

2.

STRATEGIC ANALYSIS AND STRATEGIC PLANNING

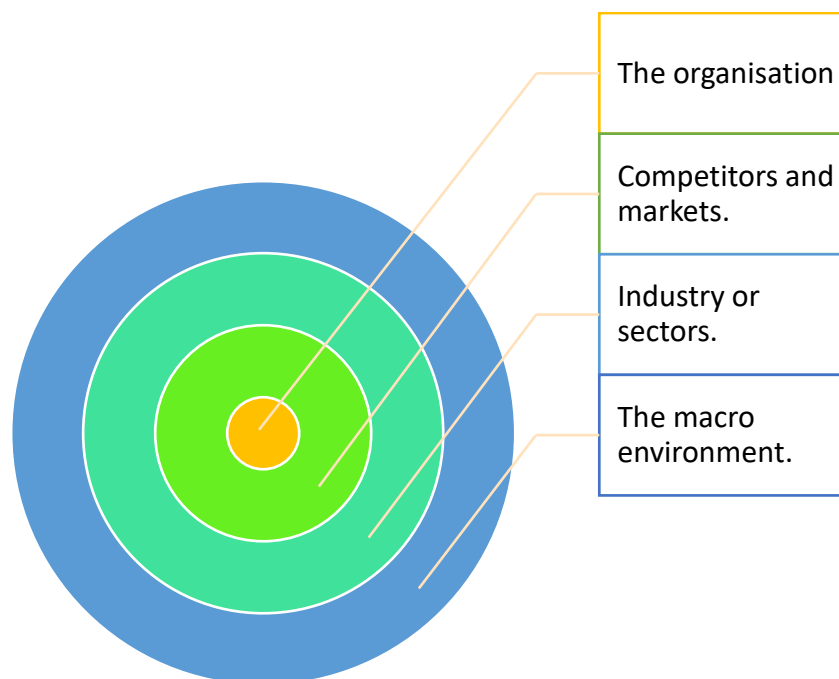
- The task of strategic manner is to manage the strategy making process:-



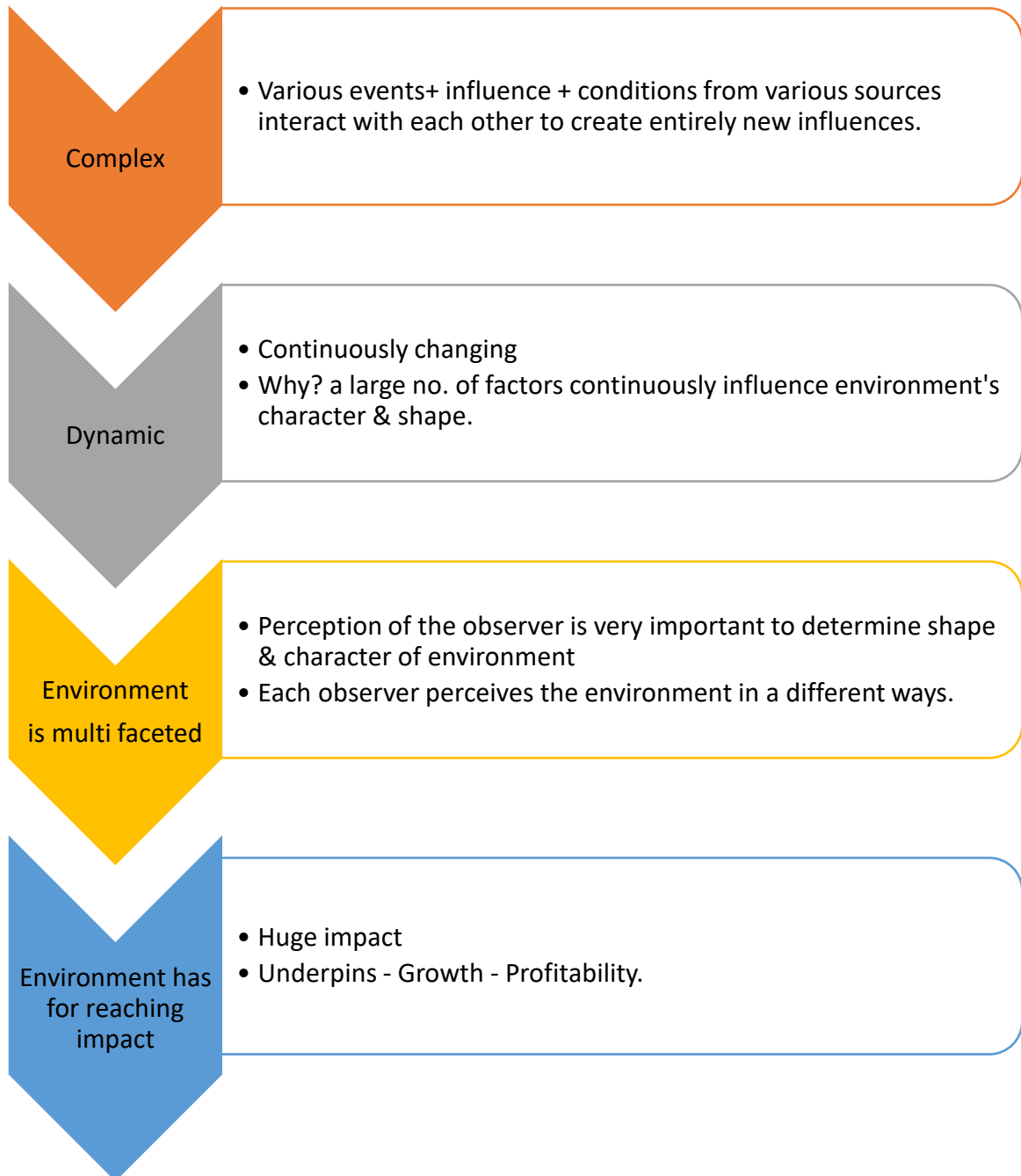
➤ ANALYSIS OF BUSINESS ENVIRONMENT :-



➤ LAYERS OF BUSINESS ENVIRONMENT:-

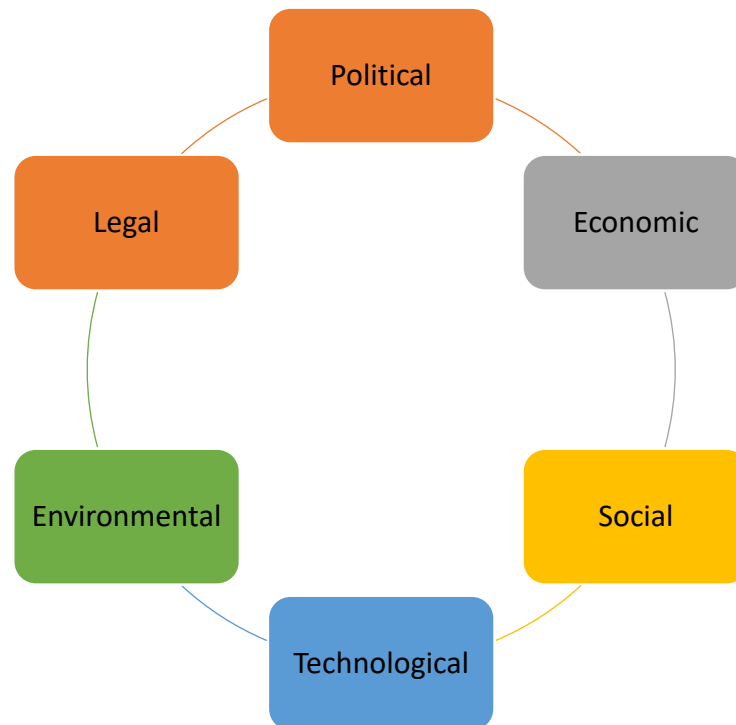


➤ CHARACTERISTICS OF BUSINESS ENVIRONMENT:-



➤ PESTEL FRAMEWORK:-

- It includes macro environmental factors.



➤ INDUSTRY AND SECTORS:-

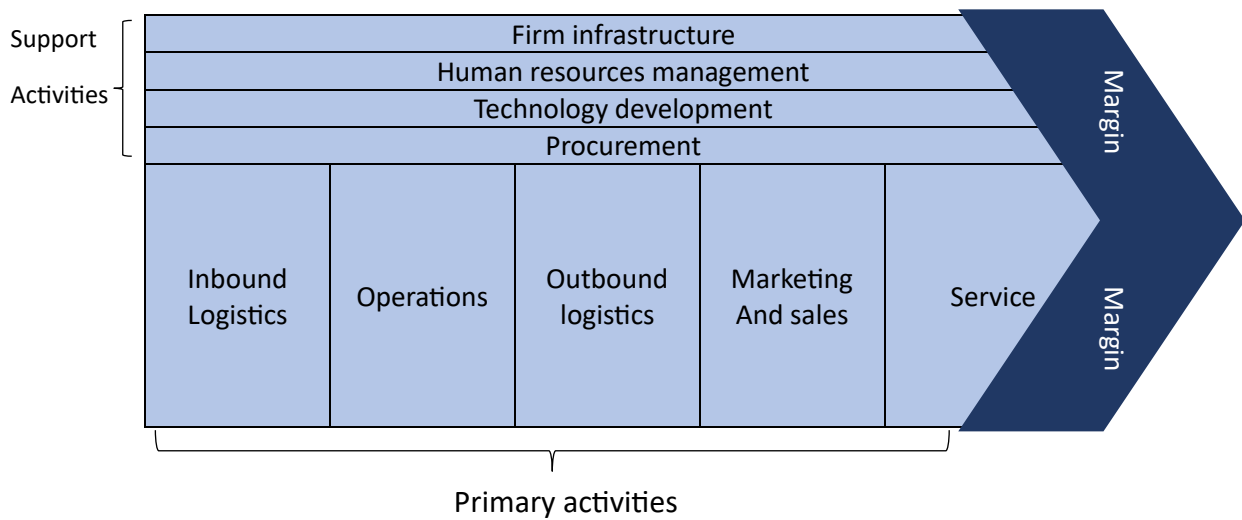
It is a group of firms producing same principle product or service .

Such products & services are close substitute of each other.

A companies close competitors serve the same basic customer needs . e.g., Nike , Adidas.

Closely related industries together form sectors.
e.g., film industry + music industry + drama industry = entertainment sector.

➤ VALUE CHAIN :-



- It describes categories of activities - within & around - make product and services
- This was developed in relation with competitive strategy by porter.
- A company is a chain of activities that transforms input into output.
- Transformation process - primary and secondary.
- Support activities will improve effectiveness & efficiency of primary services.

• For a manufacturing company – primary activities :-

Inbound	Operations	Outbound	Marketing & sales	Service
<ul style="list-style-type: none"> • Receive, store & distribute input to product & services • Includes material handling, transport, stock control 	<ul style="list-style-type: none"> • Transform input into output e.g., packaging, assembling, testing. 	<ul style="list-style-type: none"> • Store & distribution of product to customers. e.g., warehousing, transportation & distribution 	<ul style="list-style-type: none"> • A customer is made aware of the product & services. 	<ul style="list-style-type: none"> • It enhances or maintain the value of product or service. e.g., installation, repair.

➤ PORTER'S FIVE FORCES FRAMEWORK:-

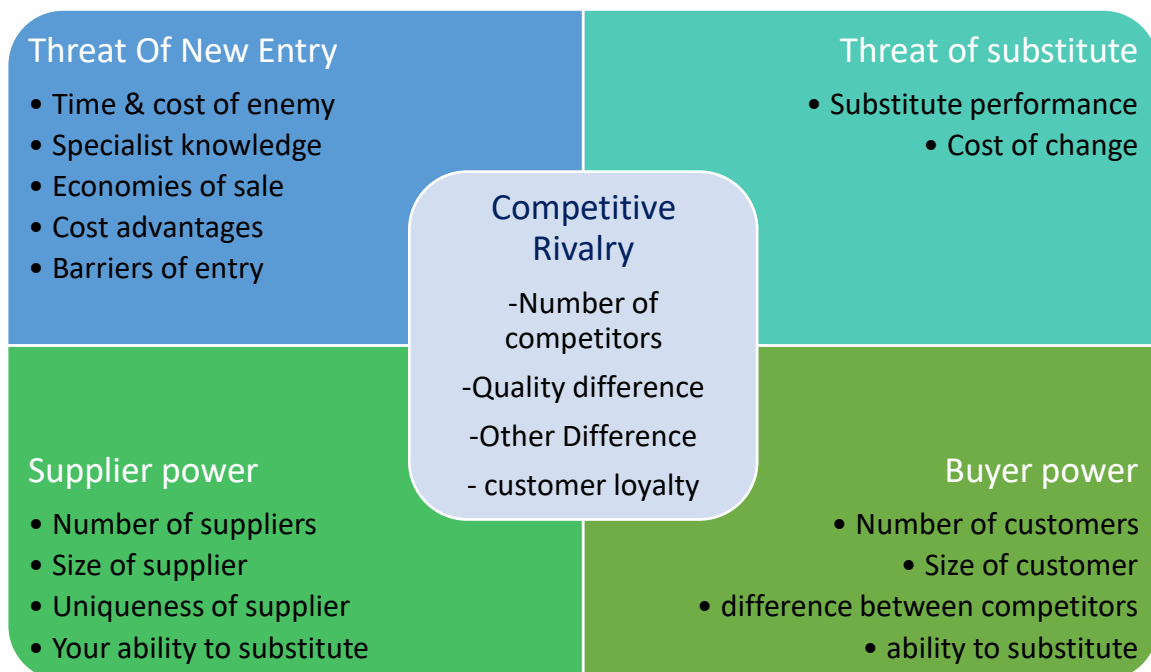
It is a framework for analysing competition of a business.

It studies competitive intensity & attractiveness of an industry.

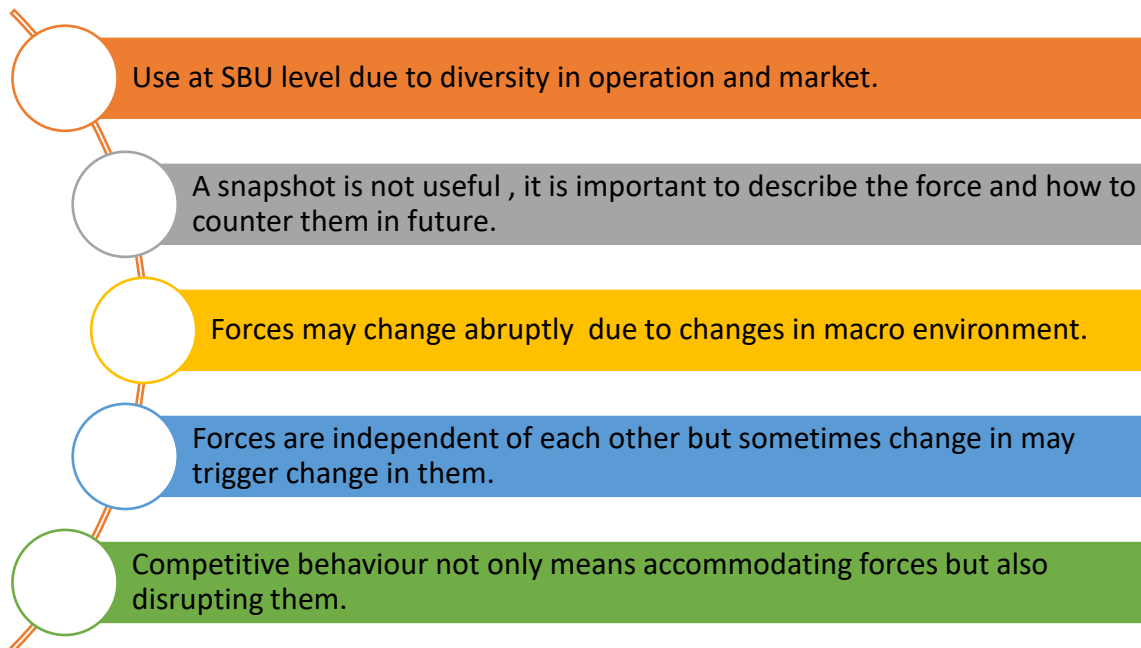
Unattractive industries → 5 forces → profitability
(Pure competitive industry)

You always get → normal profit

Framework → Harward business review, 1979.

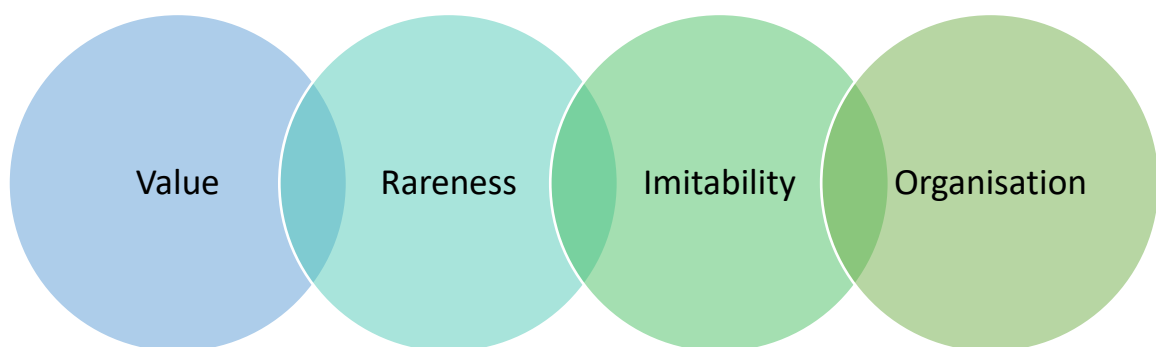


- Points necessary to consider :-



➤ VRIO FRAMEWORK:-

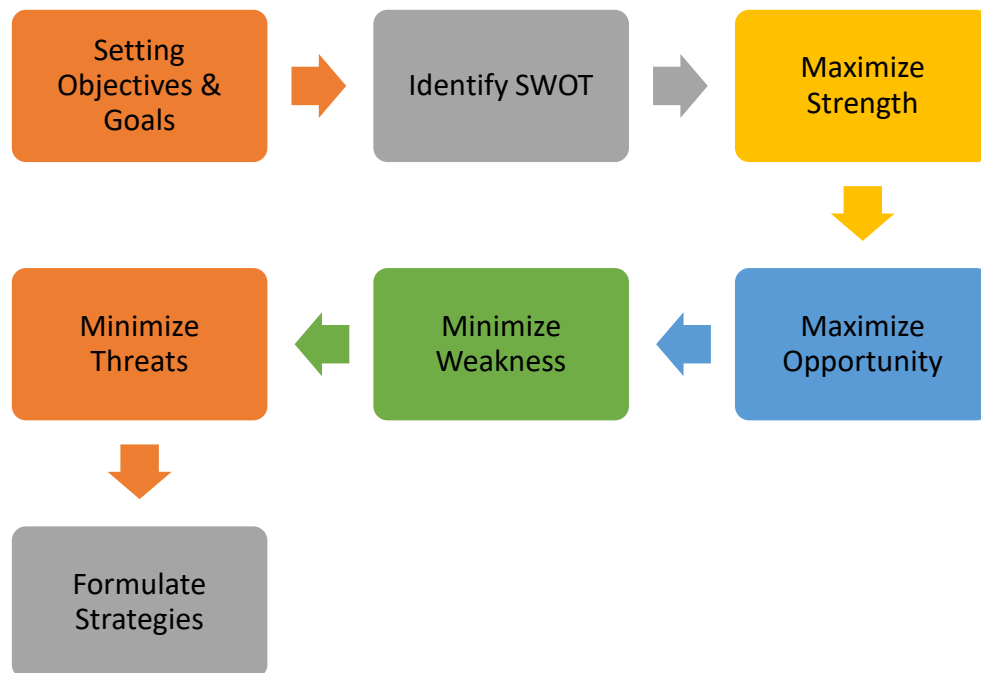
- The VRIO framework, as given by Barney.
- It helps to evaluate its competencies of an organisation.



➤ SWOT ANALYSIS:-

- It is useful for decision marketing process and evaluation of strategic position.

➤ STEPS IN SWOT ANALYSIS:-



➤ DRAWBACK OF SWOT:-

It is hard to segment opportunities and threats.

Confusion between strength and opportunities, weakness and threats.

There is a very long list of S, W, O, T importance & more relevant.

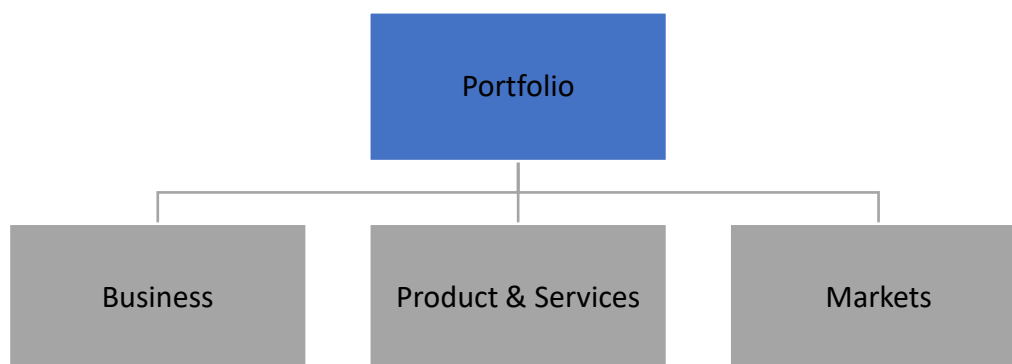
It's easier to make a list but aligning the objective with it is very challenging.

General tools → SWOT better tools can be used.

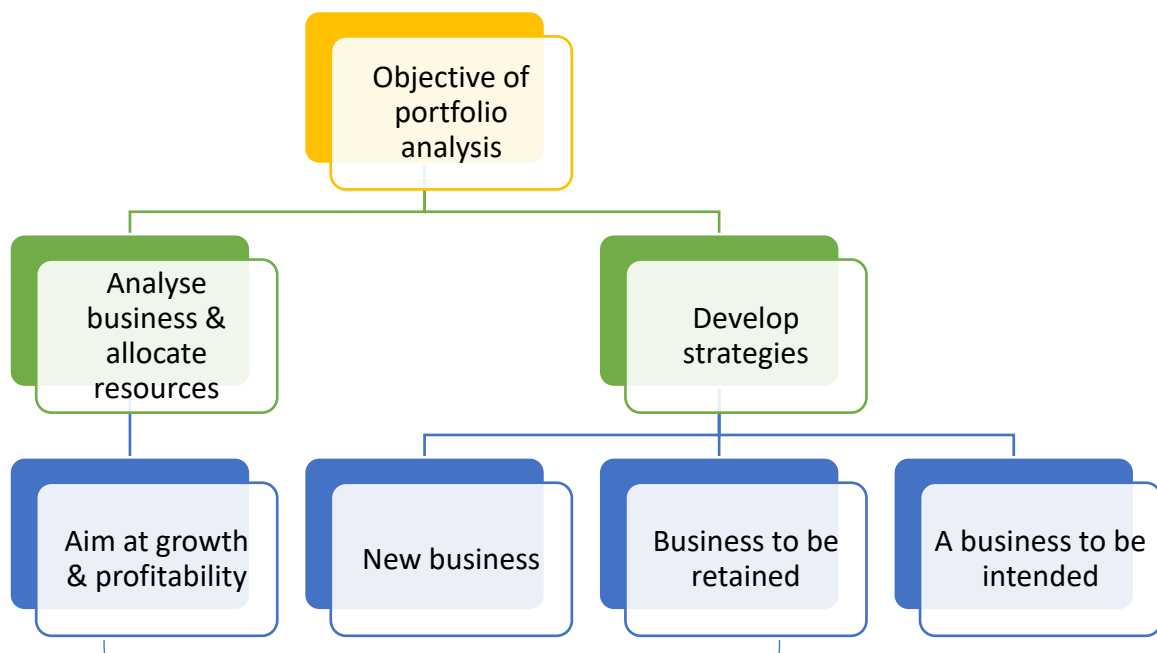
➤ PORTFOLIO ANALYSIS:-

It analyses portfolio of product or business units for the best possible returns.

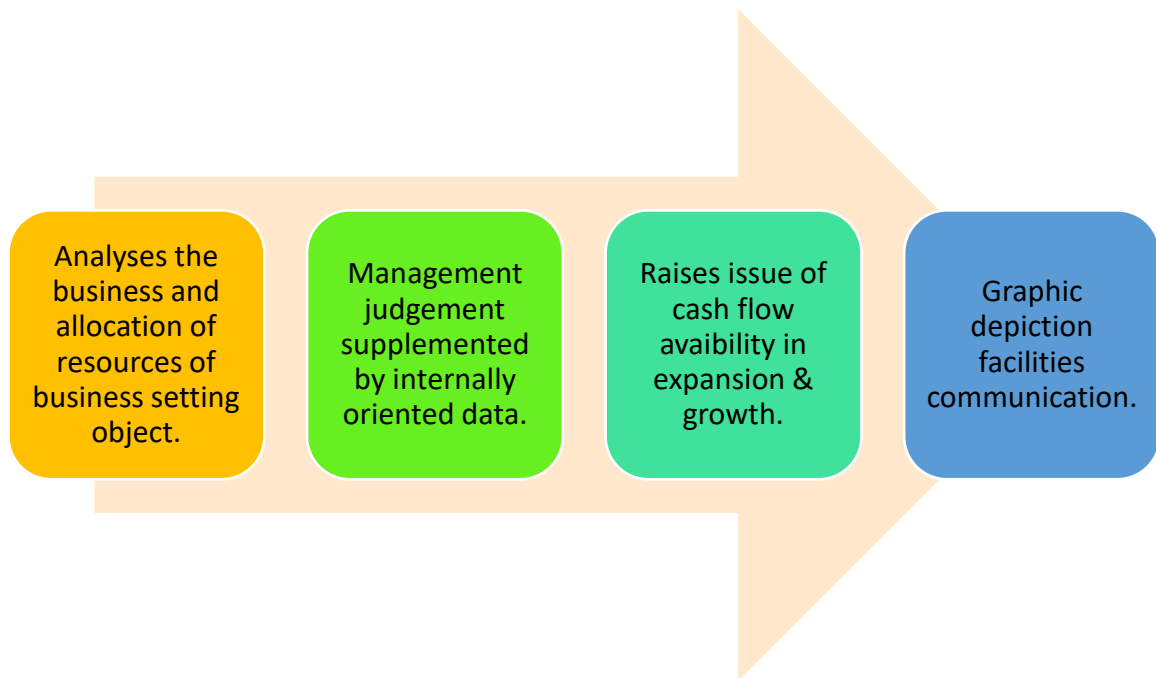
Acquisitions and diversities will add more shareholder value as compared to passive business.



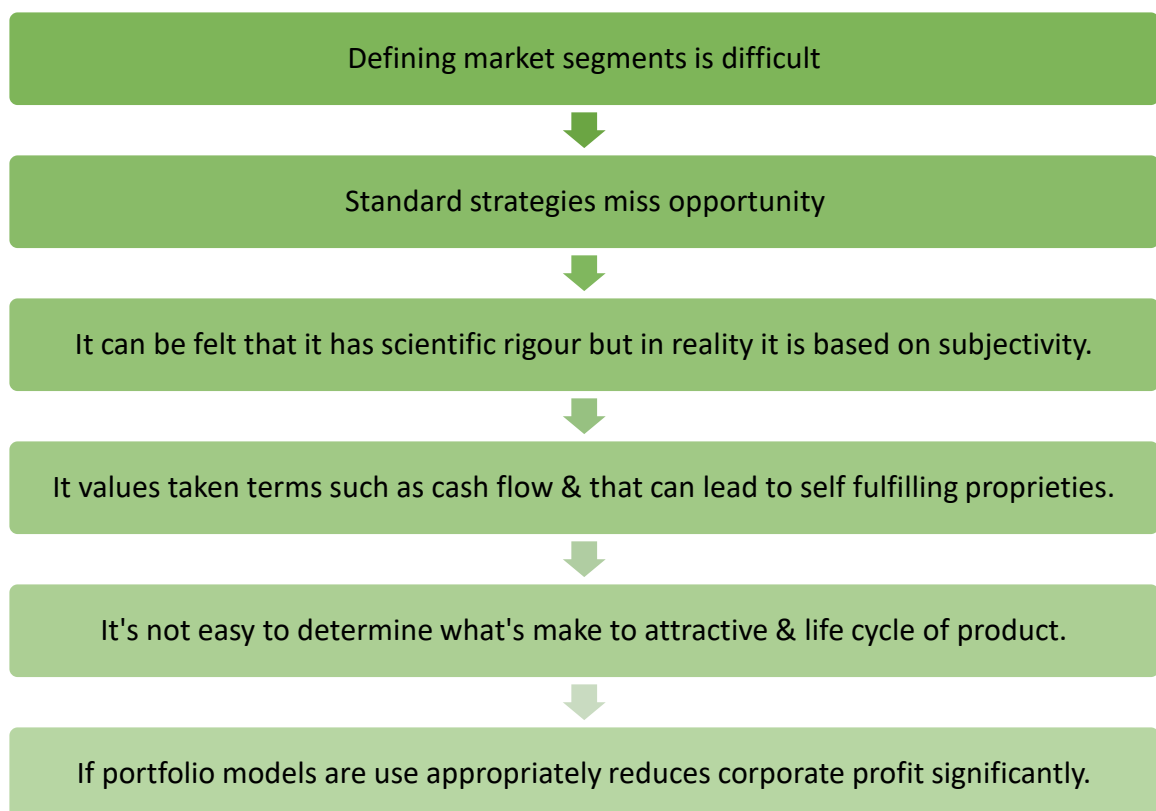
➤ OBJECTIVE OF PORTFOLIO ANALYSIS:-



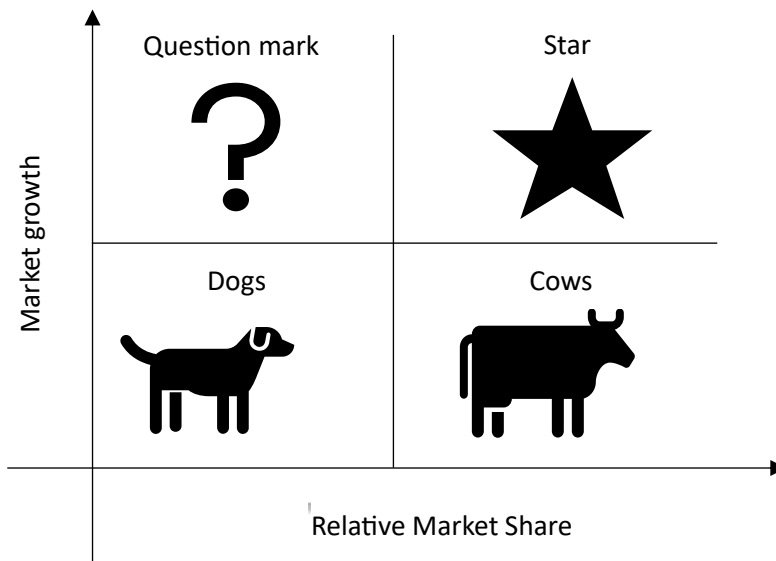
➤ ADVANTAGES OF PORTFOLIO ANALYSIS:-



➤ LIMITATIONS OF PORTFOLIO ANALYSIS:-

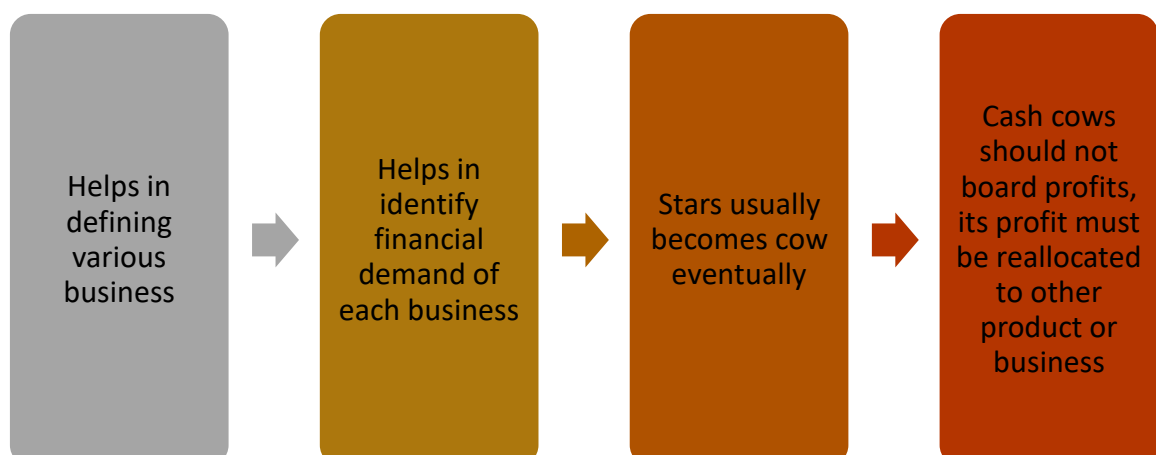


➤ BCG MATRIX :-

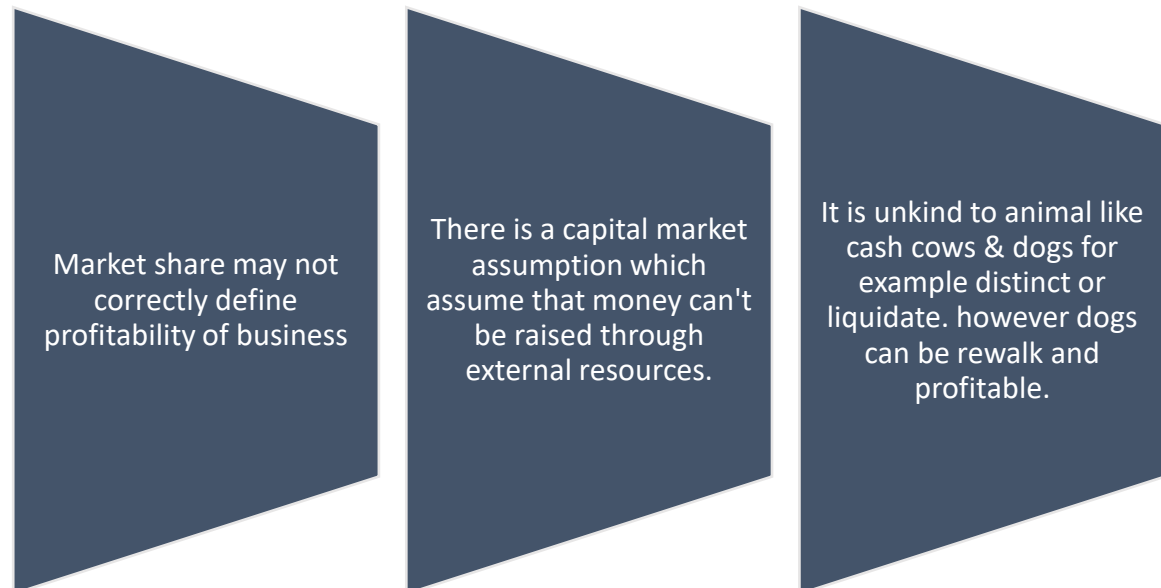


$$\text{Relative Market Share} = \frac{\text{Firm's market share (or revenue)}}{\text{Largest Competitors market share (or revenue)}}$$

➤ ADVANTAGES OF BCG MATRIX:-



➤ DISADVANTAGES OF BCG MATRIX:-



➤ STAGES IN STRATEGIC PLANNING:-

• STEP ONE:





• STEP TWO = THE FEEDBACK LOOP:

It is a never ending loop.

It is use for monitoring the strategic goal & objective are achieve and competitive advantages sustained execution of strategy.

➤ ALTERNATIVE STRATEGIC PLANNING :-



1. SENARIO PLANNING :-

A strategic planning may fail over a long period of time as a future is completely unpredictable.

What if a scenario - Optimistic, Pessimistic.

Indicator can be used as a signs post to track trends & identify probability of a scenario coming to pass.

Managers can understand dynamic & complex environment.

Things about problems in a strategic fashion & generate a range of strategic options that might be pursued under different circumstances.

Suitable for large organisation.

2. DECENTRALIZED PLANNING:-

This is very traditional approach it also means ivory too approach & strategies planning done by top manager.

Which may do more harm.

What can be done ?
Encompass managers at all level.

Planning should be decentralized.

Corporate level → facilities to middel & lower management. Major strategic goals + arrange necessary resources.

Mechanism for identifying strategic alternatives

- Brain storming session
 - Special meeting
 - 1. identifying alternatives
 - 2. Merits & demerits of each select the best alternatives.
 - Outside consultants - Engage a TPC in strategic planning.
 - Joint meeting - Internal management + Outside management.
- Place is decided first

➤ TECHNIQUES OF IMPROVING DECISION MAKING :-

