Strategic management

Unit 1

Understanding Strategy

UNIT 1

- 1.1 Understanding Strategy
- 1.2 Introduction to Strategic Management
- 1.3 Strategic Management Process
- 1.4 Hierarchy of Strategic Intent
- 1.5 Analyzing Company's External Environmental and Industry Environment

- What is strategy ?


HENDERSON
HENDERSON
Liberty
Liberty Mutu
INSURANCE
Investec
.... Laithwaite's WINE ....
JAGUAR
Score a .com

Strategy comes from Greek word “srategos” . a word of military origin, refers to a plan of action designed to achieve a particular goal.

Strategy: Concept

- A method or plan chosen to bring about a desired future, such as achievement of a goal or solution to a problem.

- The art and science of planning and marshalling resources for their most efficient and effective use. The term is derived from the Greek word for generalship or leading in an army.

Definition

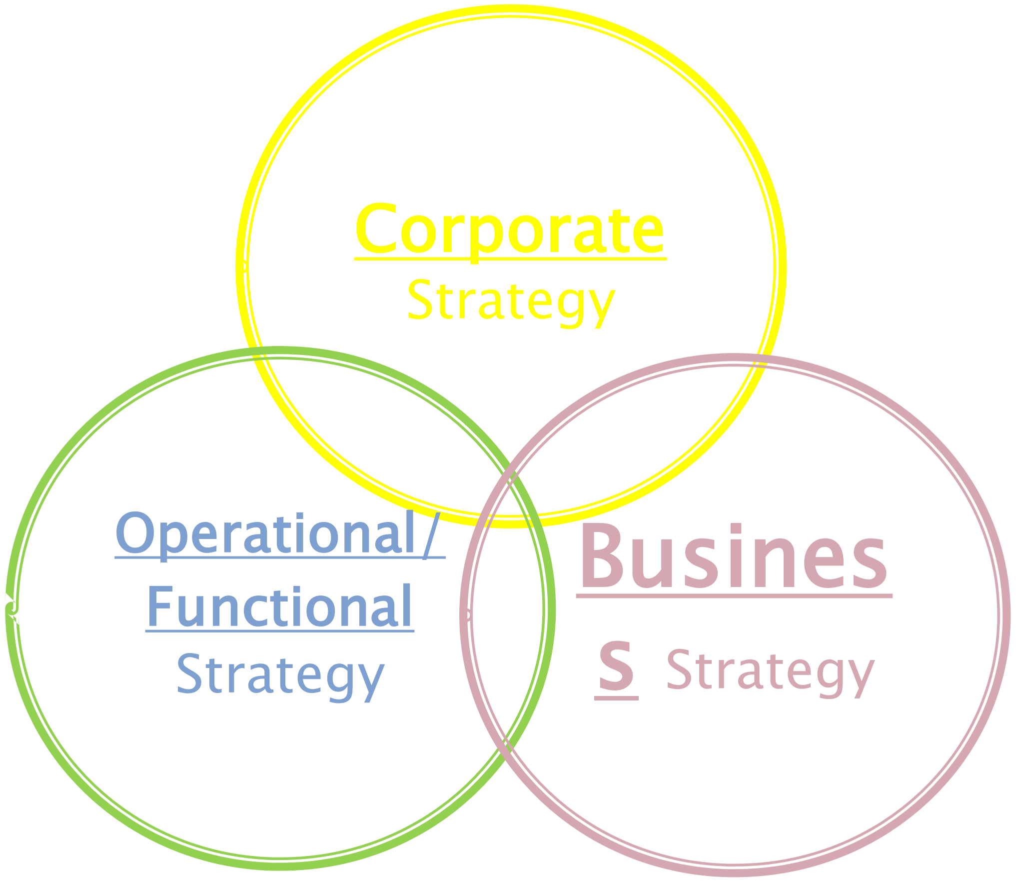
- *Alfred Chandler*
- *The determination of basic long term goals and objectives of an enterprise and the adaptation of the course of action and the allocation of resources necessary to carry out these goals.*

- *Art & science of **formulating**, **implementing**, and **evaluating**, cross-functional decisions that enable an organization to achieve its objectives.*

Three Levels of Strategies

- Corporate
- Business
- Functional

Levels of Strategy



Characteristics of Corporate, Business and Functional Strategies

Characteristics	*Corporate Strategy*	*Business Strategy*	*Functional Strategy*
Scope	Entire organisation	SBU or single business company	Functional area
Source and motivation/direction	Board of directors/ CEO	Corporate Strategy	SBU strategy or single business company strategy
Responsibility	Top level corporate managers	Top level SBU managers or top level single business company managers	Functional level managers
Time horizon	Long-term	Medium to long-term	Short to long-term
Specificity	General statements of overall direction and intent	Concrete and operationally oriented	Action and implementation oriented

Fig. 1.3: Characteristics of different Levels of Strategy

Strategic Management – Defined

*Art & science of **formulating, implementing, and evaluating,** cross-functional decisions that enable an organization to achieve its objectives*

Strategic Management

In essence, the *strategic plan* is a company's *game plan*

Strategic Management achieves a firm's success through integration

Management	Marketing
Finance/Accounting	Production/Operations
Research & Development	MIS

Meaning and Characteristics of Strategic Management

DIMR

Strategic Decisions…

- Have a long-term impact on the business
- Have an impact on the whole organization
- On its future direction
- On the scope of its activities
- On the boundaries of the firm
- Define the basis on which the firm competes or co-operates (USP)
- Based on which competencies and / or advantages
- In which markets
- By providing which value for the customer

Meaning and Characteristics of Strategic Management

DIMR

Strategic Decisions…

- Are taken at top-management level
- Implemented by Lower Levels
- Lower levels can be the part of strategic decisions; participation in management
- Have a significant impact on resource allocation
- Require irreversible commitments and hence risk some sunk cost investments

Tactics

Distinction between strategy and tactics

- Strategy is overarching plan or set of goals. Changing strategies is like trying to turn around an aircraft carrier—it can be done but not quickly.

- Tactics are the specific actions or steps you undertake to accomplish your strategy. **Tactics** tend to be short-term considerations about how to deploy resources to win a battle.

Strategy	Tactics
Planning	Doing
Large Scale	Smaller Scale
Why	How
Difficult to Copy	Easy to Copy
Long Time Frame	Short Time Frame

Strategic Management

1. ***Identification of Business Objectives and Purpose*** *(PEST)*
2. ***Formulation of Strategies***

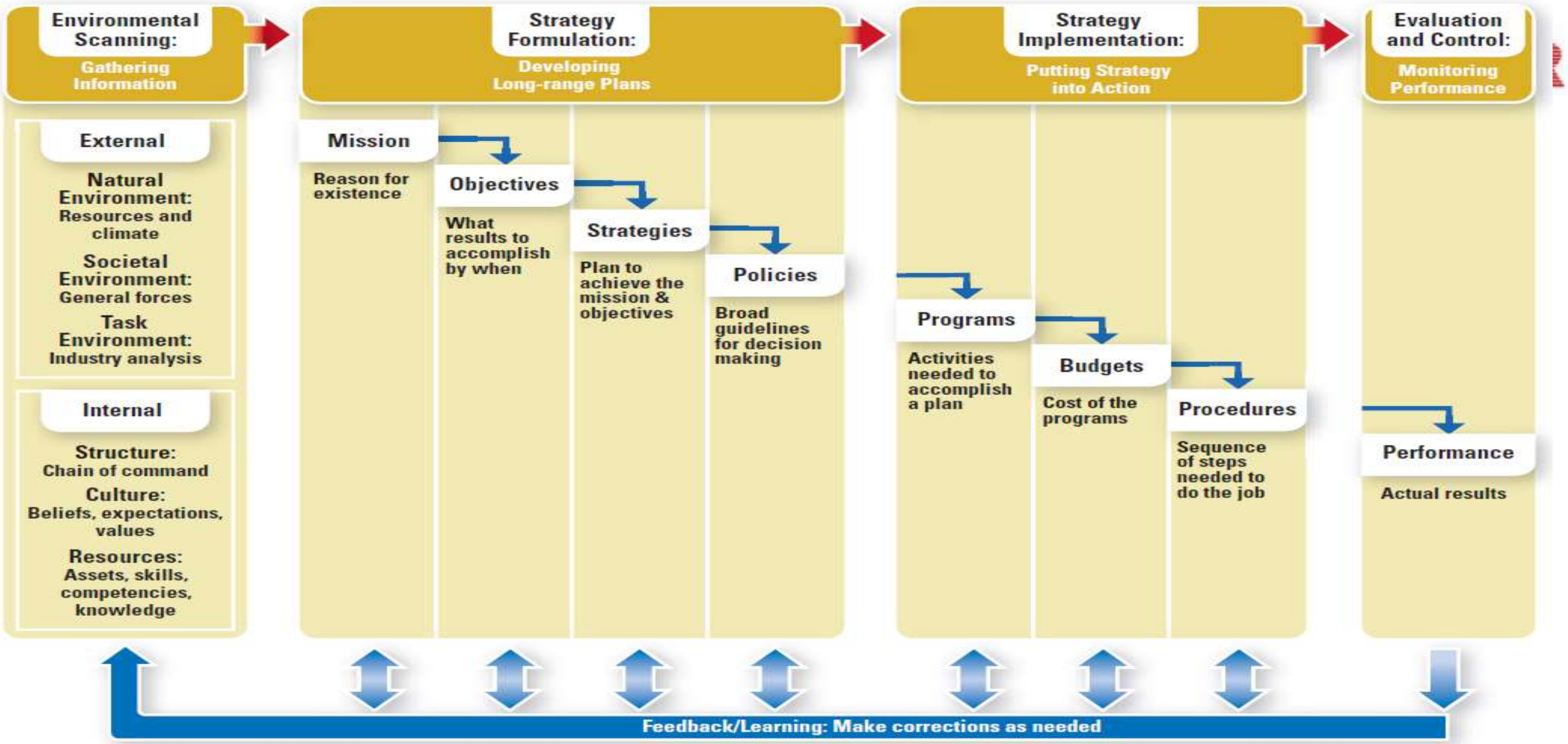
   a. Strengths **b.** Weaknesses

   c. Opportunities **d.** Threats
3. ***Implementation***

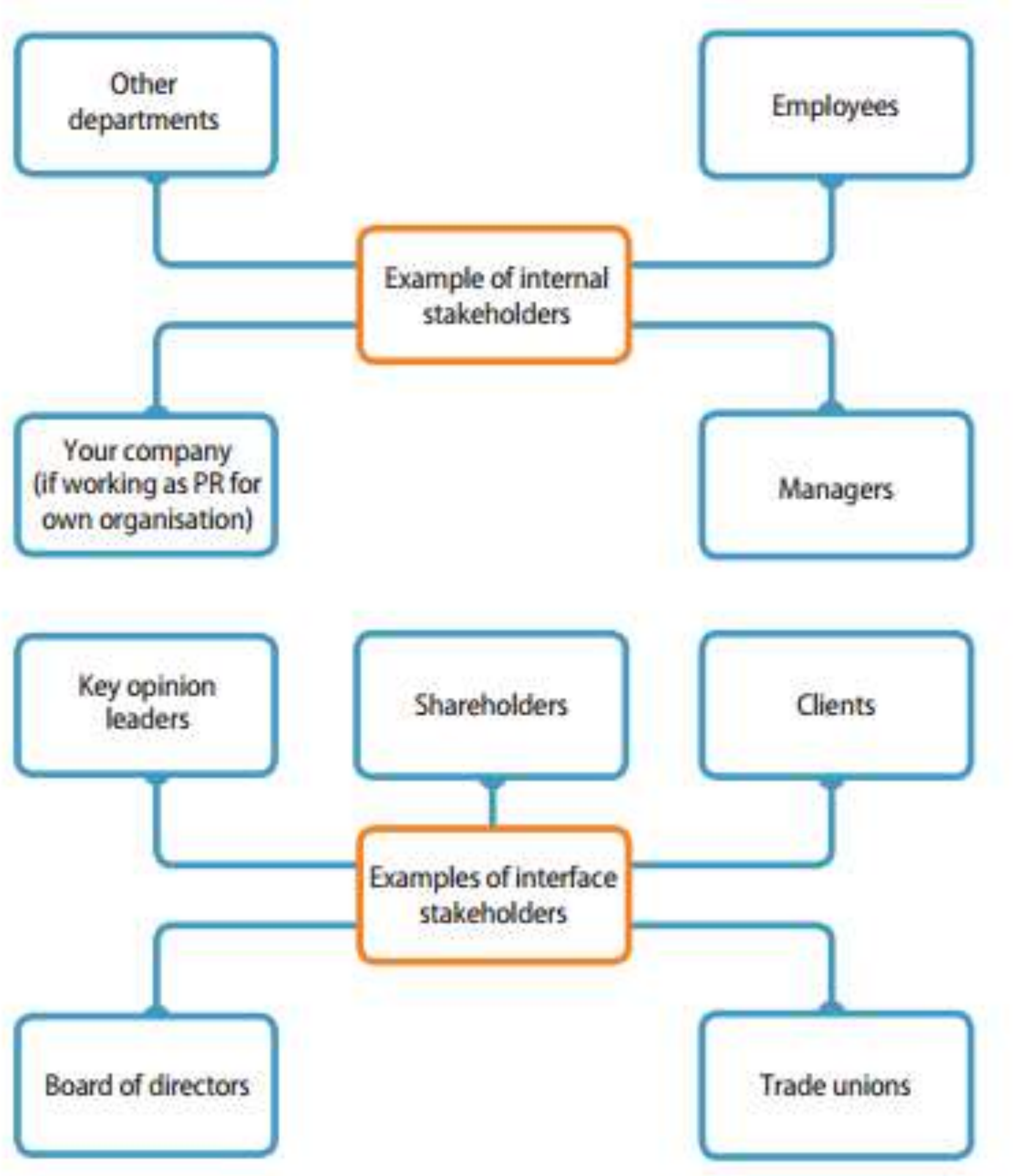
   a. Resource Implementation **b.** Organizational Implementation **c.** Functional Policy Implementation
4. ***Evaluation of Strategies***

   a. Fixing Standards **b.** Measuring Performance **c.** Analysing Variations **d.** Taking Corrective Action

Strategic Management Model



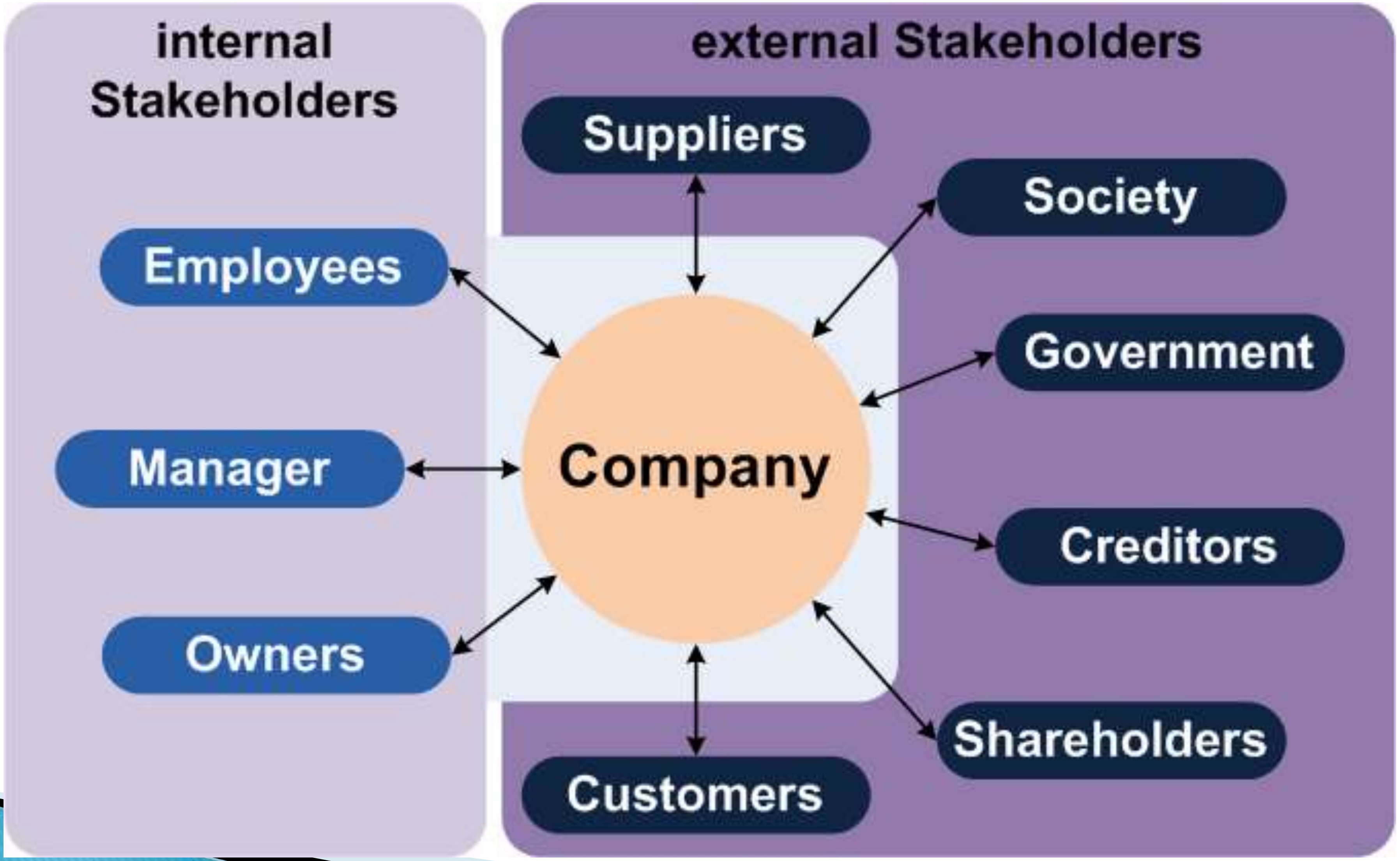
1.3 Four Phases in Strategic Management



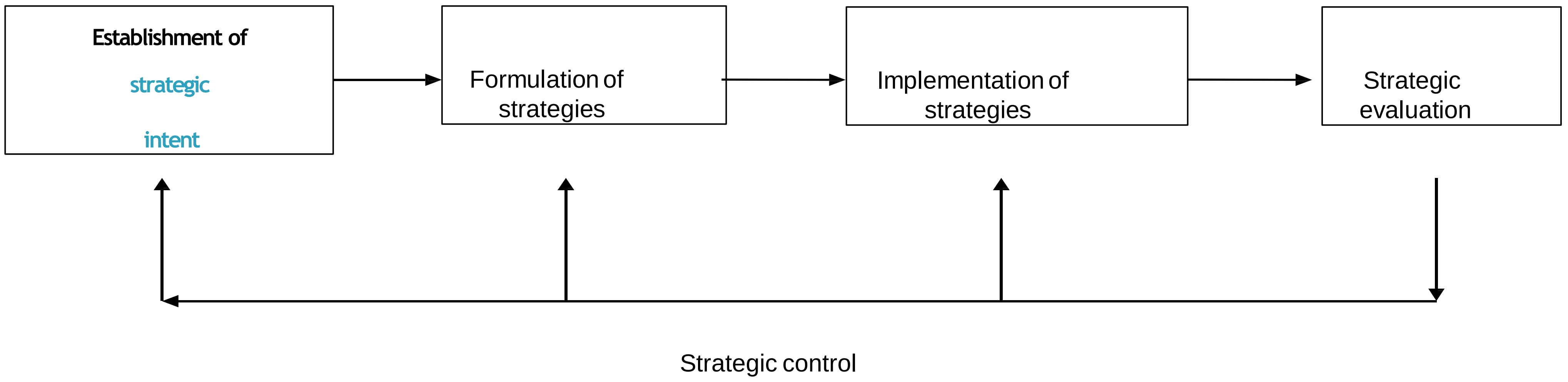
- Internal
- External
- Interface

1.3 Four Phases in Strategic Management

s and Their ROLES in Strategic Management




Meeting With Stakeholders


Establishment of strategic intent
Formulation of strategies
Implementation of strategies
Strategic evaluation
Strategic control

Strategic Intent

- Strategic intent is the purpose for which an organisation strives for. These could be in the form of vision and mission statements for the organisation as a corporate whole.
- At the business level of firms these could be expressed as the business definition and business model.
- In precise terms, as **an expression of aims to be achieved operationally**, these may be the goals and objectives.
- Strategic intent lays down the framework within which firms would operate, adopt a predetermined direction and attempt to achieve their goal.

Vision

- It is what the firm would ultimately **like to become.**
- An organization, corporate culture, a business, a technology, an activity **in the future**. The definition itself is comprehensive and states clearly the futuristic position.
- Category of **intentions** that are **broad, all inclusive and forward thinking**
- It is more of **a dream** than articulated idea
- It is **an aspiration** of organization. Organization has to strive and exert to achieve it.

Vision– Definition

- Vision articulates the position that a firm would like to attain in distant future.

- **El-Namaki (1992)** considers it as a "mental perception of the kind of environment an individual, or an organization, aspires to create within a broad time horizon and the underlying conditions for the actualization of this perception".

- **Miller and Dess (1996)** view it simply ashe "category of intentions that are broad, all-inclusive, and forward thinking".

Mission

- Mission is what an organisation is and why it exists.
- Mission is a statement which defines the role that an organisation plays in the society.
- Thompson (1997) defines mission as the "essential purpose of the organization, concerning particularly why it is in existence, the nature of the business(es) it is in, and the customers it seeks to serve and satisfy".

Characteristics of Mission Statements

- A mission statement defines the basic reason for the existence of the organisation. Such a statement reflects the corporate philosophy, identity, character, and image of an organisation. It may be defined explicitly or could be deduced from the management's actions, decisions or the chief executive's press statements: Some of the characteristics include:
  - It should be feasible
  - It should be precise
  - It should be clear
  - It should be motivating
  - It should be distinctive
  - It should include major components of strategy
  - It should indicate how objectives are to be accomplished

Difference between vision and mission

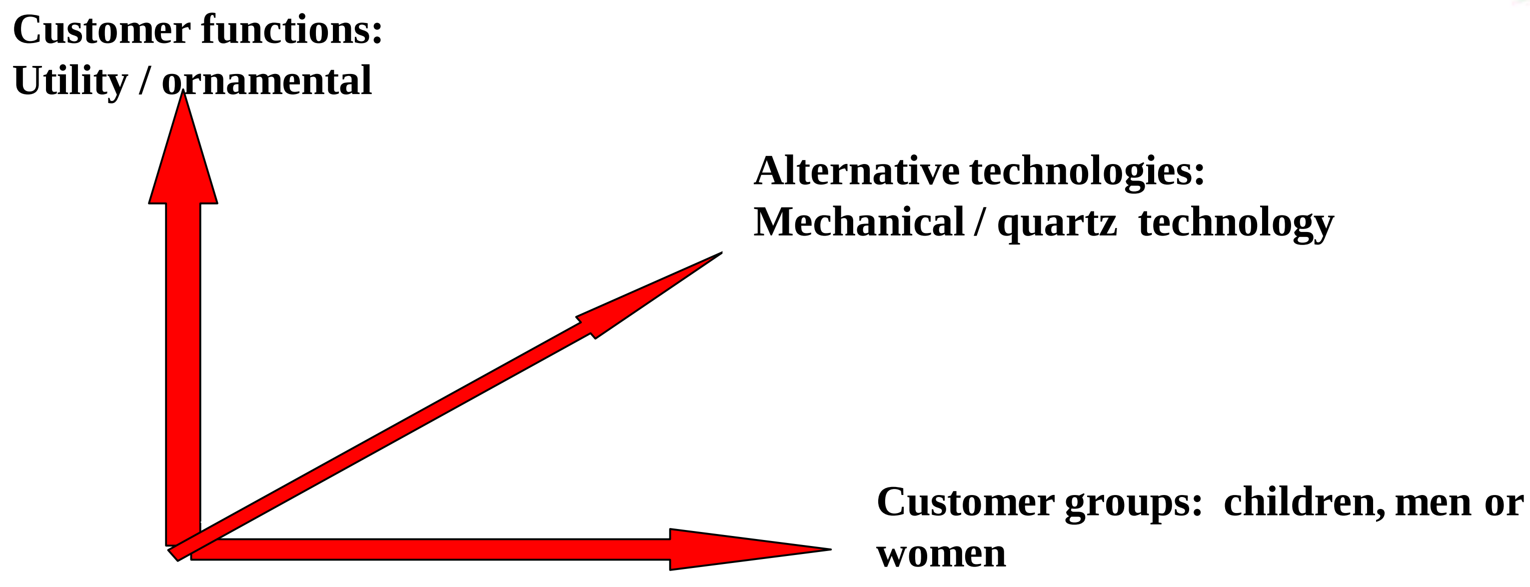
S No.	Vision	Mission
1	Its is like destination	Mission is the path
2	Vision can change	Mission cannot be changed
3	Vision is a statement of some desired future state	Mission statement should be informational
4	Vision starts with value	It should talk about what you do, how you deliver it and who your clients are.
5	Vision is where you want to go	Mission is how you want to reach your goal
6	Vision is a broad and an inspiring statement of what the organization intends to become in the future	A mission statement is the reason for the existence of the organization

Issues in Objective Setting

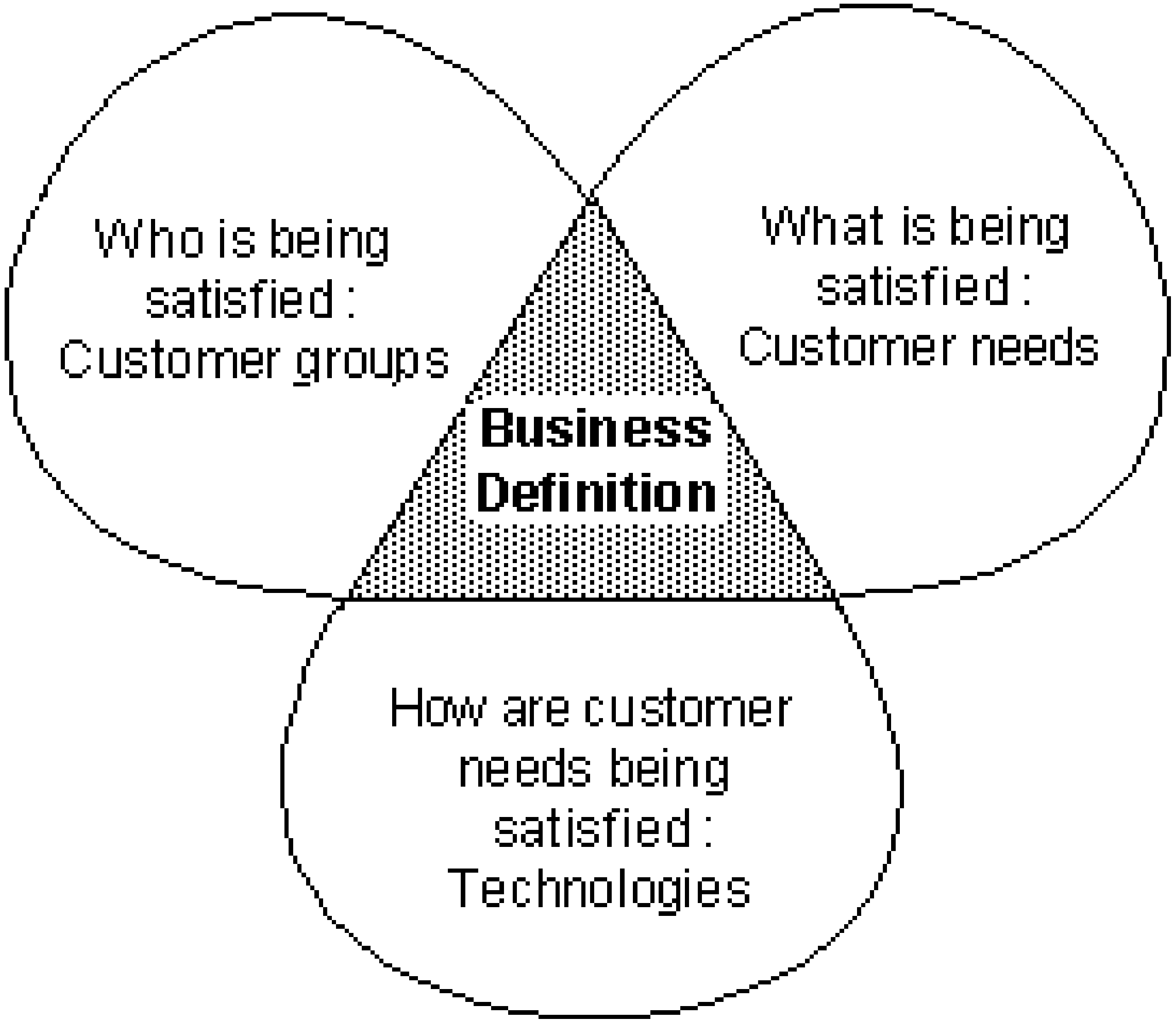
- Specificity
- Multiplicity
- Periodicity
- Verifiability
- Reality
- Quality

Strategic Management

Abells' Three Dimensions for Defining a Business of a Watch Company

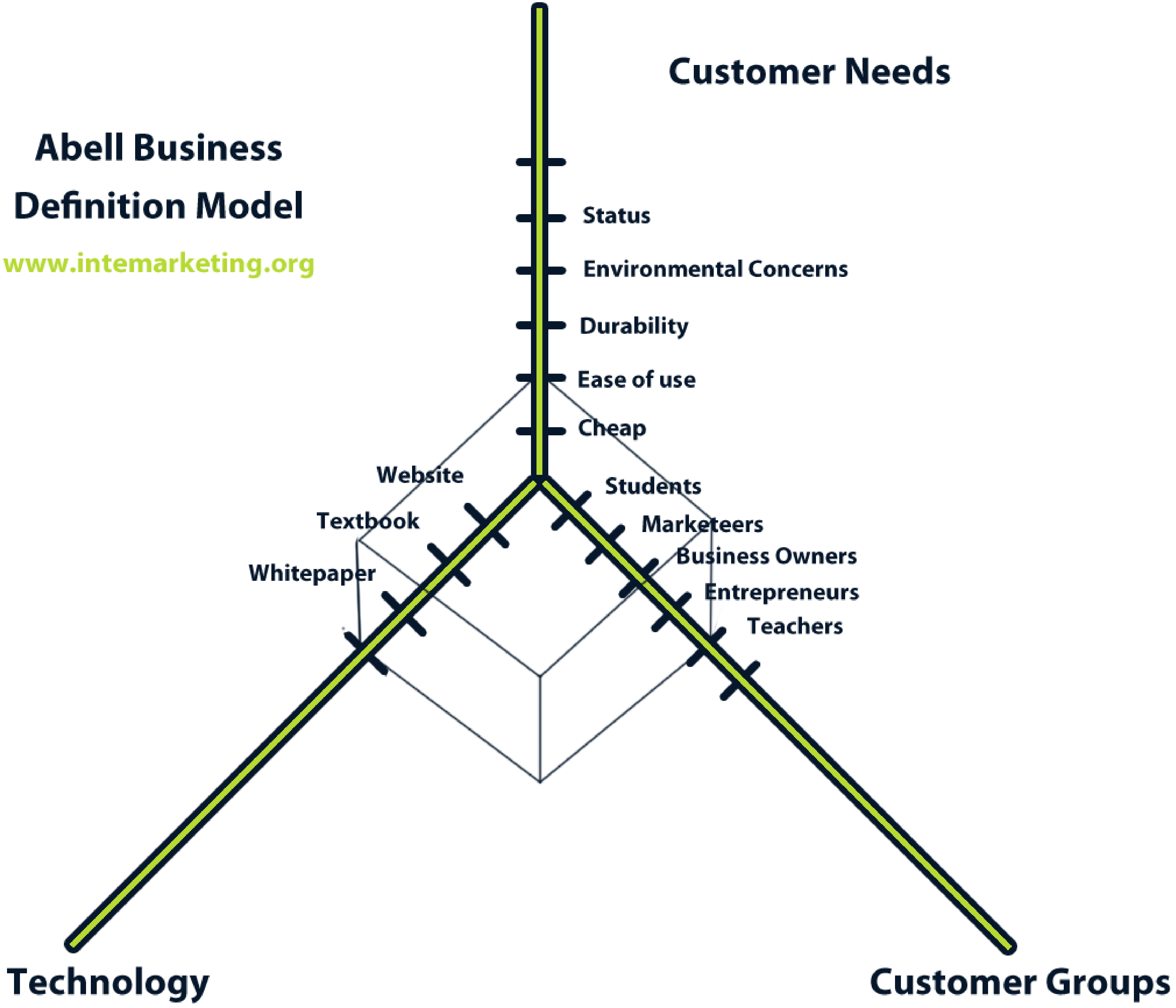


Based on: D.F. Abell: *Defining the Business: The Starting Point of Strategic Planning* Englewood Cliffs, N.J. Prentice-Hall, 1980



Abell Business Definition

1.4 Hierarchy of Strategic Intent



E.g. Car Manufacturing Company

Video

Critical Success Factors

- Critical success factors (CSFs) are crucial for organisational success.
- Rockart has applied the CSFs approach to several organisations through a three-step procedure for determining CSFs.

- These steps are:

- to generate the success factors (`what does it take to be successful in business?'), refining CSFs into objectives (`what should the organisation's goals and objectives be with respect to CSFs?) identifying measures of performance (`how will we know whether the organisation has been successful on this factor?').

Key Performance Indicators

- Key performance indicators(KPIs) are the metrics or measures in terms of which the critical success factors are evaluated.
- KPIs help an organization define and measure progress toward its objectives.
- They give everyone in the organization a clear picture of what is important and what they need to do to accomplish objectives.
- They are a helpful tool for organizations to motivate their employees towards achievement of objectives.
- KPIs are applied in business intelligence to gauge business trends.

Meaning: KRA

- Key Result Area
- Identified out of the day to day routine activities
- Primary Job objectives or Major Goals
- Outcomes or Expectations of a Job Position
- Groups relevant activities under one cluster forming a KRA

DIMR

KRA should be

S → **SPECIFIC** –KRA's should be specific and logical.

M → **MEASURABLE** –KRA's should be quantifiable and measurable.

A → **ACHIEVABLE** –KRA's framed should be achievable.

R → **RELEVANT**– KRA's should be associated to job.

T → **TIME BOUND** –KRA's framed should be defined for a specific period

Environmental Threat and Opportunity Profile ETOP?

- Helps organization to identify opportunities and threats
- To consolidate and strengthen organizations position
- Provides the strategists of which sectors have a favorable impact on the organization
- Help organization know where it stands with respect to its environment
- Helps in formulating appropriate strategy
- Helps in formulating SWOT analysis (Strategic weakness, opportunities and threats)

ETOP

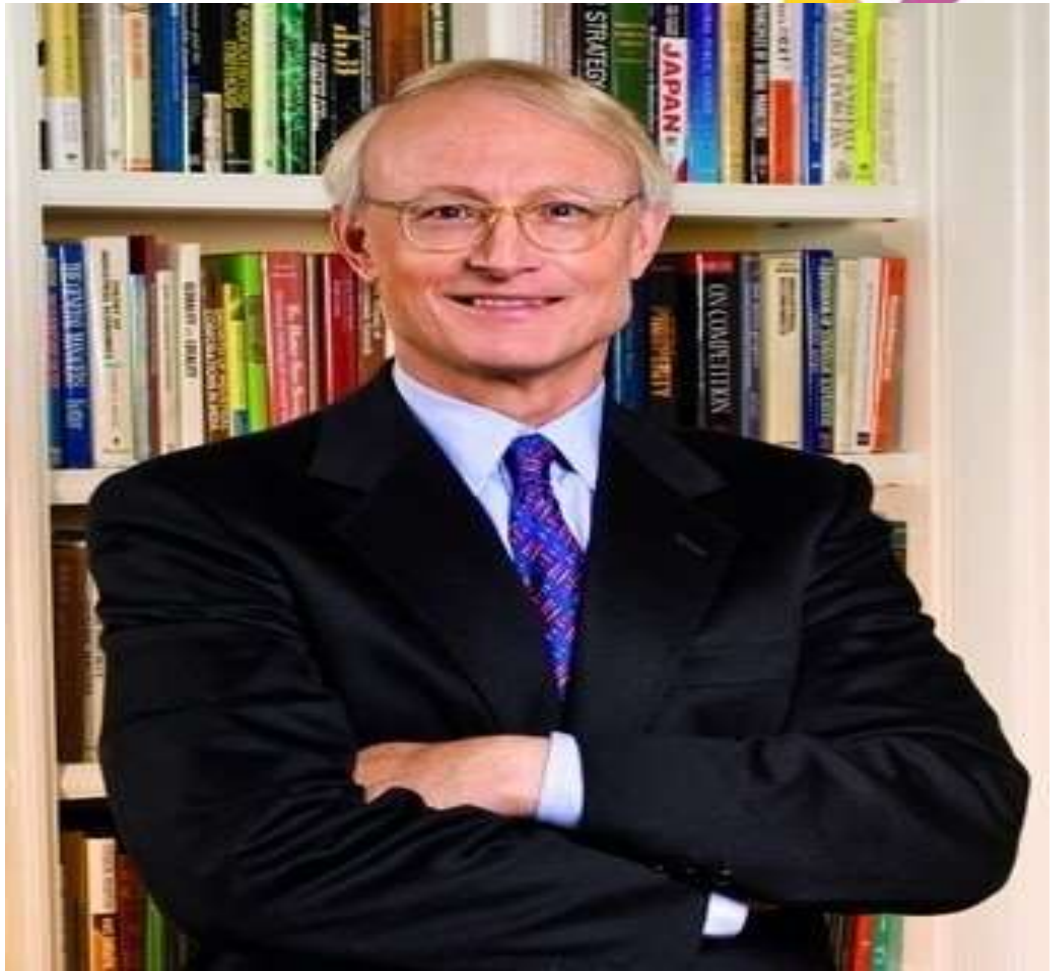
Environmental Threat and Opportunity Profile

FACTORS	COULD INCLUDE
Political	international trade, taxation policy
Economic	interest rates, exchange rates, national income, inflation, unemployment, Stock Market
Social	ageing population, attitudes to work, income distribution
Technological	innovation, new product development, rate of technological obsolescence
Environmental	global warming, environmental issues
Legal	competition law, health and safety, employment law

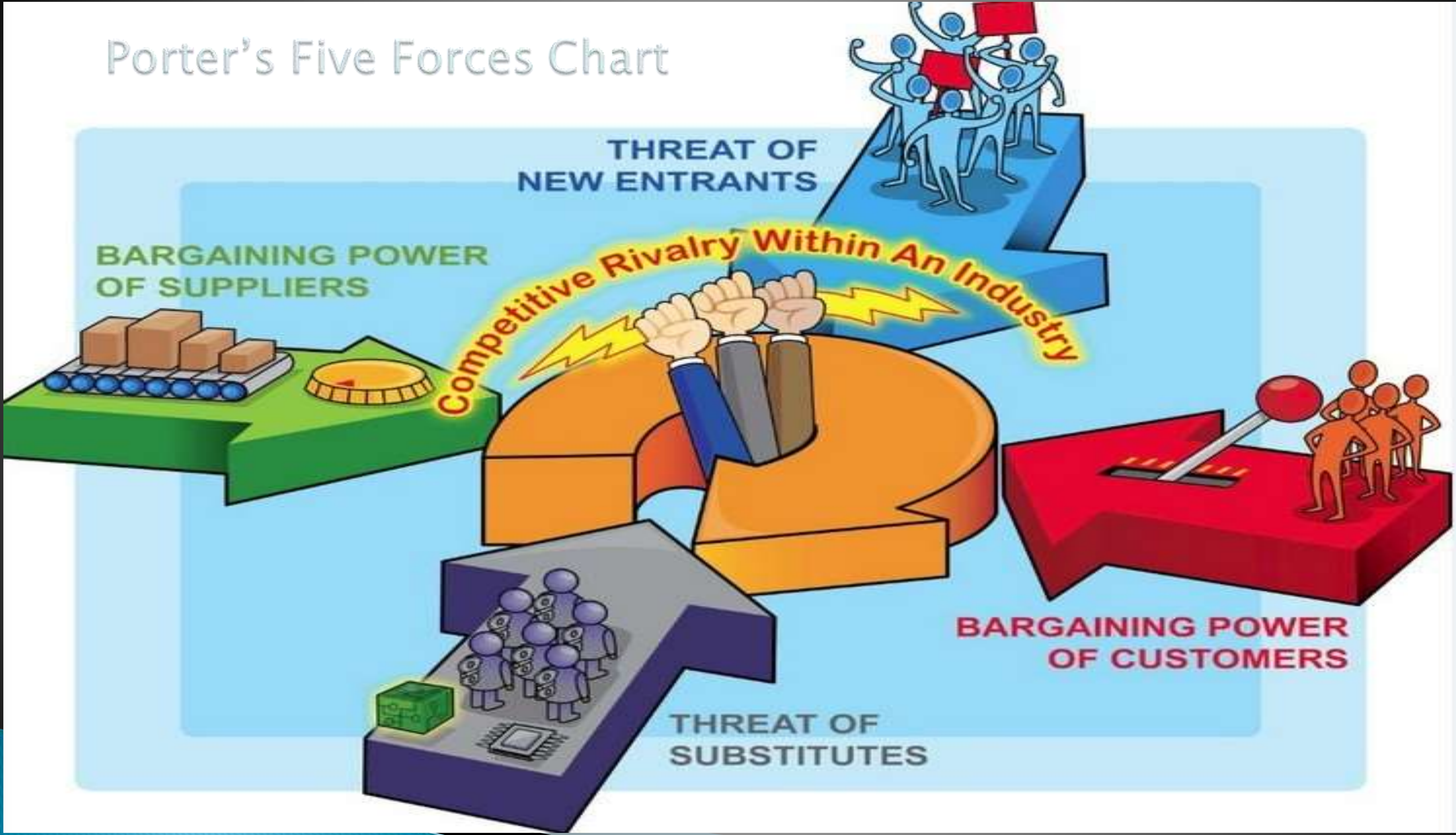
Porter's 5 Forces Model.

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



Entry and Exit Barriers

- Barriers to entry seek to protect the power of existing firms and maintain supernormal profits and increase producer surplus.
- Economies of scale
- Brand Image
- Capital Requirements

Strategic and Statutory Entry Barriers

1. **Structural barriers** ('innocent' entry barriers)
2. **Strategic barriers**
3. **Statutory barriers**
4. **Exit barrier**

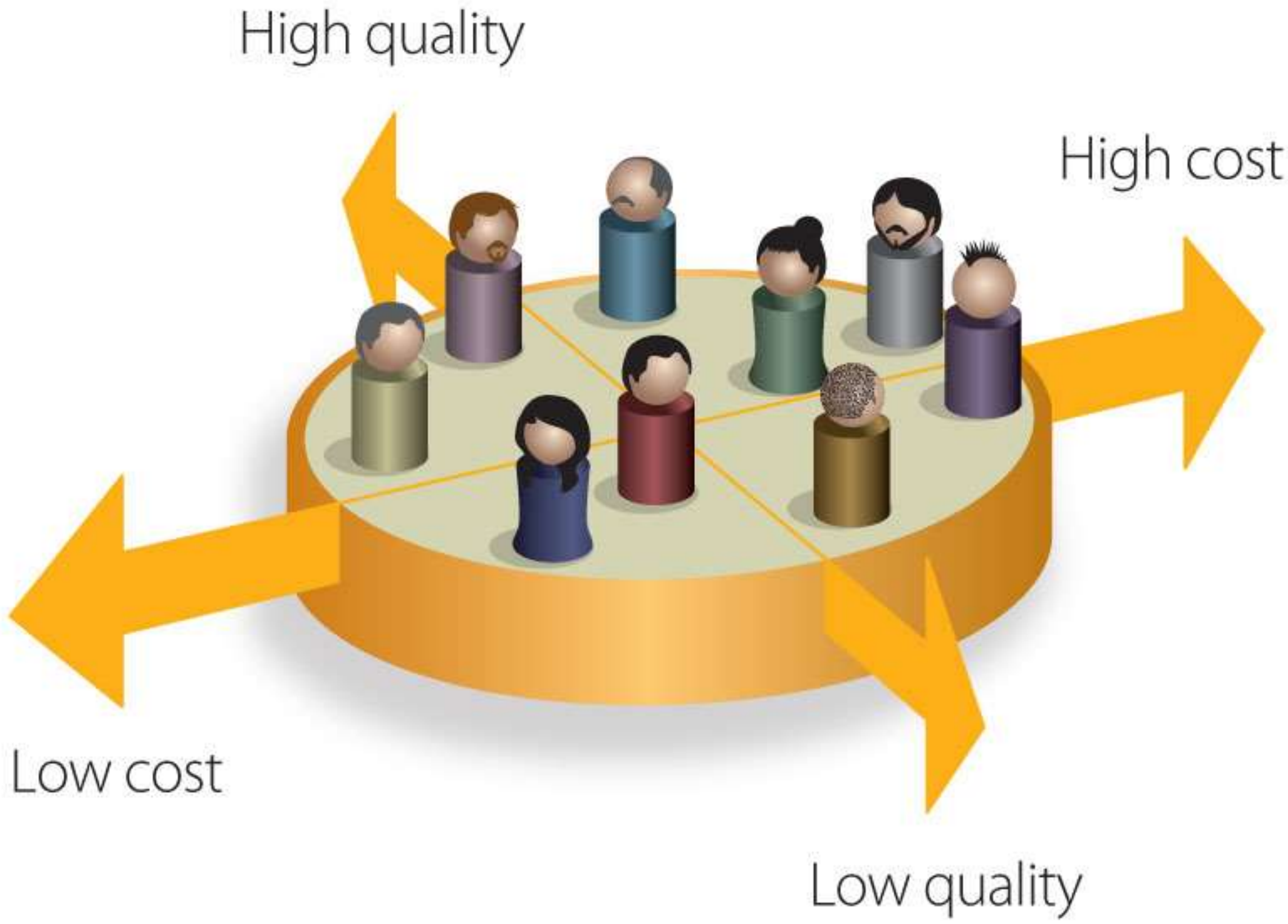
Unit 2

Analyzing Company's Internal Environment

Analyzing Company’s Resources and Competitive Position

Tangible Assets	Intangible Assets
Cash	Patents
Furniture	Logo
Plant and Machinery	Copyright
Vehicles	Brand Value
Building	Self-developed softwares
Stock	Customer data
Equipment	Trademark
Computers	Goodwill


Competitive
Positioning
Brand
Strategy


High quality
High cost
Low cost
Low quality

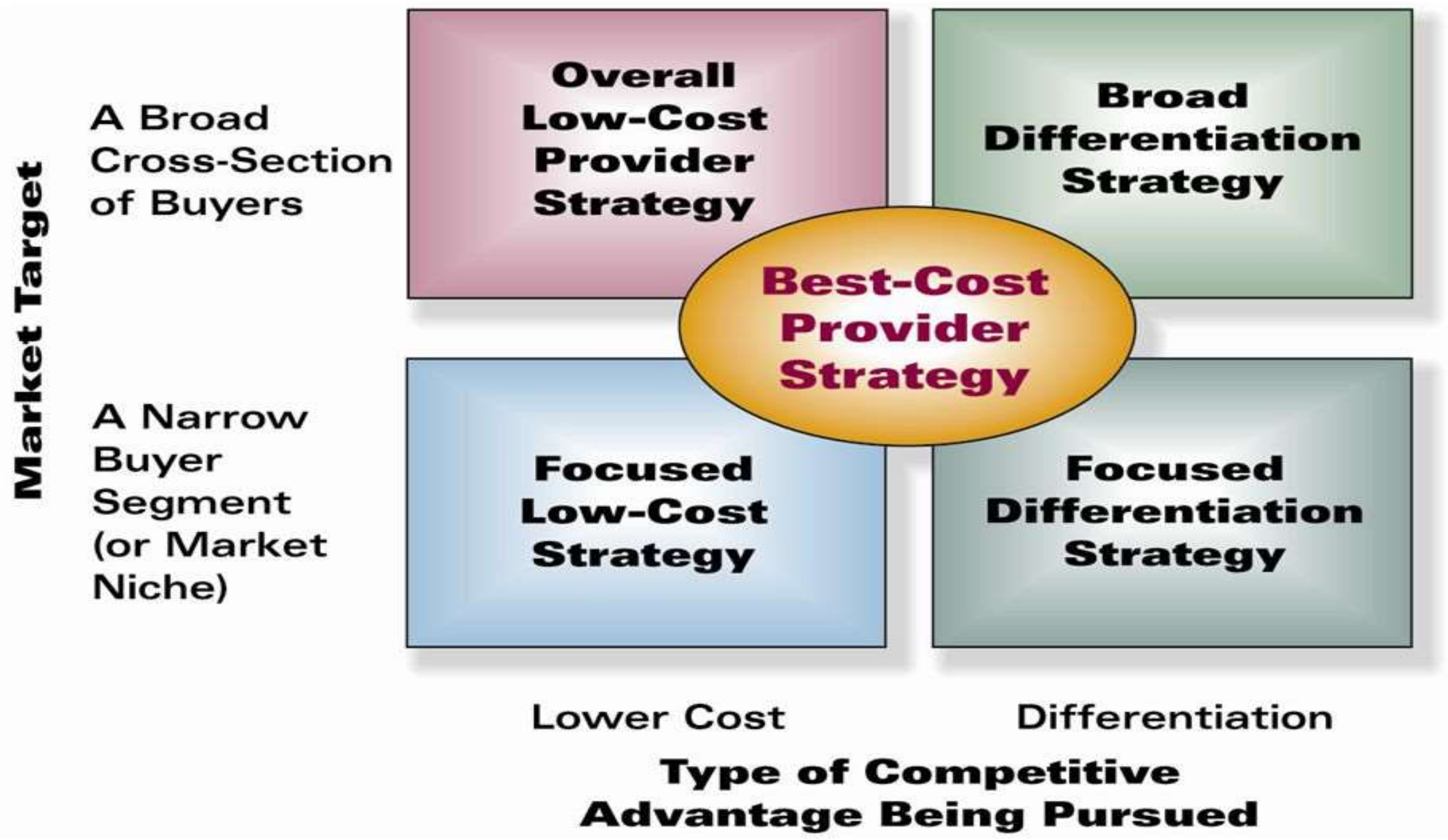

Resource-based view
relies on resources
Tangible
Intangible
that must be
Heterogeneous
Immobile
and have VRIO attributes to become
VRIO resources
that provide
Competitive advantage

Sources of competitive advantage

- Unique competencies
- High quality Product
- Innovation
- Lowest price of product
- Economies of scale
- Excellent customer care service/ after sale service
- Market positioning
- Effective network for distribution of production etc

Source of competitive advantage	Examples
1 Actual product performance	Robust, economic, easy to use
2 Perception of product	Brand image, product positioning
3 Low cost operations	Location, buying power
4 Legal advantage	Patents, contracts and copyright
5 Alliances and relationships	Networking, procurement and joint ventures
6 Superior skills	Database management, design skills
7 Flexibility	Developing customized solutions
8 Attitude	Aggressive selling, tough negotiation

Five Generic Competitive Strategies



Competitive disadvantage

- When a company is unable to perform well or some factors which are restricting a company to perform well it is called as a competitive disadvantage.
- location disadvantage,
- inability to purchase latest technology,
- poor distribution channel,
- high cost of manufacturing,
- poor quality product etc.

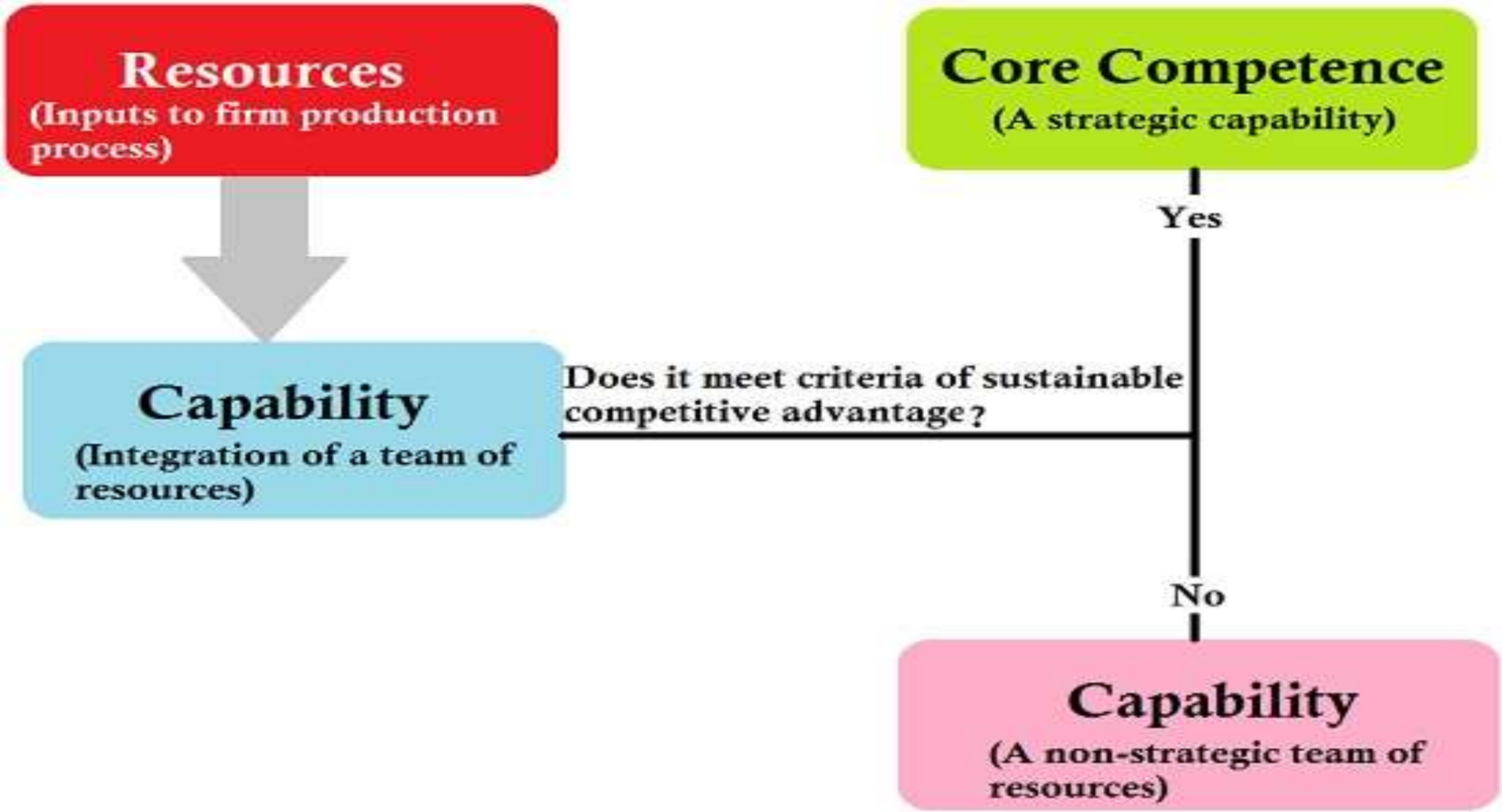
VRIO Framework

VRIO Framework

V Valuable?	R Rare?	I Inimitable?	O Organized?		
NO				=	Competitive Disadvantage
YES	NO			=	Competitive Parity
YES	YES	NO		=	Temporary Competitive Advantage
YES	YES	YES	NO	=	Unused Competitive Advantage
YES	YES	YES	YES	=	Sustained Competitive Advantage

Core competence

- According to Coyne,Hall and Clifford, ‘Core competence is a combination of complementary skills and knowledge based embedded in a group or team that results in the ability to execute one or more critical processes to a world class standards’.



Resources
(Inputs to firm production process)
Core Competence
(A strategic capability)
Yes
Capability
(Integration of a team of resources)
Does it meet criteria of sustainable competitive advantage?
No
Capability
(A non-strategic team of resources)

Competencies vs. Core Competencies vs. Distinctive Competencies

- A competence is an *internal activity* that a company performs *better* than other internal activities.
- A core competence is a well-performed internal activity that is *central*, not peripheral, to a company's *strategy, competitiveness, and profitability*.
- A *distinctive competence* is a *competitively valuable activity* that a company performs better than its rivals.

Distinctive competencies

- Distinctive competencies differentiate a firm from its competitors.

Benchmarking

1-Competitive Benchmarking

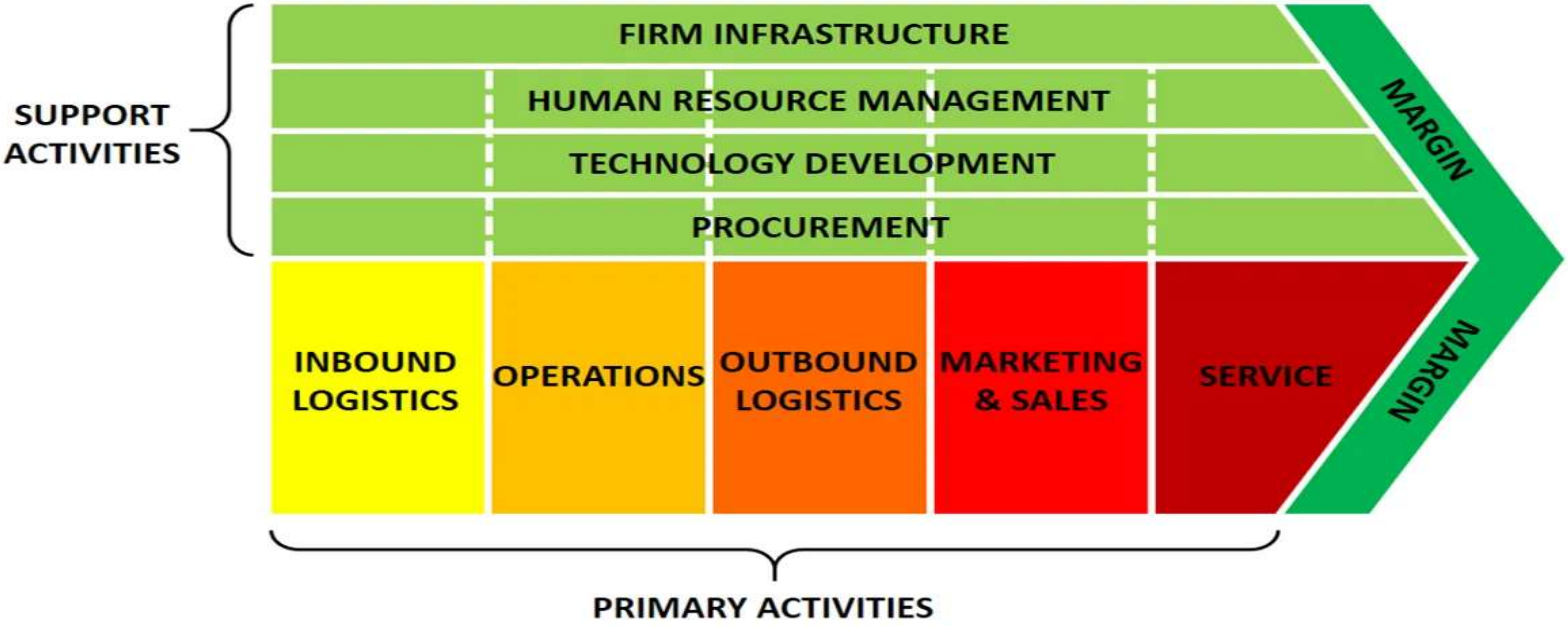
- Competitive benchmarking is an analysis of strategies, processes and practices with competitors and companies in the same industry. Therefore, it is industry or business type specific. It is especially beneficial to organizations managing a specialized type of operation.


Types of Benchmarking
Internal Benchmarking
External Benchmarking
Further distilled as
Process Benchmarking
Performance Benchmarking
Strategic Benchmarking
BEST PRACTICES

Types

- Process benchmarking:
-
- Financial benchmarking:
-
- Performance benchmarking:
- Product benchmarking:
- Strategic benchmarking:
-
- Functional benchmarking:
-
- Operational benchmarking:

Value Chain Analysis Using Porter's Model: Primary & Secondary Activities



Organizational capability profile

Organizational Capability Profile (OCP)

Financial Capability Profile

(a) Sources of funds
(b) Usage of funds
(c) Management of funds

Marketing Capability Profile

(a) Product related
(b) Price related
(c) Promotion related
(d) Integrative & Systematic

Operations Capability Factor

(a) Production system
(b) Operation & Control system
(c) R&D system

Personnel Capability Factor

(a) Personnel system
(b) Organization & employee characteristics
(c) Industrial Relations

General Management Capability

(a) General Management Systems
(b) External Relations
(c) Organization climate

Stretch, leverage & fit

CONCEPT OF STRETCH,LEVERAGE & FIT

STRETCH : Misfit between Resources & Aspirations

LEVERAGE : Refers to concentrating, accumulating, conserving. contemplating and utilizing precious & scarce resources in such a manner that these are stretched to meet the aspirations of a company.

FIT : Positioning the firm by matching its organizational resources to its environment.

Concept of stretch, leverage and fit

- Stretch- The company need to Stretch. As of today there is a misfit between resources and aspirations.
- Leverage- It refers to concentrating, accumulating, complementing (balancing), conserving and recovering resources in such a manner that the meager resource base is stretched to meet the aspirations.
- Fit- Positioning the firm my matching its organisational resources to its environment. *(SWOT)*

Ways to leverage resources

The leveraging of resources

There are 5 basic ways in which management can leverage resources:

- concentrating them more effectively on key strategic goals
- accumulating them more efficiently
- complementing one kind of resource with another to create higher order value
- conserving resources wherever possible
- recovering resources from the marketplace in the shortest possible time

ε*rdc

Fernando Alberti, PhD

Portfolio Analysis

MEANING AND DEFINTION:

Portfolio analysis describes an evaluative process of reviewing the holdings of an entire investment portfolio. Each asset much be evaluated for performance. Asset allocation, diversification,_variance, and the portfolio beta test portfolio strength. Portfolio analysis also investigates the risks associated with the present portfolio composition. Mitigating risk is an indispensable component of portfolio management.

Portfolio analysis is the process of looking at every investment held within a portfolio and evaluating how it affects the overall performance. Portfolio analysis seeks to determine the variance of each security, the overall beta of the portfolio, the amount of diversification and the asset allocation within the portfolio.
The analysis seeks to understand the risks associated with the current composition of the portfolio and identify ways to mitigate the identified risks.

BCG Matrix


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
BCG MATRIX
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.

GE 9 Cell Model developed by General Electric (GE) Company of United States with the assistance of Mckinsey and Company in the year 1970s

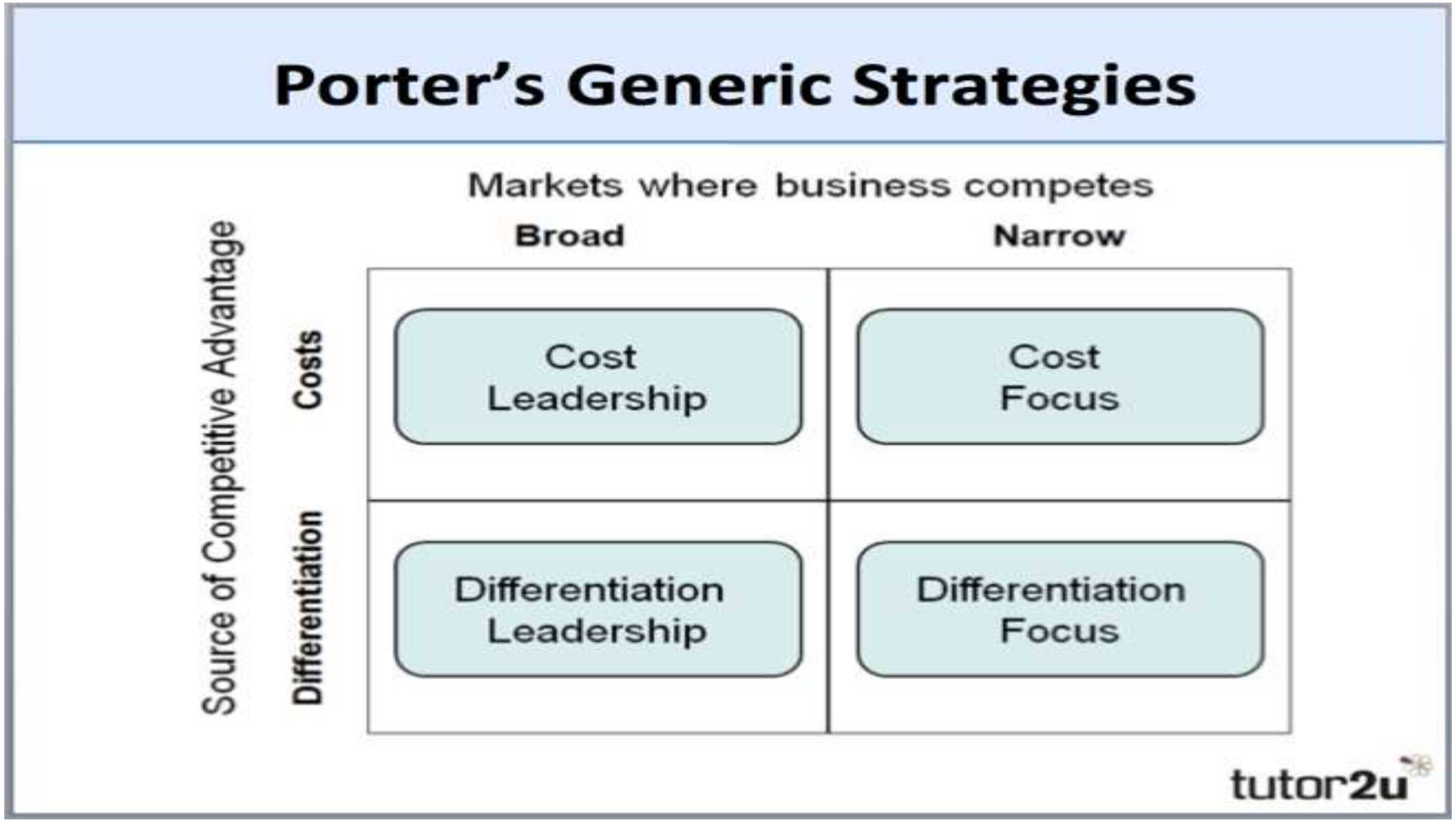
GE Nine Cell Matrix

Industry Attractiveness	Business Unit Strength		
	Strong	**Average**	**Weak**
High	*Grow*	*Grow*	*Hold*
Medium	*Grow*	*Hold*	*Harvest*
Low	*Hold*	*Harvest*	*Harvest*

Unit 3

Generic Competitive Strategies

There are three/four generic strategies, either lower cost, differentiated, or focus.




Grand Strategies
Stability Strategy
Expansion Strategy
Retrenchment Strategy
Combination Strategy

Grand Strategies

The Major Types of Strategies

- The major types of strategies that organization usually adopt

1. Stability Strategies
    a) No change strategies
    b) Profit strategies
    c) Pause/ proceed with caution strategy
2. Expansion Strategies
    a) Expansion through concentration
    b) Expansion through integration
    c) Expansion through diversification
    d) Expansion through cooperation
    e) Expansion through internationalization

Diversification Strategies

- **. Diversification Strategies:** The stock broking company offers the personalized services to the small investors apart from its normal dealings in shares and debentures with a view to having more business and a diversified risk

Vertical Integration Strategies

- **Vertical Integration Strategies:** The banks upgraded their data management system by recording the information on computers and reduced huge paperwork. This was done to improve the efficiency of the banks.

Merger

- A **merger** occurs when two separate entities combine forces to create a new, joint organization. Meanwhile, an **acquisition** refers to the takeover of one entity by another. **Mergers and acquisitions** may be completed to expand a company's reach or gain market share **in an** attempt to create shareholder value
- A **merger** involves the mutual decision of two companies to combine and become one entity; it can be seen as a decision made by two "equals.

Mergers

Types of merger

Horizontal merger : When two merging companies are of the same industry and produce similar products.

- Example : Footwear Company Merging with Footwear company

Vertical merger : When two companies are producing the same goods, but are at different stages, it is a vertical merger.

- Example : Footwear Company Merging with Leather Tannery

Concentric merger : when two companies are related to each other in terms of customer functions or customer groups.

- Example : Footwear Company Merging with another specialty Footwear Company

Conglomerate merger : When two companies operate in different industries.

- Example : Footwear Company Merging with Pharmaceutical Firms

Acquisitions

- **Acquisitions** occur when one company acquires another with the permission of its board to do so. Companies pursue **acquisitions** for several purposes. ..
- Companies acquire other firms to increase their market share, obtain new facilities and acquire advanced technology. In an acquisition, the board of directors of an acquired firm agrees to allow another company to control the firm for a certain price. The firm making the acquisition usually agrees to purchase the acquired company's assets or stock. Purchasing the assets allows the acquiring company to avoid needing shareholders' approval. The company desiring to make the acquisition must perform due diligence before the acquisition process begins.
- In contrast to other **acquisitions**, **takeovers** occur when a company takes over and purchases a company without the permission of the company or its board of directors.
- **Takeover** by purchasing a majority stake in the target firm

Strategic Alliances

- **Strategic Alliances** : A strategic alliance is an agreement between two or more parties to pursue a set of agreed upon objectives needed while remaining independent organizations. A strategic alliance will usually fall short of a legal partnership entity, agency, or corporate affiliate relationship

Retrenchment

- Definition: The Retrenchment Strategy is adopted when an organization aims at reducing its one or more business operations with the view to cut expenses and reach to a more stable financial position.

- **Turnaround**: The book publication house may pull out of the customer sales through market intermediaries and may focus on the direct institutional sales. This may be done to slash the sales force and increase the marketing efficiency**.**
- **2. Divestment**: The hotel may focus on the room facilities which is more profitable and may shut down the less profitable services given in the banquet halls during occasions.
- **3. Liquidation :** The **Liquidation Strategy** is the most unpleasant strategy adopted by the organization that includes selling off its assets and the final closure or winding up of the business operations.
- **4. Outsourcing Strategies**: Outsourcing is a business practice in which services or job functions are farmed out to a third party

UNIT 4

4.1 Strategy Implementation

4.2 Organization Structures for Strategy Implementation

4.3 Changing Structures and Processes

4.4 Corporate Culture

4.5 Strategy Evaluation

Mintzberg's 5 Ps

4.1 Strategy Implementation

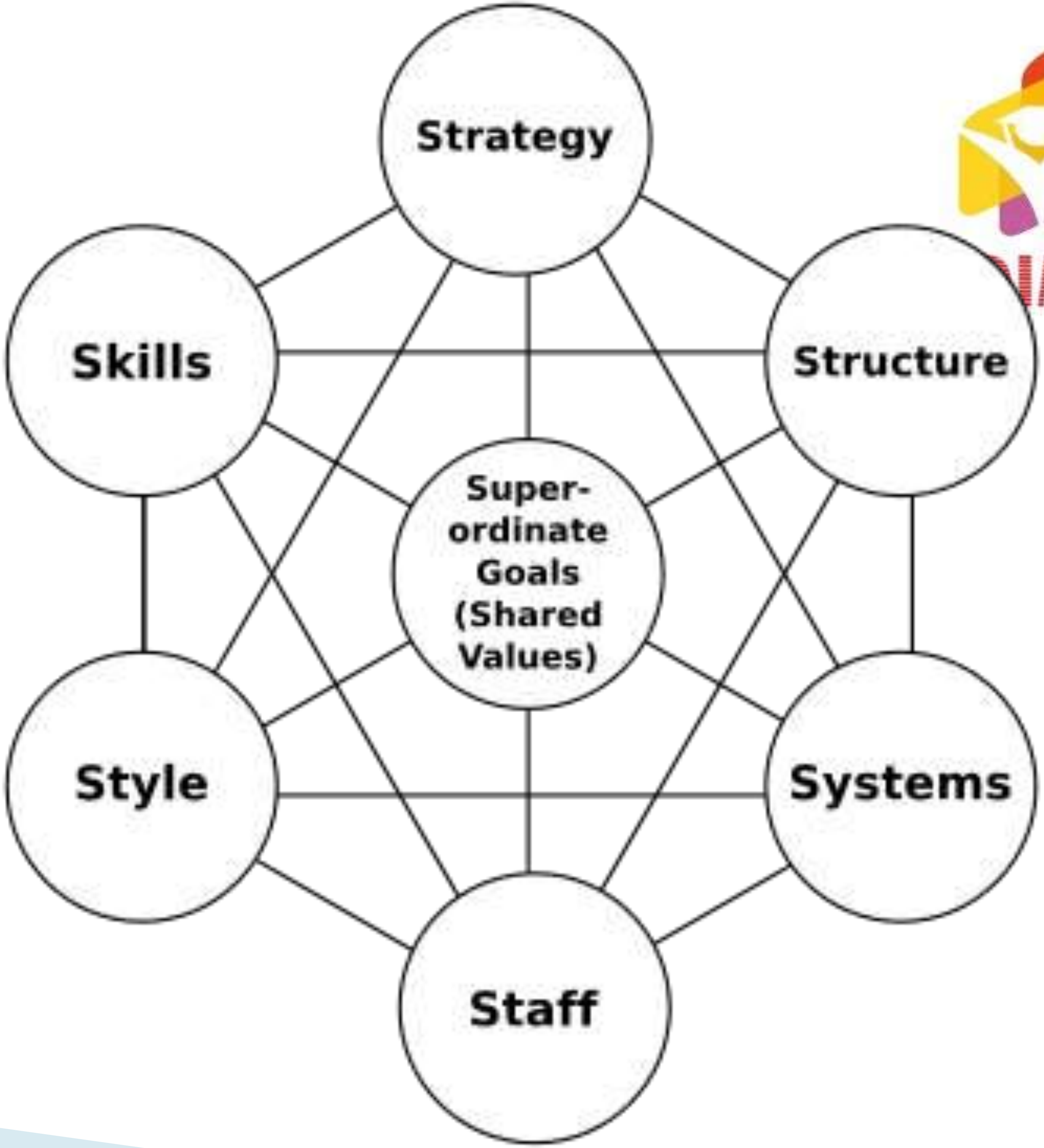
Mintzberg's 5 Ps

Understanding different ways of thinking about strategy is the first step toward mastering the art and science of strategic management. The five Ps of strategy, developed from the work of Henry Mintzberg, help to provide an overview of the most commonly used definitions of strategy.

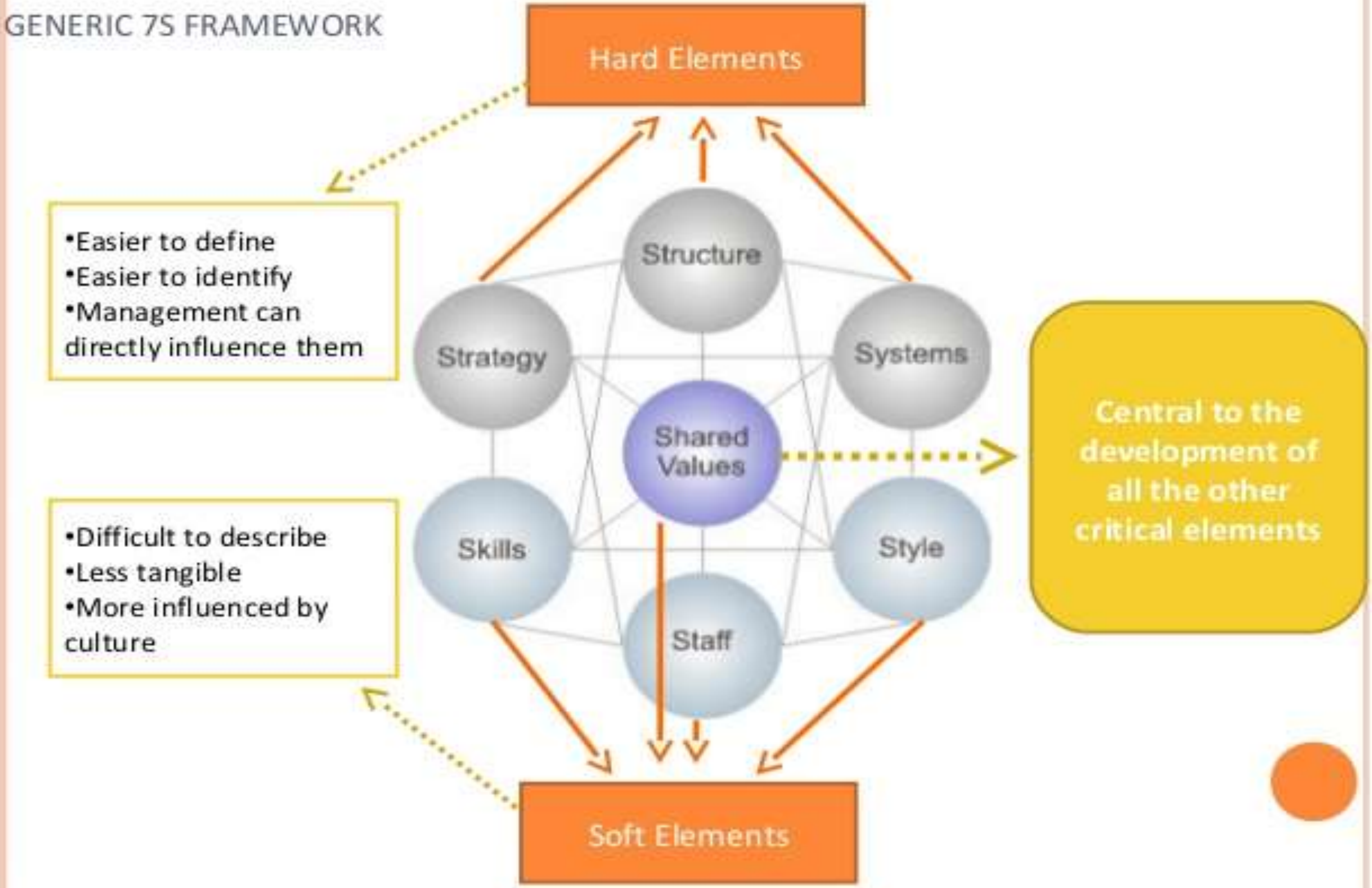
Plan – a carefully crafted set of steps that a firm intends to follow in order to be successful	Virtually every firm creates a strategic plan to guide its future. Plans are important to individuals too. If you are reading this, you probably have a career plan that requires a college degree.	
Ploy – a specific move designed to outwit or trick competitors	A pizzeria owner in Pennsylvania once tried to sabotage his competitors by placing mice in their shops. Although most strategic ploys are legal, this one was not and the perpetrator was arrested.	
Pattern – the degree of consistency in a firm's strategic actions	Apple always responds to competitive challenges by innovating. Some of these innovations are complete busts, but enough are successful that Apple's overall performance is excellent.	
Position – a firm's place in the industry relative to its competitors	Old Navy offers fashionable clothes at competitive prices. Old Navy is owned by the same corporation as the Gap and Banana Republic; each brand is positioned at a different pricing level.	
Perspective – how executives interpret the competitive landscape around them	In the mid-1990s, the Internet was mainly a communication tool for academics and government. Jeff Bezos viewed the Internet as a sales channel and he began selling books online. Today, the company he created—Amazon.com—is a dominant retailer.	

DIMR

Mc Kinsey's 7 S
Framework

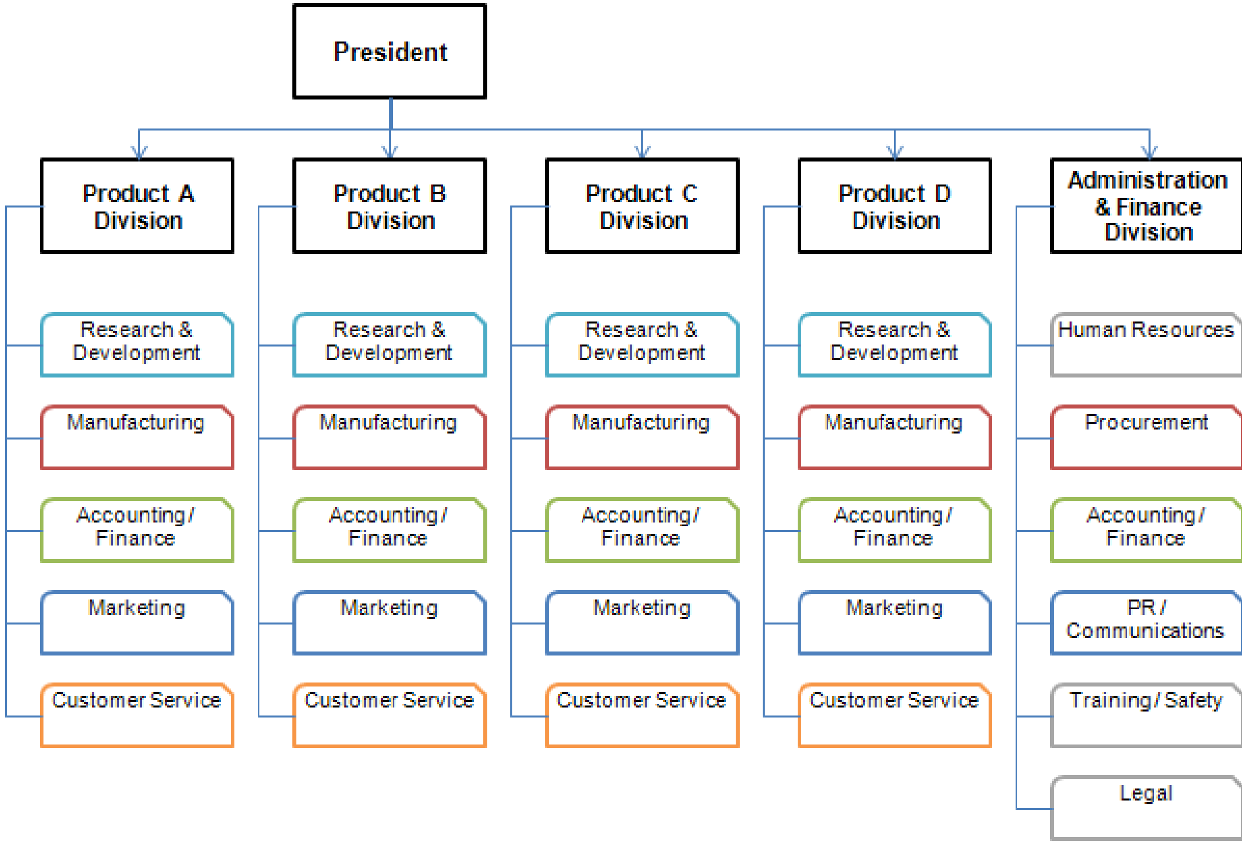


Mc Kinsey's 7 S
Framework

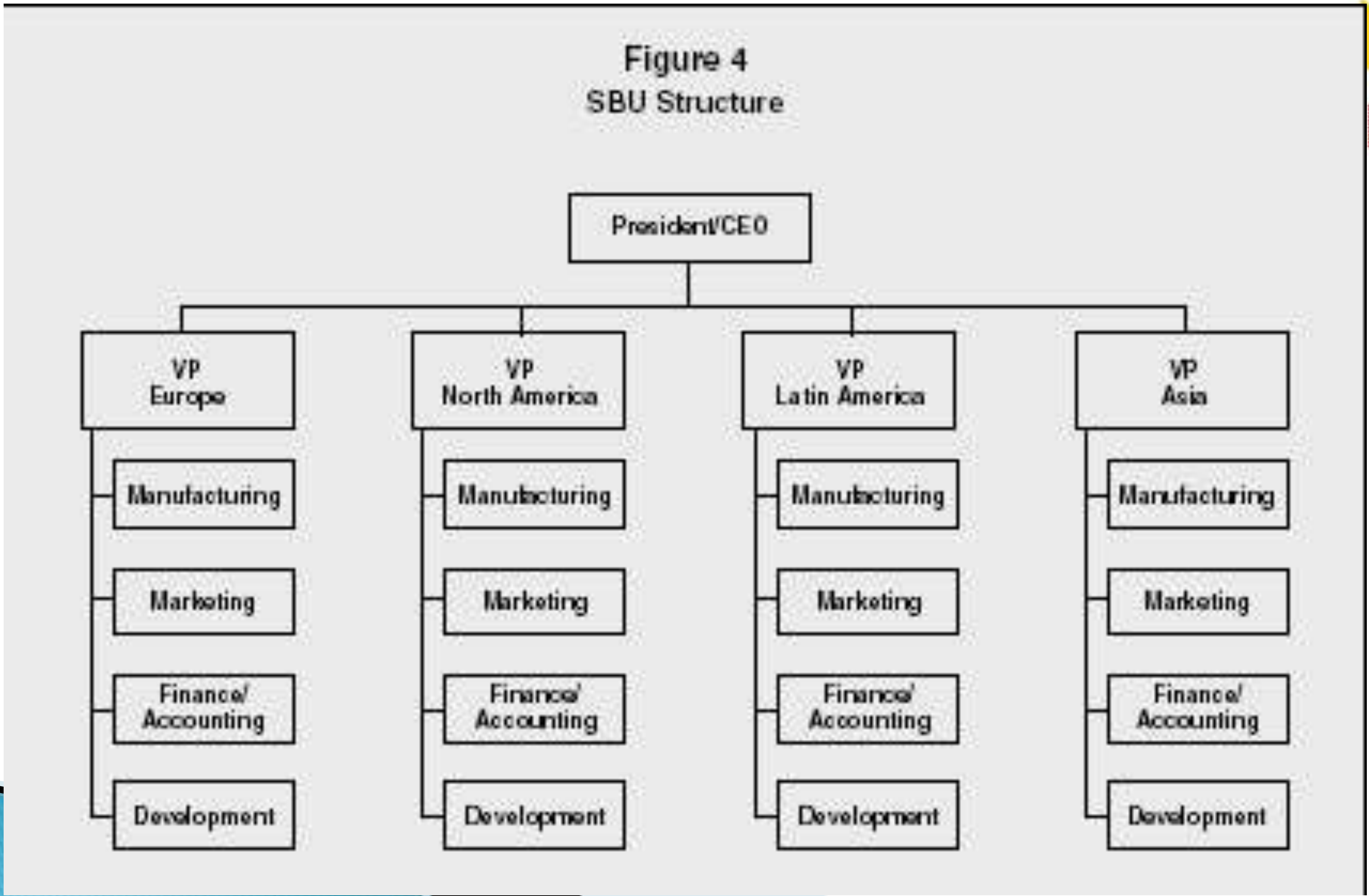


Entrepreneurial Function and Divisional Function

Sample Divisional Organizational Structure

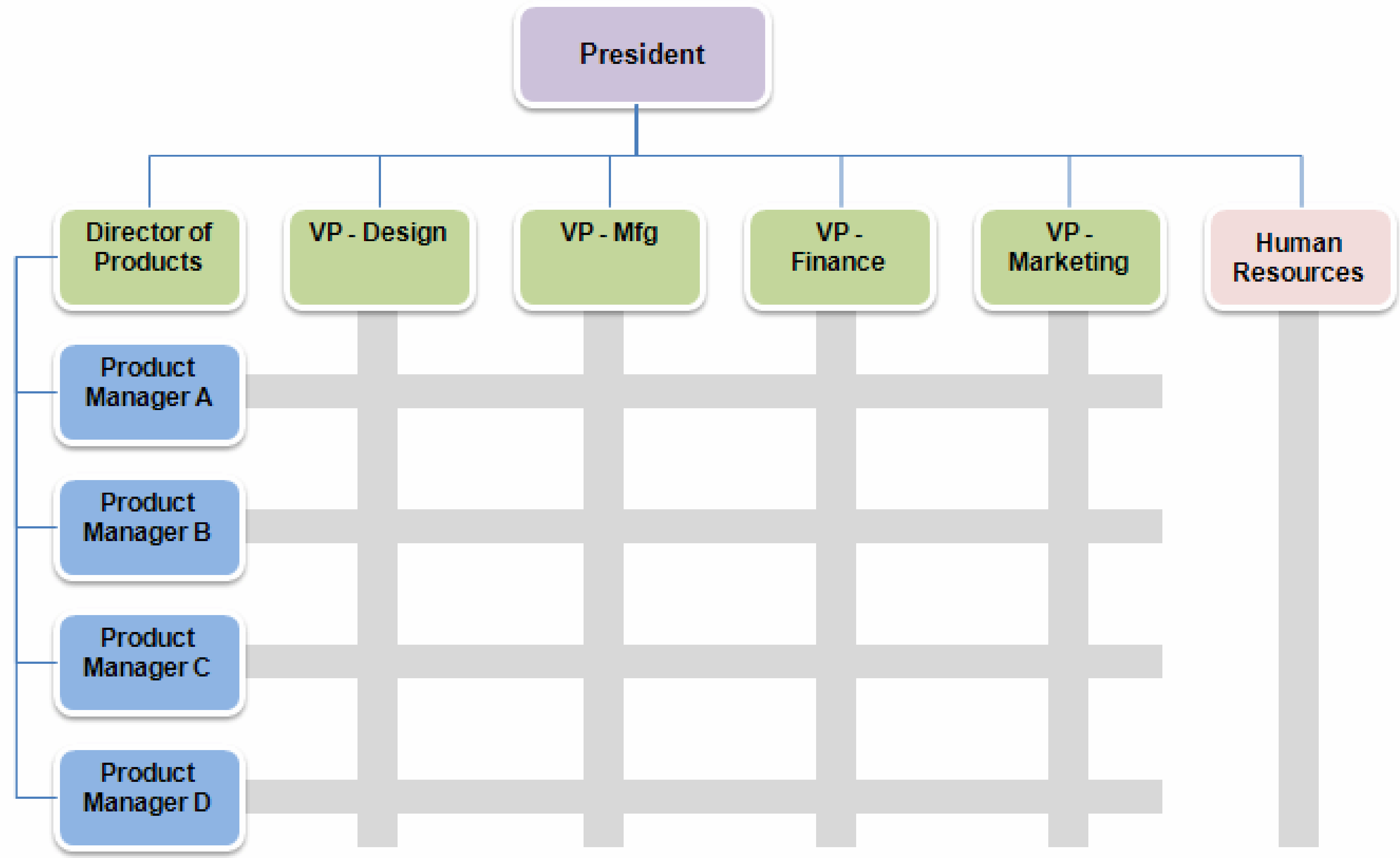


Strategic Business Unit



Franchises–McDonald, $ Wheeler, LG/ GE Mfg Plants, ACC Plants, Overseas/ Abroad Units

Matrix


President
Director of Products
VP - Design
VP - Mfg
VP - Finance
VP - Marketing
Human Resources
Product Manager A
Product Manager B
Product Manager C
Product Manager D

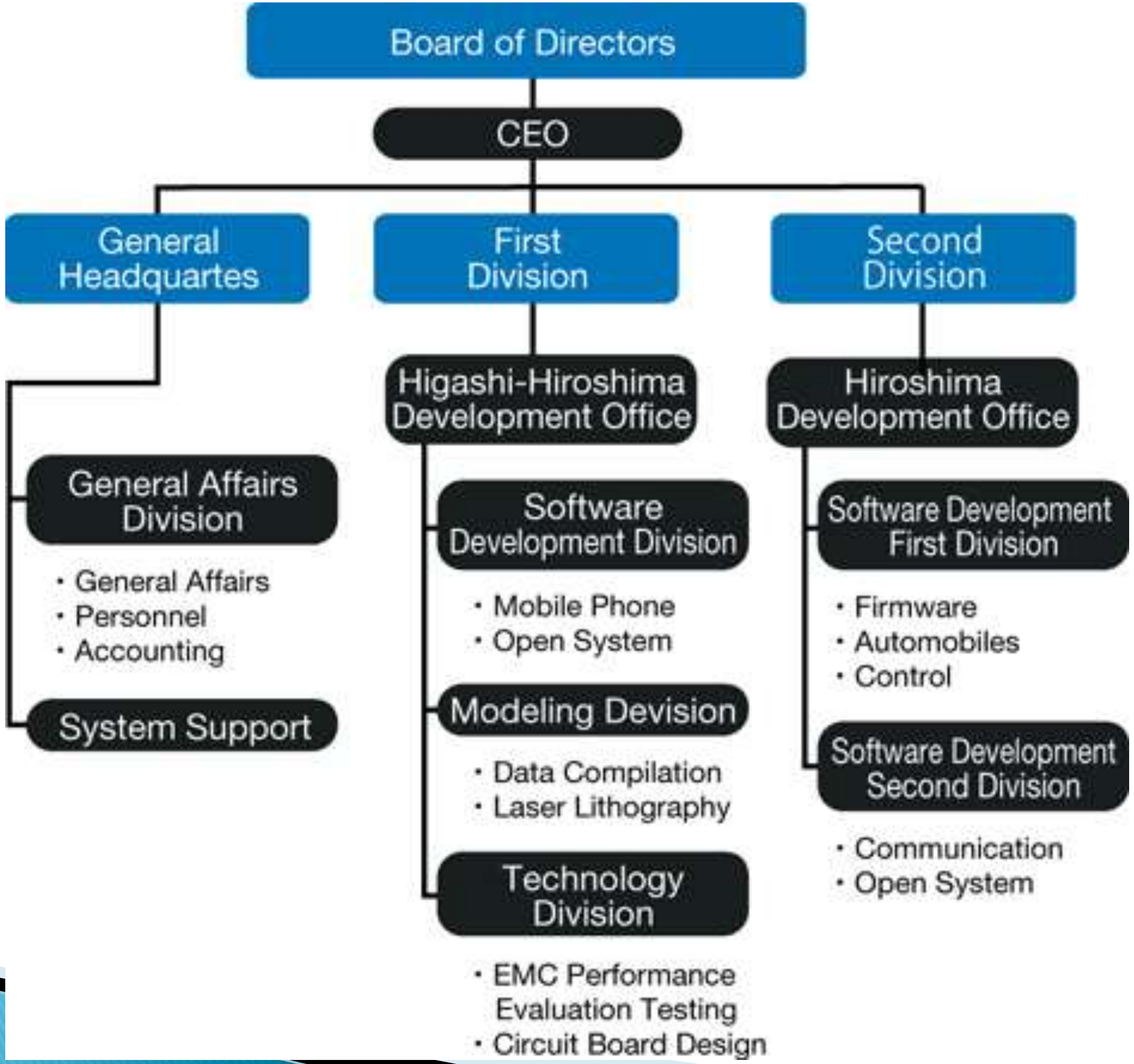
Network

The Network Structure

An "Internal Market Network" structure exists when the organisation establishes each subunit as an independent profit center allowed to buy and sell services to each other and the external market.

The "Externally Networked Organisation" develops temporary relationships with external corporations and institutions to meet goals.

Advantages	Disadvantages	Works Best When..
1. Highly flexible without much managerial layers 2. High individual participation and distinction 3. Crosses departmental and geographical boundaries	1. Tough to manage numerous lateral relationships across many members 2. Hard to maintain commitment of members over time	1. Business environment is dynamic and always in flux 2. Consumers demand highly customized services / products that require complex technology



Cellular/ Modular

DIMR

4.2 Organizational Structures for Strategy Implementation

- Directorate for Biological Sciences (BIO)
  - Emerging Frontiers (EF)
  - Division of Biological Infrastructure (DBI)
    - Human Resources
    - Research Resources
  - Division of Environmental Biology (DEB)
    - Ecosystem Science
    - Evolutionary Processes
    - Population and Community Ecology
    - Systematics & Biodiversity Science
  - Division of Integrative Organismal Systems (IOS)
    - Behavioral Systems
    - Developmental Systems
    - Neural Systems
    - Physiological & Structural Systems
    - Plant Genome Research Program
  - Division of Molecular and Cellular Biosciences (MCB)
    - Cellular Dynamics and Function
    - Genetic Mechanisms
    - Molecular Biophysics
    - Systems and Synthetic Biology

What is BPR- Business Process Re-engineering?

DIMR

- BPR is about **radical redesign** and **reorganization** of an enterprise to lower the cost and improve quality and services
- IT was assumed to be the key enabler for that radical change
- Focus on **reinventing** the way of company carries out rather on **improving or modifying process**
- It was recommended for the corporations where technology, people and organizational goals were **no longer valid**


Steps in Business Process Reengineering
Define Objectives and Framework
Identify Customer Needs
Study the Existing process
Formulate a Redesign Plan
Implement the Redesign Plan

Six Sigma Objectives

✓ Overall Business Improvement

Six Sigma methodology focuses on business improvement. Beyond reducing the number of defects present in any given number of products.

✓ Remedy Defects/Variability

Any business seeking improved numbers must reduce the number of defective products or services it produces. Defective products can harm customer satisfaction levels.

✓Reduce Costs

Reduced costs equal increased profits. A company implementing Six Sigma principles has to look to reduce costs wherever it possibly can--without reducing quality.

✓Improve Cycle Time

Any reduction in the amount of time it takes to produce a product or perform a service means money saved, both in maintenance costs and personnel wages. Additionally, customer satisfaction improves when both retailers and end users receive products sooner than expected. The company that can get a product to its customer faster may win her

✓Increase Customer Satisfaction

Customer satisfaction depends upon successful resolution of all Six Sigma’s other objectives. But customer satisfaction is an objective all its own.

Levels of Six Sigma

	Six Sigma Level	% Accuracy	DPMO*
Virtual Perfection	6	99.9997%	3.4
	5	99.98%	233
	4	99.4%	6210
Good	**3.5**	**97.7%**	**22,700**
	3	93.3%	66,807
Improvement Needed	2	69.1%	308,537

*Defects Per Million opportunities

DMAIC

- Define
- Measure
- Analyze
- Improve
- Control

Six-Sigma - A “Roadmap” for improvement

Define	Select a project
Measure	Prepare for assimilating information
Analyze	Characterise the current situation
Improve	Optimize the process
Control	Assure the improvements

DMAIC

Six Sigma Methods

DMAIC

- Define
- Measure
- Analyze
- Improve
- Control

DMADV

- Define
- Measure
- Analyze
- Design
- Verify

DMAIC

- Improve the target process by designing **creative solutions** to fix and prevent problems
- Create innovate solutions using technology and discipline
- Develop and deploy **implementation** plan

Lean vs. Six Sigma

Lean and Six Sigma.

Learning Organizations

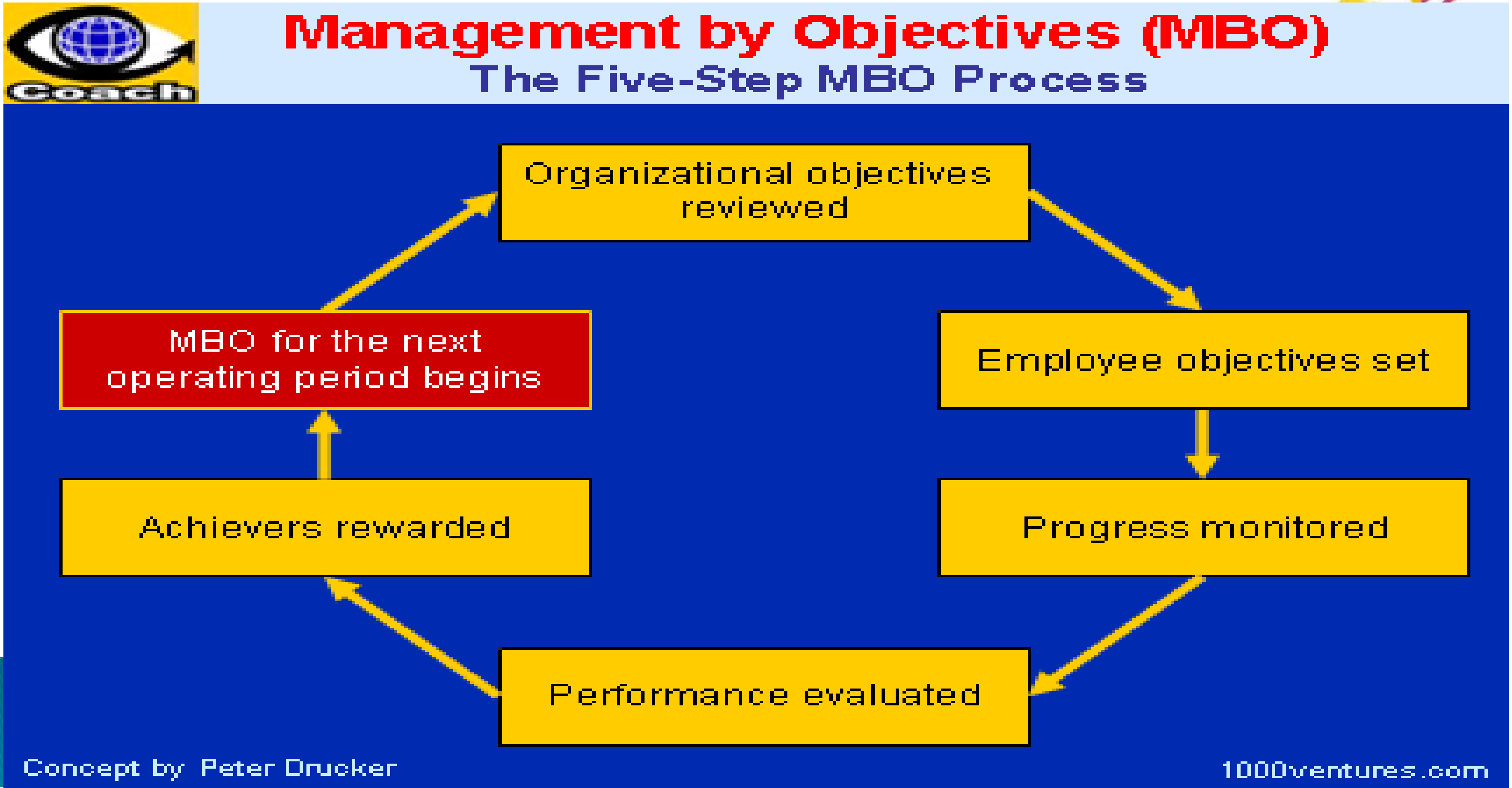
"Learning Organization: Where people continually expand their capacity to create the results they truly desire,
where new and expansive patterns of thinking are nurtured,
where collective aspiration is set free,
and where people are continually learning to see the whole together." - P. Senge

"A learning organization is an organization skilled at creating, acquiring and transferring knowledge, and at modifying its behavior to reflect new knowledge and insights". – D. Garvin

MBO

- Systematic and organized approach; allows management to focus on **achievable goals** and **attain** the **best** possible **results** from available resources
- Aims to **increase organizational performance** by aligning goals and subordinate objectives throughout the organization
- Ideally, employees get strong **input to identify** their objectives, time lines for completion, etc
- MBO includes ongoing **tracking and feedback** in the process to reach objectives
- By Peter Drucker in 1954: "Management by Objectives works if you **know the objectives**, 90% of the time you don't."

The Five-step MBO Process



TQM

TQM is an **integrated** organizational **approach in delighting customers (both external and internal)** by **meeting their expectations on a continuous basis** through everyone involved with the organizational working on **continuous improvement** in all products/processes along with proper problem solving methodology

Importance of Strategy Evaluation

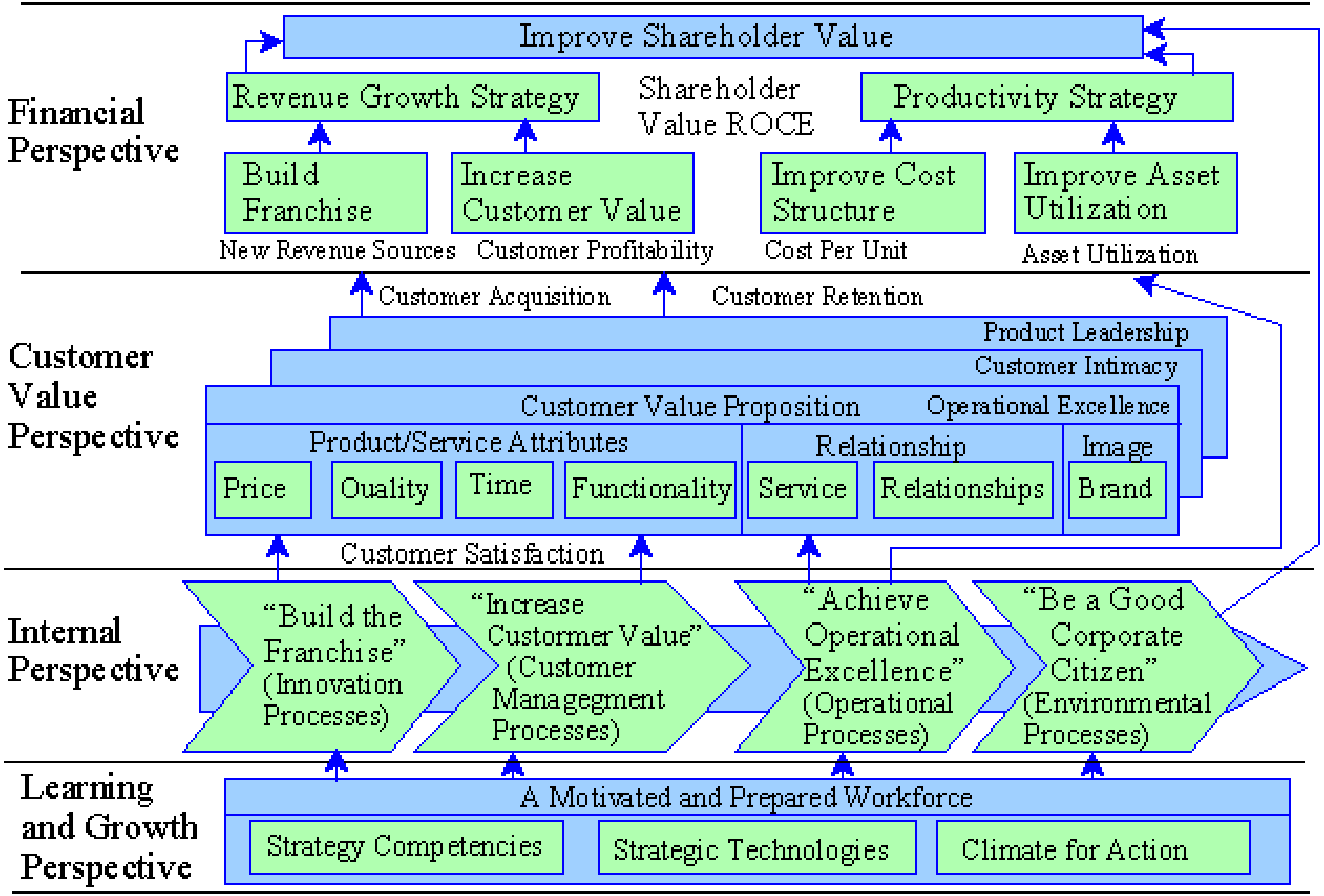
DIMR

1. Wrong postulation in planning,
2. Laxities on the part of management,
3. To develop right reward system,
4. Formulation of new strategy,
5. Modifying the present strategies,
6. Integration of individual tasks,

Balanced Score Card (BSC)

BSC is a strategic planning and management system used to **align** business activities to the **vision** and **strategy** of the organization by monitoring performance against strategic goals

Balanced Scorecard Strategy Map



* Adapted from Kaplan & Norton Figure 3-15 page 96.

UNIT 5

5.1 Blue Ocean Strategy
5.2 Business Models
5.3 Sustainability & Strategic Management

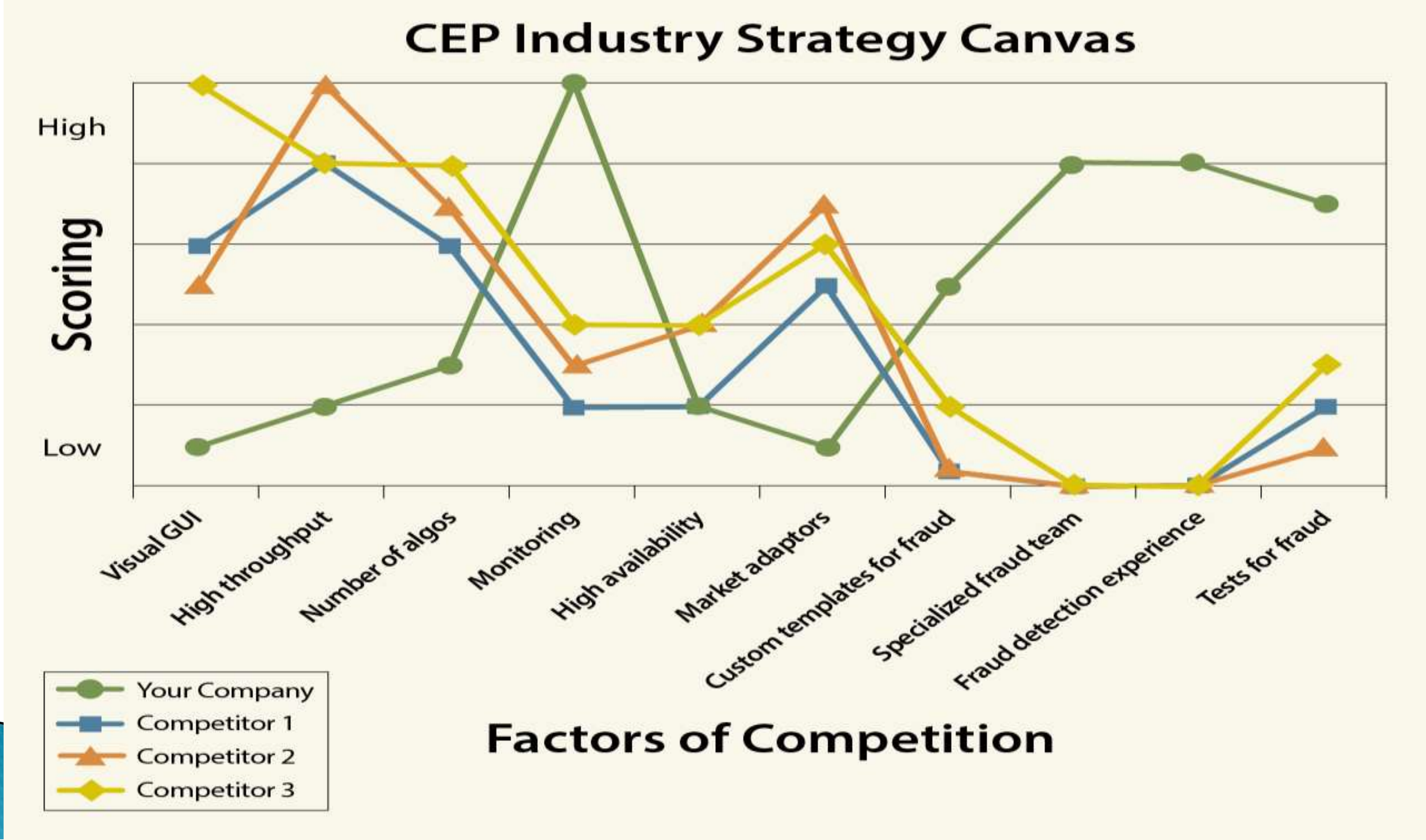
Difference between Blue and Red Ocean Strategies

Red Ocean Strategy Focus on current customers	Blue Ocean Strategy Focus on noncustomers
• Compete in existing markets	• Create uncontested markets to serve
• Beat the competition	• Make the competition irrelevant
• Exploit existing demand	• Create and capture new demand
• Make the value-cost trade-off	• Break the value-cost trade-off
• Align the whole system of a firm's activities with its strategic choice of differentiation OR low cost	• Align the whole system of a firm's activities in pursuit of differentiation AND low cost

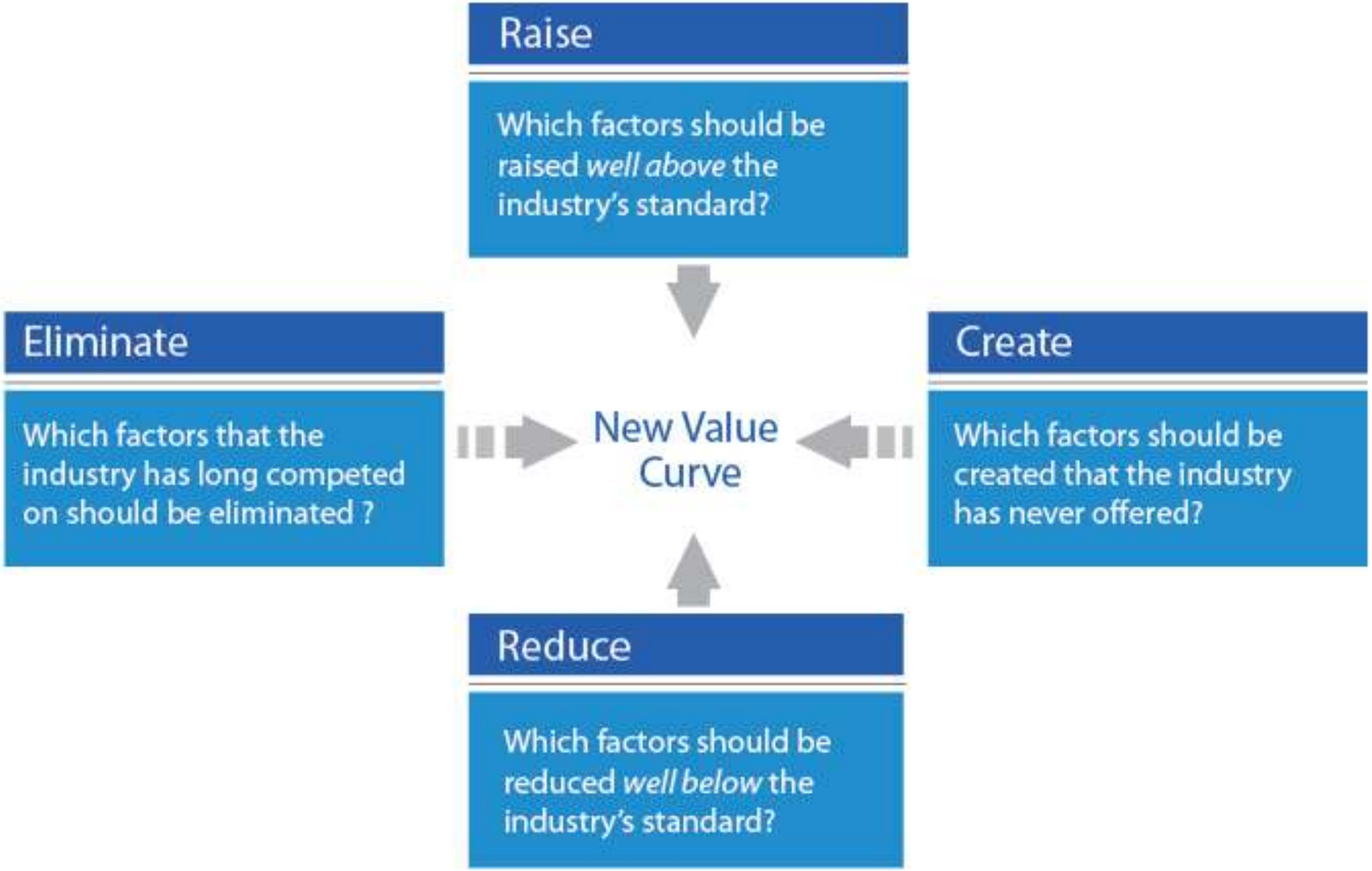
Strategy Canvass

A Line Graph of functions/ factors against importance for an organization and then overlays competitor's or industry benchmarks. This information helps to formulate a competitive strategy

Strategy Canvass



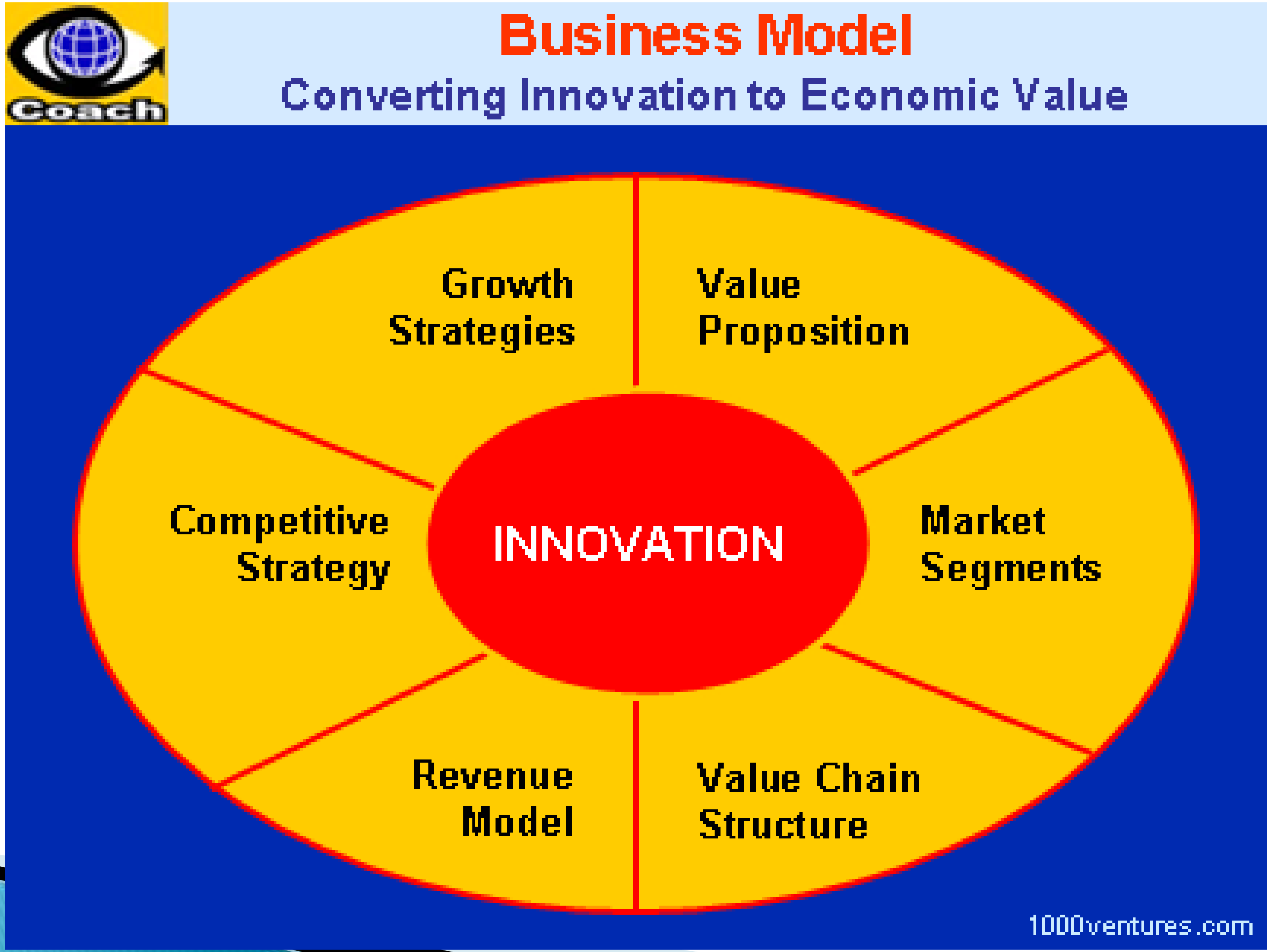
4 Action Framework – ERRC Grid



Components of Business Model

1. Identify your specific audience
2. Establish business processes
3. Record key business resources
4. Develop a strong value proposition
5. Determine key business partners
6. Create a demand generation strategy
7. Leave room for innovation

6 Components of Business Model

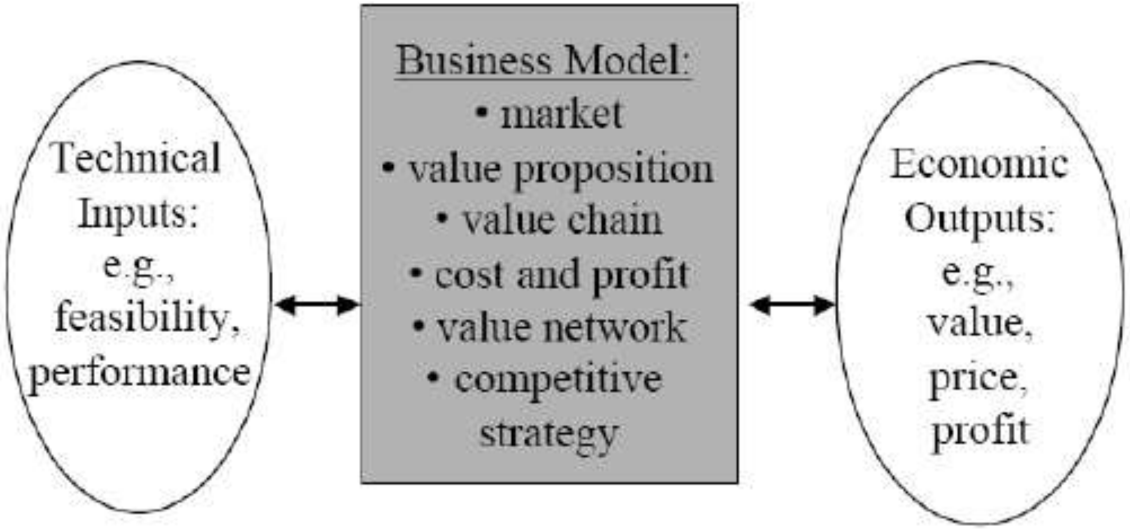


6 Components of Business Model

Six Components of the Business Model

Henry Chesbrough and Richard S. Rosenbloom , Harvard Business School

The Business Model Mediates Between the Technical and Economic Domains



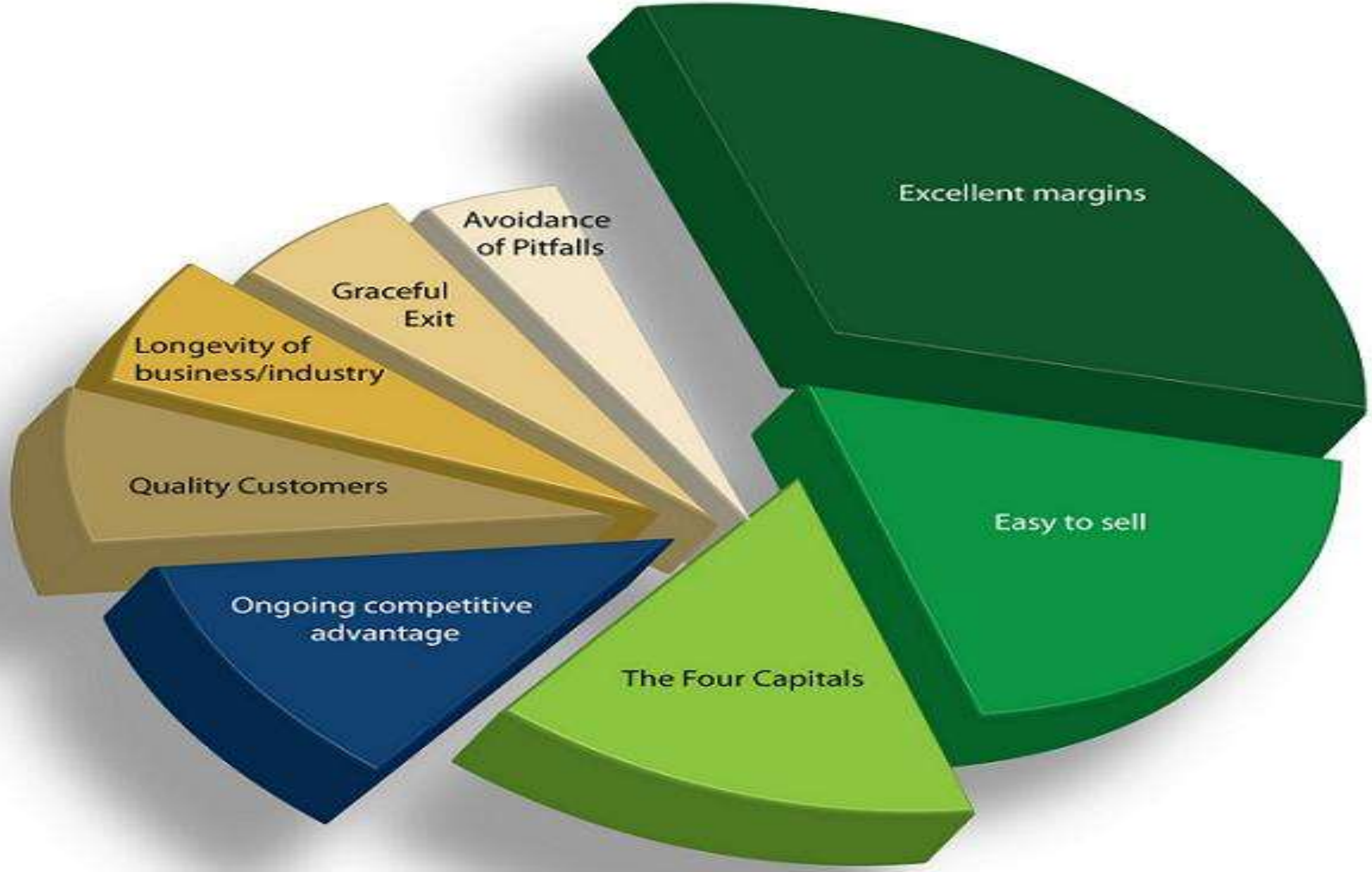
[redacted]

Measured in technical domain

Measured in social domain

[redacted]

8 Components of Business Model



E-commerce Business Models

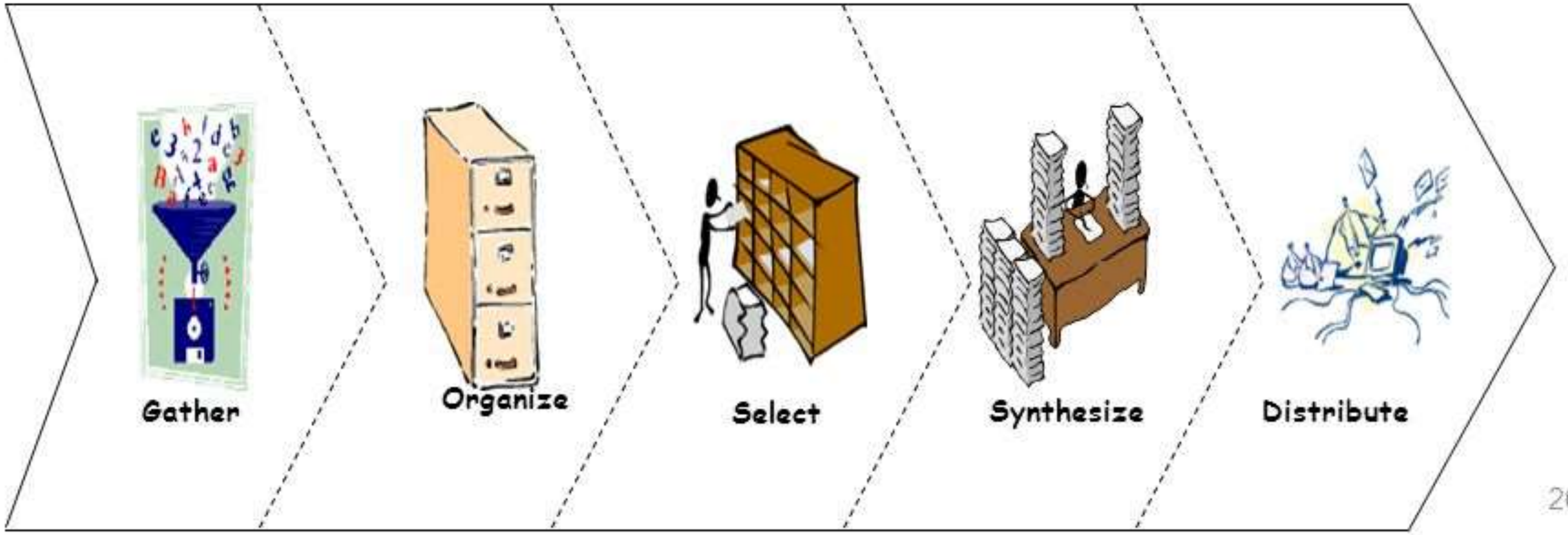
TYPE OF E-COMMERCE	EXAMPLE
B2C—Business to Consumer	Amazon.com is a general merchandiser that sells consumer products to retail consumers.
B2B—Business to Business	eSteel.com is a steel industry exchange that creates an electronic market for steel producers and users.
C2C—Consumer to Consumer	eBay.com creates a marketspace where consumers can auction or sell goods directly to other consumers.
P2P—Peer to Peer	Gnutella is a software application that permits consumers to share music with one another directly, without the intervention of a market maker as in C2C e-commerce.
M-commerce—Mobile commerce	Wireless mobile devices such as PDAs (personal digital assistants) or cell phones can be used to conduct commercial transactions.

E–Business Models

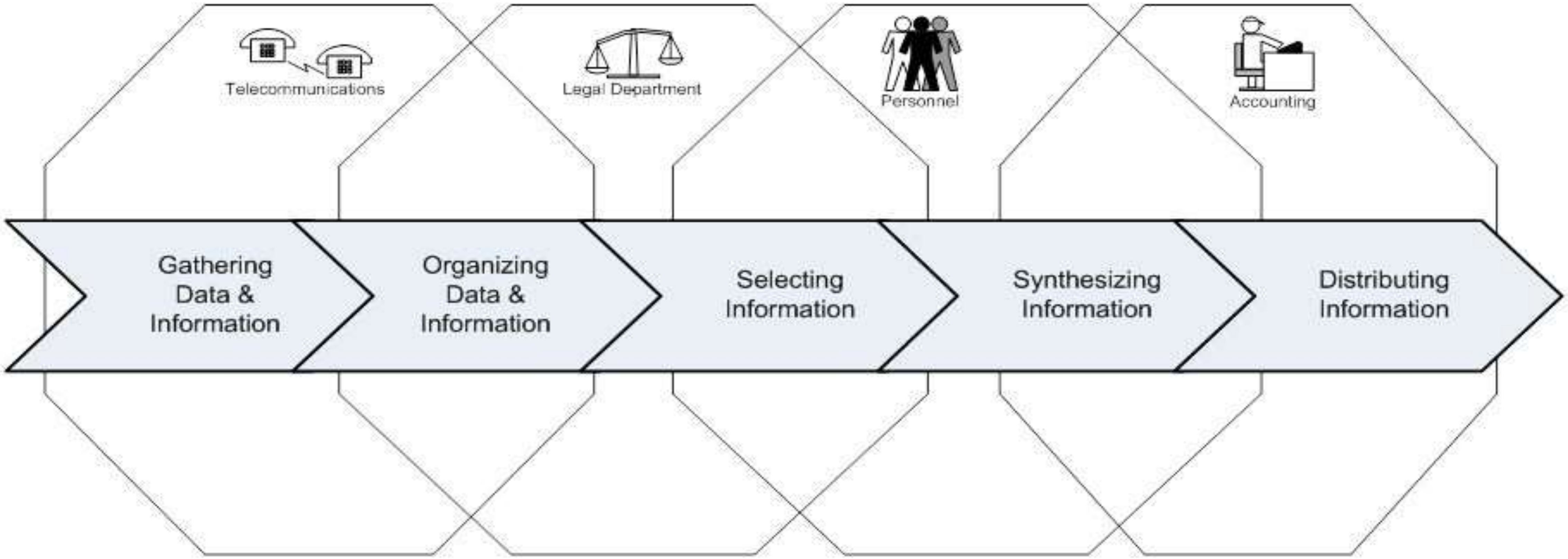
	Business	Consumer	Government
Business	B2B conisint.com	B2C dell.com	B2G lockheedmartin.com
Consumer	C2B priceline.com	C2C ebay.com	C2G eGov.com
Government	G2B export.gov	G2C medicare.gov	G2G disasterhelp.gov

Virtual Value Chain(VVC)

- Designed to map the set of sequential activities that enable a firm to transform:
  - Raw data in input into
  - Higher value information in output
- Adopts the same logic as the physical value chain
- VVC recognizes info as the entity being transformed (the value of which is being enhanced) through the chain of activities



Virtual Value Chain



Threats to Business Sustainability

- **Too many metrics** to measure sustainability; they're too confusing
- **Government policies** need to intent outcomes and be more clearly connected to sustainability
- **Consumers** do not consistently factor sustainability into their purchase decisions
- Companies do not know how best to **motivate employees** to undertake sustainability initiatives
- Sustainability still does **not fit** neatly into the business case


PEOPLE
Social variables dealing with community, education, equity, social resources, health, well-bring, and quality of life
BEARABLE
EQUITABLE
SUSTAINABLE
PLANET
Environmental variables relating to natural resources, water & air quality, energy conservation & land use
VIABLE
PROFIT
Ecomonic variables dealing with the bottom line & cash flow

Triple Bottom line