Welcome to this class, in this class and if required in the subsequent class we will go through what all we have covered till now. In other words, it will be a roundup of what we have covered over the last so many classes.

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So, by and large what we have done is to cover this topic that we started with introduction to strategic management. In this introduction to strategic management we have covered these aspects like concept of corporate strategy, the strategic management process, the 7-s framework, the corporate policy and planning in India. I will just take you through a brief journey - a summarized journey - of what we have done in this section.
If you really look at it, what I have done is to explain you what is meant by strategic planning. I have gone through the process by defining what is strategy and then, I have gone through the process of defining the vectors of strategy. I have defined strategic planning for you and then what we have done is to look at purpose and mission.

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In this purpose and mission what I have done is taken the example of a company and explained the mission statement.
If you go to the previous thing on strategy, I have explained to you the 4 vectors that is the product market scope, the growth vector, the competitive advantage and the synergy by taking a pharmaceutical company. Then, I have explained what is meant by the strategic planning process through a formal definition and then, what does it include that is the management processes in organizations through which the future impact of change is determined and current decisions to reach a design future are made.

So, two aspects when we started explaining this whole thing that is, what does the whole process of strategic planning include? It includes the entire process of major outside interest groups and there stacks. Expectations of dominant inside stockholders, so the information past, present and projected performance. Then the evaluation of the company strengths and the weaknesses, then the formulation of organizational purpose mission, objectives, policies and strategies.
We explained what is meant by this purpose and mission by taking the example of the Saturn corporation which has its mission statement as market vehicles developed and manufactured in the United States that are world leaders in quality, cost and customer satisfaction through the integration of people, technology and business systems and to transfer knowledge, technology and expertise throughout General Motors.
Then, we explained what is meant by a business mission by taking the example of the hallmark company. Then, we went from Mission statement to strategic vision and we listed down what are the questions that must be answered.

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![Mission statement to strategic vision](image)

Broadly what are the changes occurring in markets, what are the new or different customer needs that need to be satisfied and then what are the new or different buyer segments we should concentrate and what about the new geographic or product markets which the company should be pursuing. What should be the company's business makeup how should it look like in the next few 5 years and what kind of company should we be trying to build in the next five years.
We looked at the goals of an organization and what will they do. The official goals described in the memorandum of association or the charter or the annual report, then the operative goals what organization is attempting to do. Then, operational goals that is used by the supervisory personal or managers to influence the behavior of subordinates and measure their performance. So, whereas the official goals are abstract idealistic the operative goals are actual goals but not articulated. The operational goals are detailed goals and measureable.
We gave the pyramid of policies which can serve as a guide to action that is a pyramid of business policies then, we looked at different types of strategies can be growth strategies then it can be dependency reduction strategies or it can be vertical integration strategies which can be backward integration or the forward integration what is a risk involved or it can be the generic strategies which are essentially three that is the overall cost leadership differentiation and focus given by porter.

Then, it can be other strategies could be mergers and joint ventures then turn around strategies can be 2 types of turn around one entrepreneurial brought about by a person and efficiency referring to the organization as a whole.

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Business unit strategy and corporate strategy, then we looked at what are the tests of a winning strategy. We are essentially looking at 3 tests: 1 is the goodness of fit test that is match to industry and competitive condition opportunities and threat. Then tailored to companies strengths and weaknesses, competencies and capabilities.

The second test is the competitive advantage test which leads to sustainable competitive advantage. The third test is boost performance test which boost profitability and competitive strength and long term position.
Then, we looked at why strategic decision making is important. We summarized it through a punch line that punch line reading organizations success or failure in the long run depends upon strategic decision making that is upon doing the right things rather than upon doing things right.

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We gave a matrix comparing operating and strategic decisions so what happens when both the operating and strategic decisions are clear then when it is effective or ineffective.
that is the strategic decisions are clear or unclear operating decisions are effective or ineffective.

So, we looked the 4 quadrants and we found that the first quadrant where the strategic decisions are clear and where the operating decisions are effective will be the most desirable for the organization.

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We went through some important definitions starting from strategic management process that is the full set of commitments, decisions and actions required for a firm to achieve strategic competitiveness and earn above average returns.

Then, the strategic competitiveness that is achieved when a firm successfully formulates and implements a value creating strategy. Then, we looked at some important definitions like this above average returns when does it occur when a firm develops a strategy that competitors are not simultaneously implementing, then provides benefits which current and potential competitors are unable to duplicate.
We define risk as an investor's uncertainty about economic gains or losses that will result from a particular investment. Then average returns that are equal to those an investor expects to earn from other investments with a similar amount of risk.

Then, we defined what is meant by strategic flexibility that is, the set of capabilities use to respond to various demands and opportunities existing in a dynamic and uncertain competitive environment. So, involve scoping with uncertainty and the accompanying risks.
Then, we looked at the strategic management process and we looked at the block diagram. Then, we looked at the step and ladder diagram and then we looked at what is meant by a leaning organization.
So, we listed the 4 main activities of the learning organization that is, solving problem systematically, experimenting with new approaches, then learning from their own past experiences and past history as well as from the experiences of others and transferring knowledge quickly and efficiently throughout the organization.

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Then, we looked at the different modes of strategic management decision making could be entrepreneurial that is one by powerful individual then, adaptive and then this is muddling refer to as muddling through that is characterized by reactive solutions to
existing problems, so it is a reactive mode of decision making basically, then the planning mode where you go through a systematic process.

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Then, the fourth one is the logical incrementalization which has a certain aspect of planning, adaptive and entrepreneurial mode of decision making. In other words, it combine certain components of planning, adaptive and to a lesser extent the entrepreneurial mode of decision making.

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Then, we looked at the Indian scenario and again started saying which is the best
decision making process in the present day context. We said the Indian organizations
should go not always for the planning mode, should be willing to take some risks that is
the entrepreneurial mode. Planning mode is perhaps the best approach you could do, but
if it calls for entrepreneurial mode of decision making in the present day liberalized
scenario the Indian organizations should be willing to going for that and they should also
take the logical incrementalization mode quite seriously, so this is what we said.

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Then, we looked at the corporate plan by a diagram that is a conceptual model of
corporate planning where we said how do we go through the process of corporate
planning.
Then, we went through the 7-s matrix, in the 7-s matrix if you see we went through all the aspects of the 7-s that is the super ordinate goals at the center then strategy, structure, systems, style, staff and skills forming the other 6 s's.

So, this is giving you the complex relationship between strategy, structure, systems, style, skills, staff and supper ordinate goals.

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We explained what is meant by each of these s is we took the example of organizations for super ordinate goals, the American organizations, the Indian organizations. Then we went to structure, then again we went through different examples.

One of the things which we noted was the relationship between strategy and structure rarely provides unique structural solutions always there are execution problems.

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We also said the strategy and the structure forms the hardware, the other five s form the software of the 7-s matrix. So, not give too much importance to software at the expense of the hardware was the statement that was made. So, one should not give too much importance to software at the expense of the hardware. So, this is in a sense a critical analysis of the 7-s framework, again looking more from the Indian angle.
So, in each of these sections we have looked at what are the types of issues which we may be facing in the 21st century for example, the types of trading associations there impact, what the world might have that is the 3 dominant trading blocks.

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Then, how important the strategic decision making process is likely to be in this type of a changed scenario, so this is what we have dealt with. Then, we have come to board of directors, in board of directors we have defined what is a BOD the powers of the BOD in section 292.
Then, we have looked at section 293 also, those are the 2 important sections with respect to BODs in the Indian companies act and what is the type of expectations from the BODs.

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So, we have looked at who is a whole time director, who is a part time director and what are the different types of board of directors which were mentioned and now what has happened now.

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All these the some of the new things committees which were formed including the recent Narayan Murthy’s committees on the BODs, so all these we have looked at that with respect to the BODs.

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We have also looked at 4 important strategic management styles depending on the degree of involvement by the BOD and the top management. One could be entrepreneurship where you have a degree of involvement by BOD, as well as by top management which is very high. Suppose, by top management it is high but by BOD it is low, it becomes entrepreneurship.

Suppose, it is high on both the sides it becomes partnership; suppose, it is low on both the sides it leads to chaos then suppose, it is low by the top management and high by the BOD it becomes stipendiary - that is the BODs trying to over reach.
Then, we also looked at what one should be doing for enhancing the BODs effectiveness. Essentially, the beer’s 5 step systems model then we looked at what are the 4 responsibilities of business, one is the economic responsibility which a business has to do that is, it has to be in the business to make some profits that is, an organization is existing to make profits. So, you cannot say profits the organization should not make at all, so that is not the purpose with which the organization is created.
Then, legal have to do, ethical should do, discretionary might do. We looked at the ethical responsibility and then we looked at social audit took an Indian example which was done that is the Indian petrochemicals at Vadodara at that point of time now taken over by reliance.

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Cadbury Committee Report

- The Committee was set up in 1991 by the Financial Reporting Council of London Stock Exchange.
- It was set up to address the Financial Aspects of Corporate Performance

Some of the Major Recommendations are:
- A single Person should not be vested with the decision making power i.e., the roles of Chairman and Chief Executive should be separated clearly.
- A majority of Directors should be independent.
  Non-Executive directors, they should act independently and should not have any Fame Interests in the company.

CII Committee Report

- The Confederation of Indian Industry (CII) drafted some codes of Corporate Governance in 1996.
- Growing International Competition, Growth in the Economy as well as Scams and Frauds brought forth the Importance Of Corporate Governance and the CII Report.

Some of the Major Recommendations are:
- Listed Companies with a turnover of at least 100 Crores and a paid up capital of at least Rs 20 Crores must appoint Audit Committees of the board within 2 years.
- Non-Executive Directors should actively participate in Board Affairs and they should be adequately compensated through Commissions and Stock options.
- No person should hold Directorships in more than 10 Companies.
So, the corporate governance reports of Cadbury committee, the CII committee then, the Kumara Mangalam Birla Report and also the Narayan Murthy committee Report is what we looked at further.
Then, we looked at what is likely to be the future BODs role. So, we said in the light of what is happening in the country BODs may need to become more international then may have to consider the interest of all key stakeholders and not just who own stock while taking strategic decisions.

Then, the ability to articulate a strategic vision and motivate people to achieve it may become the most important characteristics required for a CEO.
Then, we looked at the different environments a company might be facing. It could be the environmental analysis, what is meant by the mega environment, what is meant by the micro environment, what is meant by the relevant environment. We took different examples to explain this.

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We gave a taxonomy of the firm's environment by different diagrams we defined what are the important variables in societal environment with respect to economic, technological, political, legal and then socio cultural. So, we gave a slide which gives list on the variables the important economic variables could be GDP trends, interest rates, money supply, inflation rates, the unemployment levels, the wage and the price controls, the devaluation or the revaluation and then the energy cost availability then the disposable and discretionary income.

Then, in the technological variables we said the total government spending for R and D then, the total industries spending for R and D. Then, the focus of the technological efforts, then the patent protection new products, new developments in technology transfer from lab to the market place then, the productivity improvements that is, what is the type of automation that is coming in.

Then, with respect to political legal variables, the antitrust regulations, the environmental protection laws and then the tax laws, special incentives, foreign trade regulations then attitudes towards foreign companies. Then, laws on hiring and promotion, the stability of the government. Then, we came to the socio cultural variables, we looked at life style change, the career expectations, consumer activism, rate of family formation, the growth rate of population, the age distribution of population, the regional shifts in population, the live expectancies and the birth rates, so all these we have looked at.
So, we have given a diagram where we listed down the Competitive Landscape and what is really happening with respect to competition. This diagram if you see at the bottom you are having the hyper competitive environments in which the firms are competing now.

What is really happening is the fundamental nature of competition is changing, so how is it getting reflected. So, you have this emergence of the global economy creating all this hyper competitive environments. Then, you have the rapid technological change mostly brought about by the information age and the increasing knowledge intensity and then all these leading to see change with respect to the business environment.
We looked the different technology missions with respect to the country that is India in technology missions, whether it was providing drinking water or promoting literacy or stepping up child immunization or hiking up production of oil seeds or linking the remote areas with countries telecommunication network or the nic net.

We said what should be the industry response given this type of hyper competitiveness, so we listed down the Entrepreneurial form of response can be with respect to the changes in the form of product group or processing technology or the raw materials, the technological developments in related areas. Then, the type of technological development changes in the different stages that is the invention, innovation and diffusion.
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<th>Strategic Factors</th>
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<th>Company A Weighted Score</th>
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- Column I lists the Strategic Factors. These can be 8-10 most important Opportunities and threats that the Industry faces.
- Column II assigns a weight to each of the factors, from "1", most important, to "0", not important, based on the probable impact of the factor on the Industry’s success. The sum of the weights should be 1 regardless of their number.
- Column III examines a particular Company, say X. A Rating is assigned for each factor 1-5 (from Poor to Outstanding) based on the Company's current response for each factor.

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**Assessing Impact of Opportunities**

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<td>Probability of Occurrences</td>
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We also looked at what are the types of opportunity and threats, the matrix of opportunities, the impact of opportunities and the threat matrix. Then, we listed down how can we go about listing these factors - the table - and gave what we call an external factors analysis summary with respect to opportunities and threats.

We took the example of a company and said how you can what are the types of weights that can be given what is the type of ratings that the company got and what is the weighted score.
Similarly, when we went through the whole process again we listed what is going to happen or what might happen to the environment in the 21st century where we said you have an increasing environmental uncertainty. So, when we said increasing environmental uncertainty the importance of environmental scanning becomes highly predominant.

Then, what is the type of inference one could draw that is, to remain competitive companies will have to develop better methods of gathering, evaluating and
disseminating intelligence to those who need it. Then, we said to manage strategically organizations have to become more attuned to the many stakeholders who are affected by the companies actions, shareholders will form only one part of the equation.

Some important points coming out due to the hyper competitive environment in which firms are operating now. Then, the distinction between developed and developing nation will begin to fade as developing nations take on to a greater proportion of the world trade.

Then, as more and more industries become hyper competitive strategic strategy will becoming increasingly in short term in orientation. You are looking at a strategy which is sometimes here we took the examples from the Indian context only where we said many software companies are looking at a 1 year strategic management time horizon.

So, the hyper competitive scenario is making this time element of strategy become increasingly short term. One of the questions which I wanted you to ponder over was whether strategic management can exist with only a short time origin it is already strinking.

So, when we looked at corporate planning it a was looking at a 5 to 10 years scenario. When we came to strategic management we said we are looking at a 3 year scenario. Now, you are looking at companies which are looking at a strategic management time horizon of one year only.
Then, we came to the internal corporate analysis, when we came to the internal corporate analysis that is, the strengths and the weaknesses; with respect to the strengths and weaknesses, we said what could be the criteria for determination of the strengths and weaknesses could be historic that is, past performance, can be sales, profit after tax, capacity utilization or the normative is where you judge what ought to be on level of performance that is experts opinion.

The competitive parity that is, firm at must minimum meet the actions of competitors that is should identify dimensions of uniqueness. We looked at the fourth criteria that is, the critical factors of success that is the cfs or the KFS and we also said one criterion seldom sufficient to evaluate a form. We looked at the measures it can be attribute effectiveness or efficiency.
Then, we looked at what is meant by an impact matrix and then we looked at the types of industries structures possible that is it can be perfect competition or monopolistic competition or oligopoly or monopoly.

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Then, we looked at competitor analysis why should we do it so, we looked at the routes to competitive advantage that can be function differentiation or exploiting the competitors weaknesses or taking aggressive initiatives or maximizing the user benefit through the strategic degree of freedom.
Then, we looked at the 3 generic strategies of porter, whether it is with respect to differentiation or overall cost leadership and the focus. So, all that was what we looked at we took number of examples for competition from the marketing warfare point of view, so from the Indian context explain the whole scenario.

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We looked at again a porter is sub model which gave us what are the essential aspects of supply chain management. So, if you looked at this we said in fact contradict they form the firms value chain, so if you see we looked at the primary activities and the support activities. What forms the support activities, what forms the primary activities and what is meant by the margin and how will the value chain affect the performance of the firm.

So, the primary activities mainly are the Inbound Logistics, the Operations, Out Bound Logistics, the marketing and sales then, the services, the support activities or the firm infrastructure, the human resource management, the technology development and the procurement.
We also listed down after this basically, when does cost leadership is not sustained. Similarly, when is differentiation not sustained, when is focus not sustain as a strategy route. We gave 8 dimensions of quality as performance that is, the primary operating characteristics such as a washing machines cleaning ability, features an example is the cruise control in a car, feature supplements the basic functions and then the reliability, probability that the product will continue functioning without any significant maintenance.

Conformance degree to which a product meets standards, when a customer buy a product out of the warehouse it will perform identically to that viewed on the shop room on the show room floor. Then, what is meant by durability number of years of service a consumer can expect from a product before it significantly deteriorates.

Differs from reliability in that a product can be durable but still need a lot of maintenance kindly note these points. A product can be durable but with a lot of maintenance, then you cannot say it is a reliable product; service ability is products is of repair, esthetic is how a product looks, feels, sounds, tastes or smells. Then, perceived quality is the products over all reputation especially, important if there are no objective easily used measures of quality.
We gave all this and we listed down the key factors for success with respect to an organization that is what was given by Kenichi Ohmae.
It can be raw material procurement, raw material processing or product fabrication, assembly, design, distribution, marketing or service.

What could be the KFS to increase profits to gain market share was given with reference to different industries when we gave the alternative formats for analysis with respect to strengths and weaknesses. We gave the approach that is listed by Bates and Eldredge, the strengths and weaknesses profile how we can make use of the 7-s matrix.
Then, we listed the porters model of industry computation that is popularly known as the 5 porter's model, we explain this model in grade detail. So, what is the type of computation the companies might face with respect to the degree of rivalry and the potential entrants, the substitutes, the suppliers and the buyers all 5 forming this 5 forces.

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Then, we listed down some of the important organizational analysis frame works, one is the vrio frame work where VRIO stands for value does it provide competitive advantage; rarity do competitors, do other competitors possess it.
I for Imitability it is costly for others to imitate; O for organization is the form Organize to exploit the resources.

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We gave number of examples to address all these points. Then, we came to important aspects of how to use resources to gain competitive advantage. So, depending on the strengths and the weaknesses of the firm how can one go to specific capabilities that is the corporate capabilities often called the core competencies. From the core competencies firm should move towards the distinctive competencies and what is meant by the sustainable competitive advantage and how do you determine the sustainability of an advantage.
The 3 aspects, one is durability, immutability, again determine by transparency - transferability, replicability we gave examples for all this.

We used all these to draw the internal factor analysis summary that is the IFAS matrix. So, we took the example of the company Maytag and listed down the weights and ratings, the waited score what could be the type of comments that emerged out of this matrix.
Then, we listed down the global issues for the 21st century in the light of this hypercompetitive scenario. When more and more companies are becoming hyper competitive it will become harder to maintain competitive advantage unless a company has a distinctive competency which is not only hard to imitate but also durable. Durability has however little value during technological discontinuity kindly note all these statement.

As more and more companies become hyper competitive, it will become harder for a company to maintain competitive advantage unless it has a distinctive competency which is not only hard to imitate but also durable. Durability has however little value during technological discontinuity. Then, what is likely to happen in the 21st century subcontracting by firms to reduce cost and become globally competitive, that is what we are referring to as outsourcing.

Then, primary activities to increase importance in hyper competitive global industries that is the porters value chain. With respect to the porters value chain the primary activities that is, the inbound logistics and out bound logistics all the types the activities which we listed down. Then, we said it is very possible that we will have autonomous work teams has already coming with respect to IT industries and this work teams should have better training to handle competitive environments.
Then, we came to the SFAS matrix, how to develop this SFAS matrix from the EFAS matrix and the IFAS matrix which we have already looked at or which we have already drawn with respect to a company, so we took the example of the Maytag company.

Then, we said using this EFAS and the IFAS matrix, we draw the SFAS matrix, so we listed down the important trends and weaknesses, what could be the weight that can be attached, then similarly the opportunities and the threats. Over all we listed about 10 of them that is taking the strengths, weaknesses, opportunities and threats with respect to a company. So, this is a typical way of going about strategic factor analysis with respect to an organization.
We listed all that we looked, before we go further we look how to analyze a case. So, we will take up this aspect of what we went through in a quick count summary in the next class, we will stop here, thank you.