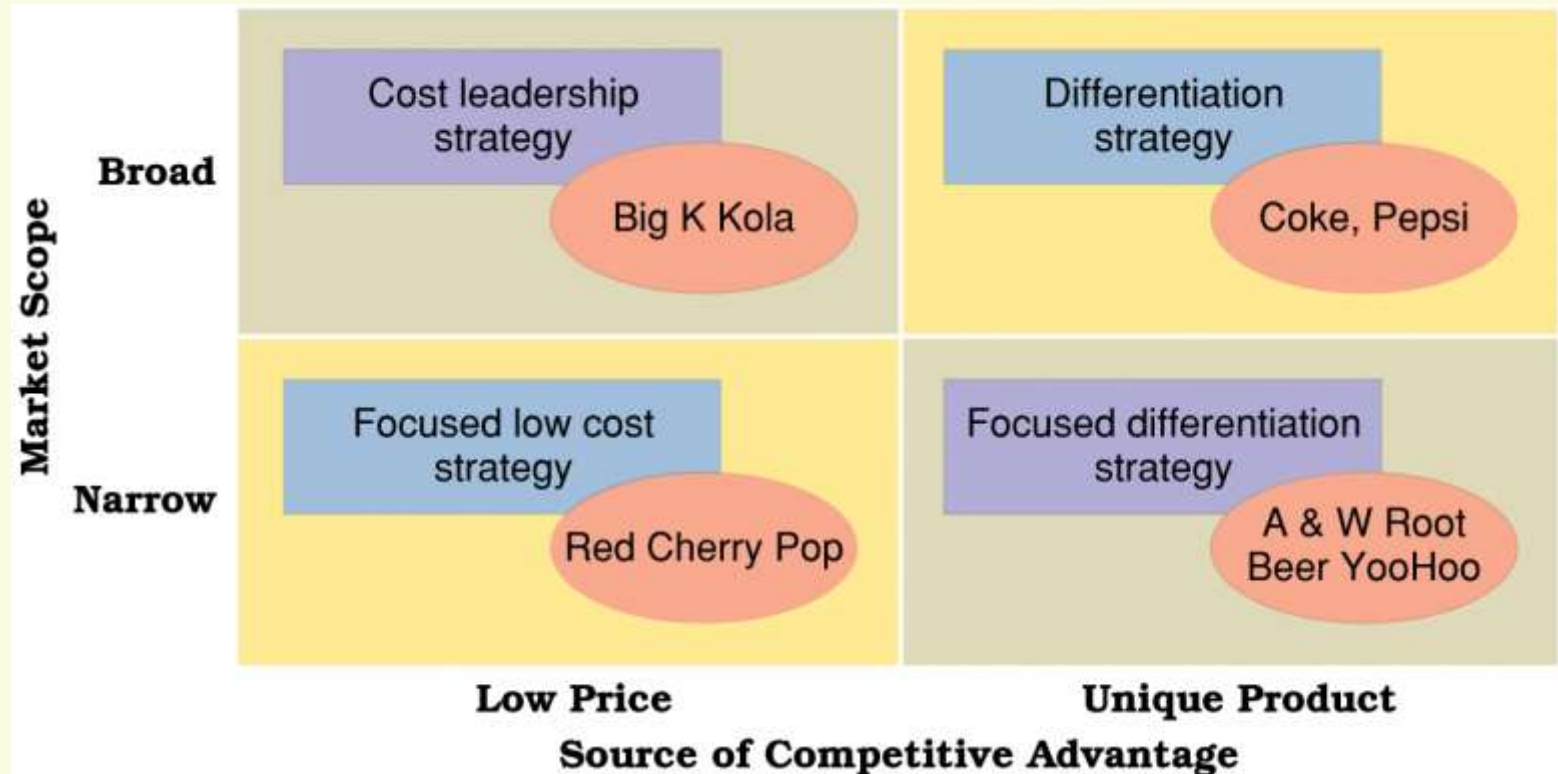
- Opportunities for achieving sustainable competitive advantage:
 - Cost and quality
 - Knowledge and speed
 - Barriers to entry
 - Financial resources

Study Question 4: How are strategies formulated?

➤ Porter's generic strategies model

- Business-level strategic decisions are driven by:
 - Market scope
 - Source of competitive advantage
- Market scope and source of competitive advantage combine to generate four generic strategies.

Figure 9.6 Porter's generic strategies framework: soft-drink industry examples.



Study Question 4: How are strategies formulated?

- Porter's generic strategies for gaining competitive advantage:
 - Differentiation strategy
 - Cost leadership strategy
 - Focused differentiation strategy
 - Focused cost leadership strategy

Study Question 4: How are strategies formulated?

➤ Portfolio planning approach

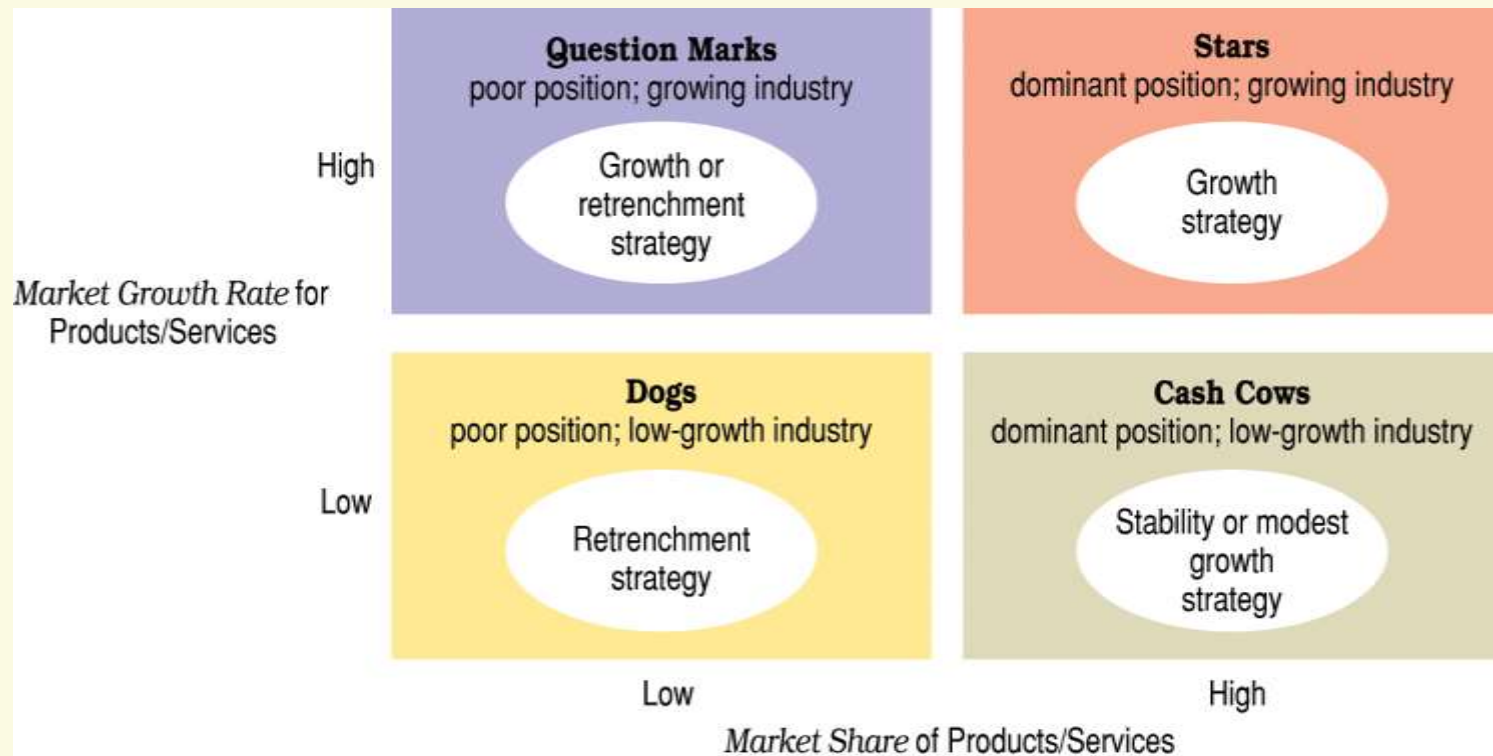
- Designed to help managers decide on investing scarce organizational resources among competing business opportunities.
- Useful for multibusiness or multiproduct situations.

Study Question 4: How are strategies formulated?

➤ BCG matrix

- Ties strategy formulation to analysis of business opportunities according to ...
 - Industry or market growth rate
 - Low versus high
 - Market share
 - Low versus high

Figure 9.7 The BCG matrix approach to corporate strategy formulation.



Study Question 4: How are strategies formulated?

- BCG matrix — business conditions and related strategies:
 - Stars
 - High share/high growth businesses.
 - Preferred strategy — growth.
 - Cash cows
 - High share/low growth businesses.
 - Preferred strategy — stability or modest growth.

Study Question 4: How are strategies formulated?

- BCG matrix—business conditions and related strategies (cont.):
 - Question marks
 - Low share/high growth businesses.
 - Preferred strategy — growth for promising question marks and restructuring or divestiture for others.
 - Dogs
 - Low share/low growth businesses.
 - Preferred strategy — retrenchment by divestiture.

Study Question 4: How are strategies formulated?

➤ Types of adaptive strategies:

– Prospector strategy

- Pursuing innovation and new opportunities in the face of risk and with prospects for growth.

– Defender strategy

- Protecting current market share by emphasizing existing products and current share without seeking growth.

– Analyzer strategy

- Maintaining stability of a core business while exploring selective opportunities for innovation and change.

– Reactor strategy

- Merely responding to competitive pressure in order to survive.

Study Question 4: How are strategies formulated?

➤ Incrementalism

- Modest and incremental changes in strategy occur as managers learn from experience and make adjustments.

➤ Emergent strategies

- Develop progressively over time in the streams of decisions that managers make as they learn from and respond to work situations.

Study Question 5: What are current issues in strategy implementation?

- Strategic planning failures that hinder strategy implementation:
 - Failures of substance
 - Inadequate attention to major strategic planning elements
 - Failures of process
 - Poor handling of strategy implementation
 - Lack of participation error
 - Goal displacement error

Study Question 5: What are current issues in strategy implementation?

- Corporate governance:
 - System of control and performance monitoring of top management.
 - Done by boards of directors and other major stakeholder representatives.
 - Controversies regarding roles of inside directors and outside directors.
 - Increasing emphasis on corporate governance in contemporary businesses.

Study Question 5: What are current issues in strategy implementation?

➤ Strategic leadership

- The capability to inspire people to successfully engage in a process of continuous change, performance enhancement, and implementation of organizational strategies.

Study Question 5: What are current issues in strategy implementation?

- Critical tasks of strategic leadership ...
 - Be a guardian of trade-offs.
 - Create a sense of urgency.
 - Ensure that everyone understands the strategy.
 - Be a teacher.
 - Be a great communicator.

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THANK YOU

PREPARED BY P.NAGESH