

TYPES OF STRATEGIES

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DIRECTIONAL STRATEGIES

Growth

Concentration

Vertical Growth

Horizontal Growth

Diversification

Concentric

Conglomerate

Stability

Cautiously proceed

Maintain

Profit

Retrenchment

Turnaround

Divest/Sale

Liquidation

STRATEGIC ALTERNATIVES

Generic or grand or basic strategies

- **Stability** - better after sales service, modernize plant, bulk discount, Improve performance to sustain
- **Expansion** - Change in customer group, function, technology
- **Retrenchment** - Withdrawal - Customer group, function, technology (unprofitable)
- **Combination**
- **E.g.** Wide variety of services to customers (stability)
 - New products in product range (expansion)

STRATEGIC ALTERNATIVES

Michael Porter - Three type of generic strategies

- Overall cost leadership strategy
- Differentiation strategy
- Focus on niche market

DIMENSIONS OF GRAND/GENERIC STRATEGIES

I. Internal/External

- Independent of any other entity
- Association with other entity

II. Related/Unrelated

- To existing customer groups,
existing customer function,
technologies

DIMENSIONS OF GRAND/GENERIC STRATEGIES

III. Horizontal/Vertical

- Serving additional customer groups
- consolidating backward/forward

IV. Active/Passive

Active - offensive strategy

Passive - Defensive strategy

4 grand strategies \times 4 dimensions \times 2 types of each dimensions \times 3 dimensions of each business definition = 96 Mixed strategies

MODERNIZATION STRATEGIES

Developing new technology strategy i.e. technological upgradation as a strategy

- Increased production, lower cost, improve efficiency and productivity

- Extensively used by Indian organization - stability - prior to expansion & diversification

If pace of modernization is low - internal stability strategy, high - internal expansion strategy

- Merge with another company - for modern - external expansion strategy

DIVERSIFICATION AND INTEGRATION STRATEGIES

1. Vertical Integration

- make new products to serve its own needs
- backward/forward integration

2. Horizontal Integration

- Same product - more customer group
- merger similar companies

Spartek Ceramics takeover of Neyveli Ceramics

DIVERSIFICATION AND INTEGRATION STRATEGIES

3. Concentric diversification

- Marketing & technology related - rain coat manufacturer - rubber based items - gloves, shoes
- Technology related- leasing company - hire purchase
- Marketing related - Unrelated technology (cosmetic & sewing machines - women)

4. Conglomerate diversification

- Unrelated to customer groups, function, technology

ITC - Cigarette & Hotel

TTK group - Chemicals, hosiery, contraceptives

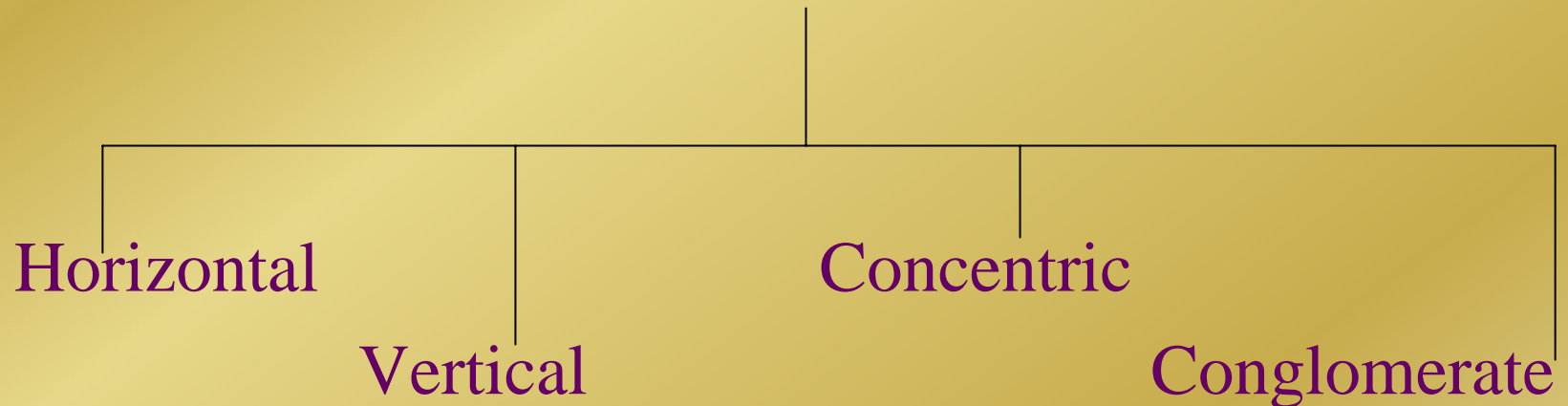
MERGER, TAKEOVER AND JOINT VENTURE STRATEGIES

Diversification & Integration

Merger (Amalgamation)

A acquires B - B merged with A

A & B → C - Consolidated



JOINT VENTURE

- 2 firms in one industry
- 2 firms across different industries
- Indian & foreign firm in India
- Indian & foreign firm in foreign country
- Indian & foreign firm in third country

Last two types are on increase now

TURNAROUND STRATEGIES

Reversing a negative trend

Retrenchment - internal/external - improve internal efficiency - Divestment/liquidation

Danger signs:

- Persistent negative cash flows
- Negative profits
- Declining market share
- Deterioration in physical facilities
- High turnover, low morale, Mismanagement
- Uncompetitive products, sick company

MANAGING TURNAROUND

- Existing team - support external consultant - if C.E
- credibility - rare
- Existing team - withdraws temporarily - turnaround specialist - employed
- Replace existing team / C.E

Approaches:

- Surgical
- Human approach

ACTION PLAN FOR TURNAROUND

- Analysis of product, market, production process, competition, market segment positioning
- Clear thinking - market place & production logic
- Implementation of plans - target - setting, feedback, remedial action

DIVESTMENT

Divestment

- (divestiture or cutback) - sale of or liquidation of a portion of business
- SBU or profit center

1. Spinning it off - financially and managerially independent company with stake

2. Sell a unit outright

Kelvinator India - spin-off - Avanti scooters - high production cost

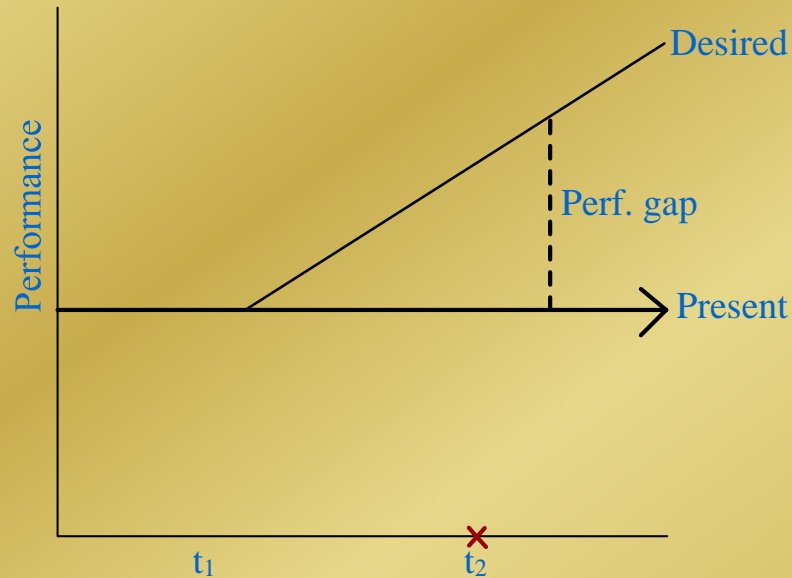
LIQUIDATION

- Rarely - large companies liquidate
 - Buyers rare for purchase of assets
 - Court, voluntary, subject to supervision of court
- Combination strategies - popular

Criteria for strategic choice

- Does strategy exploit the opportunities present in the environment?
- Is it consistent with the resources of the firm, its competitive advantage & core competence?
- Is the chosen level of risk feasible?
- Is it appropriate to the values & aspirations of the firm?

- Gap Analysis



- Consider the Selection factor.
 - Criteria for evaluation alternatives.
- Evaluate strategic alternatives.
- Make choice

Factors affecting strategic choice

- Nature of environment – stable?
- Firm's internal realities
- Ambition of CEO / owners
- Company culture
- Firm's capacity to execute the st.
- Resource allocation

Strategy Implementation

- Evolve a systematic procedure to implement the strategy chosen
 - Procedural implementation plan
 - Proper resource allocation plan
 - Structural implementation plan
 - Functional implementation plan
 - Behavioural implementation plan
- Evaluate and control through strategic and operational control measures
- Success of a strategy is very much dependent on how the strategy is executed