Dedicated to

My wife Shubhada & daughter Apurva, for motivating me whenever possible, and anchoring whenever required.

– Rajiv M. Gupte

My Family (Narayan Limaye, Laxmichhaya Limaye, Amit Limaye) & my wife Anvi for constant motivation & support whenever necessary.

Also to the unending support from Mr. Hemant Mahajan & Mrs. Smita Mahajan.

– Anand N. Limaye
This book is full of original ideas – very few of our own. There are a whole lot of people who could have written each chapter of this book better than us. But our consolation is that none would have written all the chapters. Our role is to weave the threads of individual research into a fine, elegant, useful cloth. In any case, this is not intended to be a reference book. This is a textbook based on the latest syllabus of universities. It is intended to get the students pass the exams.

Then we had other constraints, we wanted less than 250 pages. This is intended to ensure that the students carry the book to the classes. The entire gamut of strategy management models and theories, in so few pages was a tough task. We have restricted ourselves to the syllabus but ensured that, this is the book that covers the entire syllabus. All the latest theories, models and discussion are included in this volume, leaving no gap. Besides we have ensured that this book covers all the learning objectives and course outcome specified by the University. As such from Blooms taxonomy, this book deals with familiarisation and understanding as specified in the syllabus. For higher level of learning, one may be required to study original texts. We have tried to demonstrate applications using appropriate illustrations and exercises with original case studies. By no means, the models are ours. We have tried to show, when and how the models are applicable through the case studies.

Hope this cloth satisfies the purpose of covering the gaps in learnings.

– Authors
ACKNOWLEDGEMENTS

At the outset, we wish to acknowledge all the people, whose original ideas we have predated in this book.

Without constant pestering from our friend Prof. Anant Amdekar, this book would not have reached completion. We also thank all the colleagues and staff members of MET Institute of Management, especially Prof. Vikas Naik for his guidance and Mr. Shailesh Rege for his support.

This book was initiated due to motivation from Prof. Shailesh Kale of WE SCHOOL and completed due to constant pressure by Prof. D.M. Marathe of Sydenham.

This book would not have been a reality without the support of Dr. Vijay Page, Director General, MET Institute of Management.

A lot of people have supported us to complete this book, but all the shortcomings are ours.

– Authors
BOOK REVIEW

I consider this book as a useful contribution to the management students, as this covers the syllabus completely and explains the concepts in simple, lucid language.

– Prof. D.M. Marathe
Sydenham Institute of Management Studies

This book makes difficult strategic management concepts very easy to understand, and connects very well with the students. Well done.

– Prof. Shailesh Kale
We School

This book demonstrates how strategy, strategic management principles and practices are important for all management concepts and adding value to the business. Case studies are the highlight of this book. All the best.

– Prof. Anant Amdekar
NMIMS

This book on strategic management fills the gap between industry and academics. Such a book has been long awaited by the students. I thank the authors for such magnificent work.

– Dr. Ajay Chaubal
Chetna Institute of Management
# CONTENTS

1. Introduction to Strategic Management  
   (Formulation, Implementation and Strategic Management Process)  
   1 – 9

2. External Environment Analysis  
   (SWOT and PESTEL as Tools for Strategic Formulation)  
   10 – 23

3. Corporate Level Strategy  
   (ANSOFF Model and GRAND Strategy)  
   24 – 32

4. Product Portfolio Matrix  
   (BCG, GE/Mckinsey, 7S)  
   33 – 47

5. Business Level Strategy  
   (Porter’s Generic Strategy and Porter’s Value Chain)  
   48 – 68

6. Core Competence of the Corporation  
   (Internal Competence and Vrio Framework)  
   69 – 79

7. Red, Blue and Purple Ocean Strategy  
   80 – 96

8. Competing in Global Market  
   97 – 102

9. Mergers and Acquisition  
   103 – 108

10. Change Management and Turnaround Strategies  
    109 – 124

11. Complexity Management and Globalization  
    125 – 130

12. Strategy Formulation Schools  
    131 – 138

13. Strategy Implementation and Control  
    139 – 143

14. Case Studies  
    144 – 197

15. Epilogue  
    198 – 200
Learning Objectives

- To be familiar with the concept of strategy
- Understand and apply strategy formulation process
- Understand advantages of strategic management
- Understand the components of strategic management process
- Define vision-mission
- To be able to draft vision-mission statement

INTRODUCTION TO STRATEGIC MANAGEMENT

While it has been well accepted that strategic formulation and implementation is essential for any firm survival there is really not an argument on the definition of strategy.

What is Strategy?

The word “strategy” is derived from the Greek word “strategos”, stratus (meaning army) and “ago” (meaning leading/moving).

A strategy could be:

- A plan or course of action for a set of decisions, making a pattern or creating a common thread.
- A pattern or a common thread derived from the policies, goals and objectives, of an organization.
- The activities that move an organisation from its current state to its desired future state.
- The resources necessary for implementing a plan or following a course of action.

A strategy is an action plan built to achieve a specific goal or set of goals within a definite time, while operating in an organizational framework.
Strategic Management

It is a well-defined roadmap of an organization. It defines the overall mission, vision and direction of an organization. The objective of a strategy is to maximize an organization’s strengths and to minimize the strengths of the competitors.

Strategy, in short, bridges the gap between “where we are” and “where we want to be”.

Definitions of Strategy Management

According to Rajiv Nag, Donald Hambrick & Ming-Jer Chen, “Strategic management is the process of building capabilities that allow a firm to create value for customers, shareholders, and society while operating in competitive markets.”

David Fred writes, Strategic management can be defined as the art and science of formulating, implementing, and evaluating cross-functional decisions that enable an organization to achieve its objectives. As this definition implies, strategic management focuses on integrating management, marketing, finance/accounting, production/operations, research and development, and information systems to achieve organizational success.

The following statements serve as a number of workable definitions of strategic management.

Strategic management is the process of managing the pursuit of organizational mission while managing the relationship of the organization to its environment. (James M. Higgins)

Strategic management is defined as the set of decisions and actions resulting in the formulation and implementation of strategies designed to achieve the objectives of the organization. (John A. Pearce II and Richard B. Robinson, Jr.)

Strategic management is the process of examining both present and future environments, formulating the organization's objectives, and making, implementing, and controlling decisions focused on achieving these objectives in the present and future environments. (Garry D. Smith, Danny R. Arnold, Bobby G. Bizzell)

Strategic management is a continuous process that involves attempts to match or fit the organization with its changing environment in the most advantageous way possible. (Lester A. Digman)

History of Strategic Management

The term strategic planning originated in the 1950s and was very popular between the mid-1960s and the mid-1970s. During these years, strategic planning was widely believed to be the answer for all problems. At the time, much of corporate America was “obsessed” with strategic planning. Following that “boom,” however, strategic planning was cast aside during the 1980s as various planning models did not yield higher returns. The 1990s, however, brought the revival of strategic planning, and the process is widely practiced today in the business world.

Importance of Strategic Management

Achievement of Goals: Strategic management is primarily concerned with the formulation and implementation of feasible and viable management strategies. The feasibility of a management strategy is measured through its effectiveness to increases a business’ ability to adapt to its external environment and the achievement of strategic goals, as ranked on the basis of achievement preferences.
As the external environment of a business is likely to change after a specific period, a business consistently modifies its management strategies to be able to cope up with the altering trends of its external environment. However, despite these modifications, basic objectives of a management strategy remain same which confer with the principles of the development of competencies, synergy and cost value for the consumers.

Core Competencies: Strategic management also focuses on the recognition and enhancement of core competencies of a business, to improve its position in the market. It may be used to distinguish and highlight the core competencies of a business to that it may be provided with a competitive edge over others.

Synergy: Integration of various managerial functions and decisions is one of the prime focuses of strategic management and planning. It stresses on the development of synergy to enhance a business’ functional efficiency and contribute towards the achievement of its objectives.

Role of Strategic Management in Present Age

Strategic management has been under a continual process of transformation and modification to increase its effectiveness with evolving business and market needs. Growing competition in the international markets has also contributed towards the incorporation of new trends and applications, into strategic management activities. One of the most prominent shifts in the paradigms of strategic management in the recent time is highlighted as the shifting of focus on the efforts to excel in the provision of premium quality services and products.

In fact, in the present times, strategic management is not only about achieving excellence in the quality of products and services, but in general, it is regarded as one of the fundamentals of business management that are to improve the efficiency and value of various business endeavours and operations.

It has come a long way from theoretical studies, and today, strategic management is more about the practical implementation of judiciously formed decisions and diligently devised strategies. It has adopted a more practical and pro-active approach towards the achievement of business objectives.

Moreover, today strategic management gives due importance to the deliverance of value to the consumers. It is largely driven by factors which are concerned with the optimum consumer satisfaction and effective consumer interaction.

Challenges in Strategic Management

Today, increasing market competition and various obstacles faced in the way of the growth of a business entity is one of the major challenged that is being faced in the field of strategic management. Businesses are particularly focused on growth objectives amid highly saturated consumer markets, and they feel the need to deploy highly effective and efficient strategic management strategies in order to ensure their survival in the present ear of increasing global competition.

Moreover, it is necessary that businesses focus the development of management strategies towards value creation. It is one of the most significant factors that lead to the growth and progress of a business. Frequently evolving business needs have made it extremely difficult for the businesses to work in accordance with a consistent management strategy and they continuously modify their strategies to be able to establish a viable linkage between strategic application and profits and costs.
Hence, in order to meet all the objectives of value creation and eventual growth, it is recommended that strategic planning is to be focused on the appraisal of all the active participants of strategic procedures, and their feasibility towards reducing costs and increasing benefits.

**Stages of Strategic Management**

1. **Strategy Formulation**: Strategy formulation includes developing a vision and mission, identifying an organization’s external opportunities and threats, determining internal strengths and weaknesses, establishing long-term objectives, generating alternative strategies, and choosing particular strategies to pursue. Strategy-formulation issues include deciding what new businesses to enter, what businesses to abandon, how to allocate resources, whether to expand operations or diversify, whether to enter international markets, whether to merge or form a joint venture, and how to avoid a hostile takeover. Because no organization has unlimited resources, strategists must decide which alternative strategies will benefit the firm most. Strategy-formulation decisions commit an organization to specific products, markets, resources, and technologies over an extended period of time. Strategies determine long-term competitive advantages. For better or worse, strategic decisions have major multifunctional consequences and enduring effects on an organization. Top managers have the best perspective to understand fully the ramifications of strategy-formulation decisions; they have the authority to commit the resources necessary for implementation.

2. **Strategy Implementation**: Strategy implementation requires a firm to establish annual objectives, devise policies, motivate employees, and allocate resources so that formulated strategies can be executed. Strategy implementation includes developing a strategy-supportive culture, creating an effective organizational structure, redirecting marketing efforts, preparing budgets, developing and utilizing information systems, and linking employee compensation to organizational performance.

Strategy implementation often is called the “action stage” of strategic management. Implementing strategy means mobilizing employees and managers to put formulated strategies into action. Often considered to be the most difficult stage in strategic management, strategy implementation requires personal discipline, commitment, and sacrifice. Successful strategy implementation hinges upon managers’ ability to motivate employees, which is more an art than a science. Strategies formulated but not implemented serve no useful purpose.

Interpersonal skills are especially critical for successful strategy implementation. Strategy-implementation activities affect all employees and managers in an organization. Every division and department must decide on answers to questions, such as “What must we do to implement our part of the organization’s strategy?” and “How best can we get the job done?” The challenge of implementation is to stimulate managers and employees throughout an organization to work with pride and enthusiasm toward achieving stated objectives.

3. **Strategy Evaluation**: It is the final stage in strategic management. Managers desperately need to know when particular strategies are not working well; strategy evaluation is the primary means for obtaining this information. All strategies are subject to future modification because external and internal factors are constantly changing. Three fundamental strategy-evaluation activities are:
(a) Reviewing external and internal factors that are the bases for current strategies
(b) Measuring performance
(c) Taking corrective actions.

Strategy evaluation is needed because success today is no guarantee of success tomorrow! Success always creates new and different problems; complacent organizations experience demise.

These activities occur at three hierarchical levels in a large organization: corporate, divisional or strategic business unit, and functional. By fostering communication and interaction among managers and employees across hierarchical levels, strategic management helps a firm function as a competitive team. Most small businesses and some large businesses do not have divisions or strategic business units; they have only the corporate and functional levels. Nevertheless, managers and employees at these two levels should be actively involved in strategic-management activities.

Benefits

Benefits to a Firm That Does Strategic Planning

Financial Benefits
1. Research indicates that organizations using strategic-management concepts are more profitable and successful than those that do not.
2. Businesses using strategic-management concepts show significant improvement in sales, profitability, and productivity compared to firms without systematic planning activities. High-performing firms tend to do systematic planning to prepare for future fluctuations in their external and internal environments.
3. Firms with planning systems more closely resembling strategic-management theory generally exhibit superior long-term financial performance relative to their industry.

Non-financial Benefits
1. It allows for identification, prioritization, and exploitation of opportunities.
2. It provides an objective view of management problems.
3. It represents a framework for improved coordination and control of activities.
4. It minimizes the effects of adverse conditions and changes.
5. It allows major decisions to better support established objectives.
6. It allows more effective allocation of time and resources to identified opportunities.
7. It allows fewer resources and less time to be devoted to correcting erroneous or ad hoc decisions.
8. It creates a framework for internal communication among personnel.
9. It helps integrate the behavior of individuals into a total effort.
10. It provides a basis for clarifying individual responsibilities.
11. It encourages forward thinking.
12. It provides a cooperative, integrated, and enthusiastic approach to tackling problems and opportunities.
13. It encourages a favorable attitude toward change.

**Reasons Behind not Using Strategy Management**

Some firms do not engage in strategic planning, and some firms do strategic planning but receive no support from managers and employees. Some reasons for poor or no strategic planning are as follows:

(a) **Lack of knowledge or experience in strategic planning:** No training in strategic planning.
(b) **Poor reward structures:** When an organization assumes success, it often fails to reward success. When failure occurs, then the firm may punish.
(c) **Firefighting:** An organization can be so deeply embroiled in resolving crises and firefighting that it reserves no time for planning.
(d) **Waste of time:** Some firms see planning as a waste of time because no marketable product is produced. Time spent on planning is an investment.
(e) **Too expensive:** Some organizations see planning as too expensive in time and money.
(f) **Laziness:** People may not want to put forth the effort needed to formulate a plan.
(g) **Content with success:** Particularly if a firm is successful, individuals may feel there is no need to plan because things are fine as they stand. But success today does not guarantee success tomorrow.
(h) **Fear of failure:** By not taking action, there is little risk of failure unless a problem is urgent and pressing. Whenever something worthwhile is attempted, there is some risk of failure.
(i) **Overconfidence:** As managers amass experience, they may rely less on formalized planning. Rarely, however, is this appropriate. Being overconfident or overestimating experience can bring demise. Forethought is rarely wasted and is often the mark of professionalism.
(j) **Prior bad experience:** People may have had a previous bad experience with planning, that is, cases in which plans have been long, cumbersome, impractical, or inflexible. Planning, like anything else, can be done badly.
(k) **Self-interest:** When someone has achieved status, privilege, or self-esteem through effectively using an old system, he or she often sees a new plan as a threat.
(l) **Fear of the unknown:** People may be uncertain of their abilities to learn new skills, of their aptitude with new systems, or of their ability to take on new roles.
(m) **Honest difference of opinion:** People may sincerely believe the plan is wrong. They may view the situation from a different viewpoint, or they may have aspirations for themselves or the organization that are different from the plan. Different people in different jobs have different perceptions of a situation.

(n) **Suspicion:** Employees may not trust management.

**Guidelines for the Strategic-planning Process to be Effective**

1. It should be a people process more than a paper process.
2. It should be a learning process for all managers and employees.
3. It should be words supported by numbers rather than numbers supported by words.
4. It should be simple and non-routine.
5. It should vary assignments, team memberships, meeting formats, and even the planning calendar.
6. It should challenge the assumptions underlying the current corporate strategy.
7. It should welcome bad news.
8. It should welcome open-minds and a spirit of inquiry and learning.
9. It should not be a bureaucratic mechanism.
10. It should not become ritualistic, stilted, or orchestrated.
11. It should not be too formal, predictable, or rigid.
12. It should not contain jargon or arcane planning language.
13. It should not be a formal system for control.
14. It should not disregard qualitative information.
15. It should not be controlled by “technicians.”
16. Do not pursue too many strategies at once.
17. Continually strengthen the “good ethics is good business” policy.

**STRATEGIC MANAGEMENT PROCESS**

Most part of this book is divided in order or to tap down strategic management process. However, it may be noted that VUCA environment quite often necessitates bottom up strategic management processes.

**Strategic Management Process**
Appropriate strategy, therefore ensures sustainability to the organisation. Organisation ought to have clear concept of what they are in the business for. The purpose of business needs are to be clearly understood. Corporate purpose once defined carefully:

- Will focus the attention of widely spread stake-holders.
- Guide firms during difficult times.
- Give futuristic directions.

Corporate purpose should not be defined in terms of product, or the technology purpose should be external i.e., in the market place. The question to be answered is what business we are in and what should it be? Theodore Levitt had written a paper and Marketing Myopia” in which he describes, the horse carries the Company in U.S. They defined their purpose as transportation and not horse carriage. Hence when rail road came, they were the first ones to invest in rail roads and raise huge profits. They did not cling on to the product or technology, but to the Market place.

An oil Company should actually be an energy Company, so that tomorrow, if nuclear energy comes, the organisation will still be in business. They would be the first ones to see the prospect. Corporate purpose is not something that can be altered regularly once defined, it should serve the criteria for at least 10 years. A cosmetic company should therefore be a beauty Company, a cell phone company, therefore to be a communication Company.

**CORPORATE VISION, MISSION**

Once Corporate purpose is decided, the organisation speaks about Corporate Vision and Mission.

A vision statement takes into account, the current status of the organisation and to serve to point the direction of where the Organisation wants to go. As a means of setting the central board that the organisation will aspire to reach the vision statement, helps to provide a focus for the mission.

Thus the focus is futuristic, a mission statement about what you want to be.

A mission statement is purpose of the organization. Statement should guide the actions of the organizations, spell out overall goals, provide the sense of direction and guide decision making. This spells out what are you doing?

**Walmart**

- **Vision:** “To become the worldwide leader in retail”.
- **Mission:** “To help people save money so that they can live better”.

**Toyota Motors America**

- **Vision:** “To be the most successful and respected car company in America.”
- **Mission:** “To attract and attain customers with high-valued products and services and the most satisfying ownership experience in America.”

**General Electric**

- **Vision:** “To become the world’s premier digital industrial company, transforming industry with software-defined machines and solutions that are connected, responsive and predictive.”
- **Mission:** “Build, Move, Power and cure the world.”
References