

A Course for the Railway Managers of
BIMSTEC and Mekong-Ganga Cooperation Countries

Trans-Asian Railway Network in Member Countries



Strategic Management: Basic Concepts and Frameworks

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Some questions

- What is Strategy?
- How to do Strategic Analysis?
- How to formulate strategy?
- How to make strategic choice?
- How to implement strategy?



What business we are in?

- This is the first question that the strategists commonly ask.
- Decides direction for the organization



Why are we in this Business?

- Because, we are able to fulfill a particular **need** of the customer at a cost which is lower than the price the customer is ready to pay for the fulfillment of that need.



Do businesses need to evolve ?

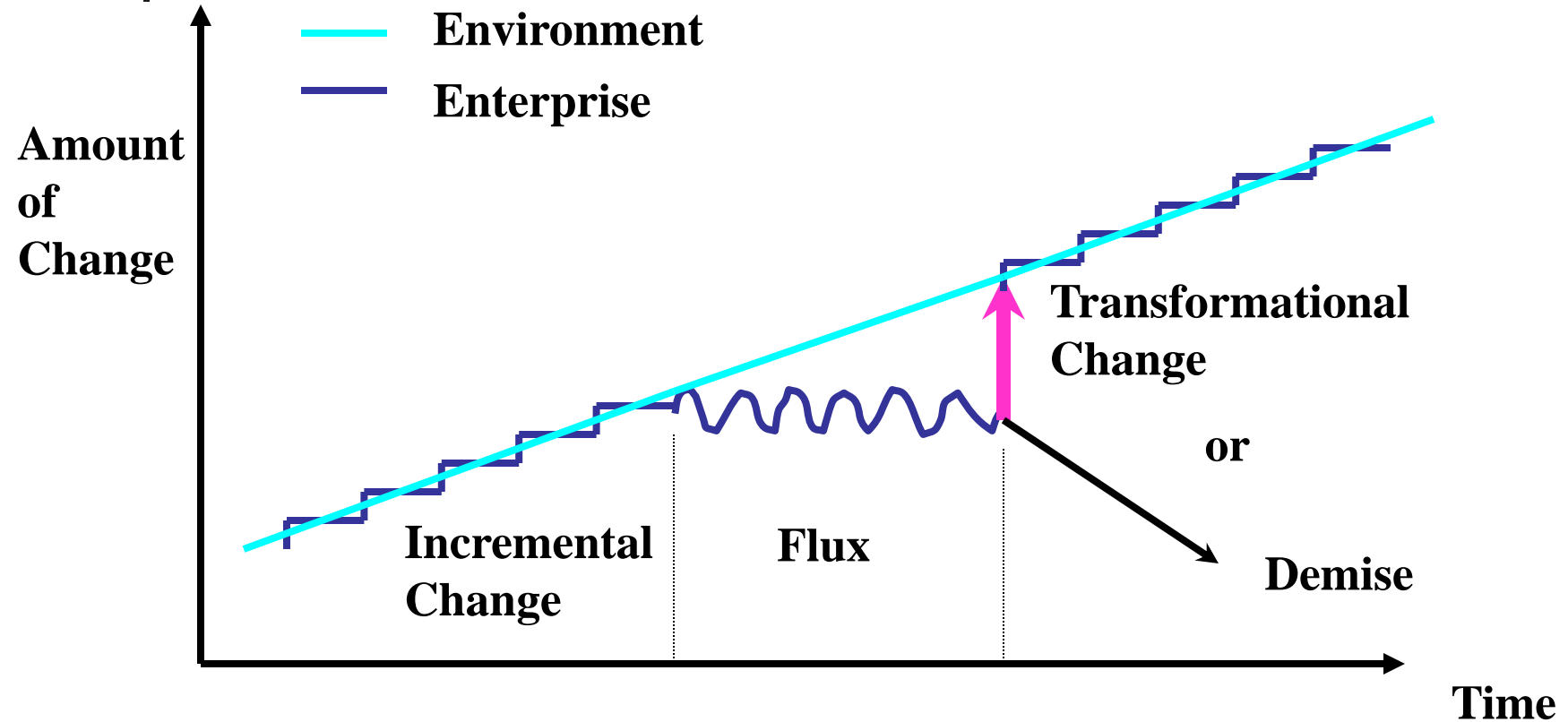
- YES!
- Because, the ways of fulfilling the need of the customer change, but the need does not.
- Hence, to survive every business has to evolve in synchronization with the environment or it will perish.



What is Strategy ?

- **Strategy is anything that a business does to combat the challenges thrown up by an ever changing environment.**
- **Planning is not Strategy.**

Why Strategy ?



**Strategy - for meaningful evolution,
if required a revolution!**



Strategic Management

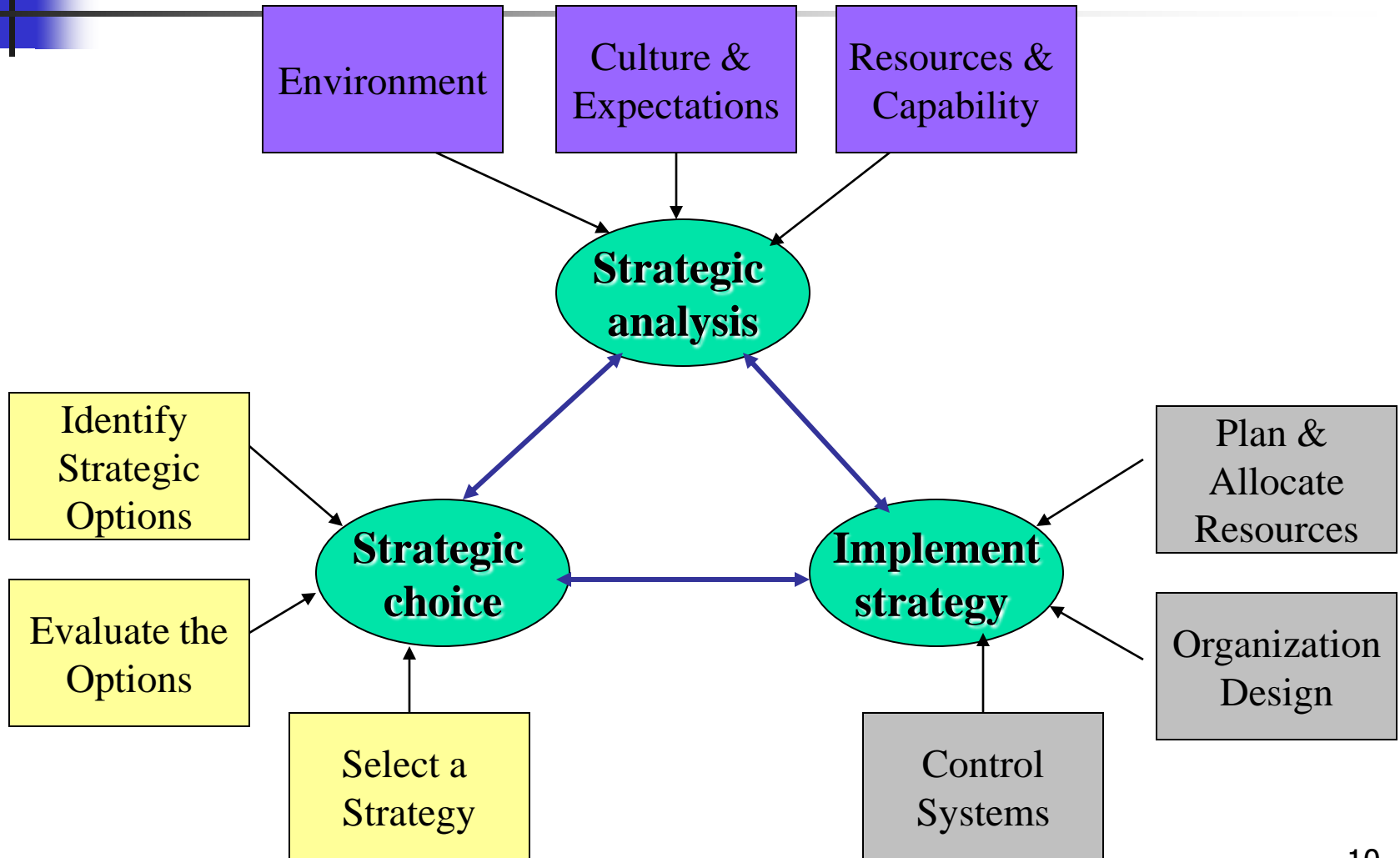
- Strategy formulation seems to be a esoteric activity which is the domain of dreamers and CEOs --- a myth.
- **Strategic management is a structured process for the formulation and implementation of strategy in an organization.**



Operational Management v/s Strategic Management

- **Operational Management**
 - **Clear**
 - **Simple**
 - **Routine**
 - **Function/Dept specific**
 - **Incremental Change**
 - **Resource driven**
- **Strategic Management**
 - **Ambiguous**
 - **Complex**
 - **Non Routine**
 - **Organization wide**
 - **Significant Change**
 - **Environment & Expectation driven**

Strategic Management Process

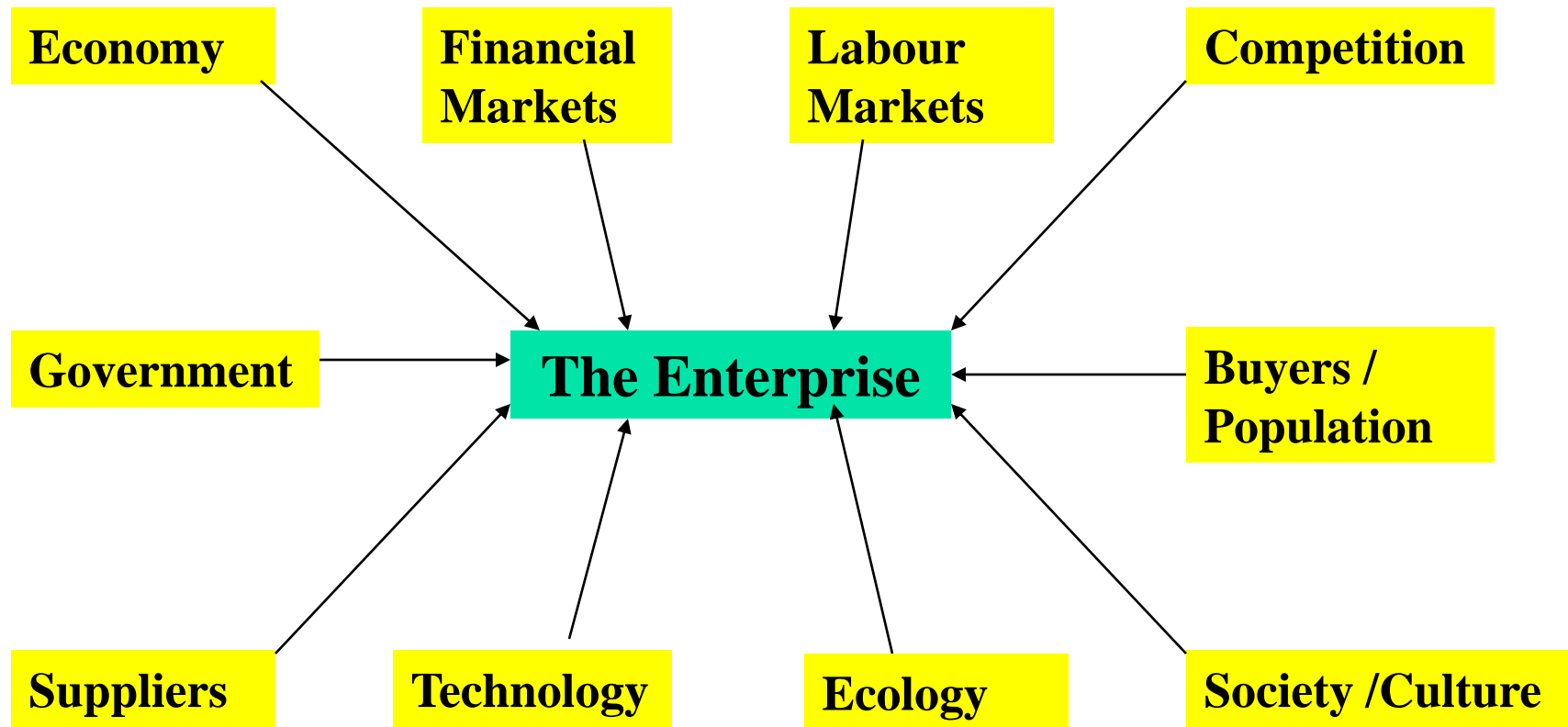




Environment Analysis

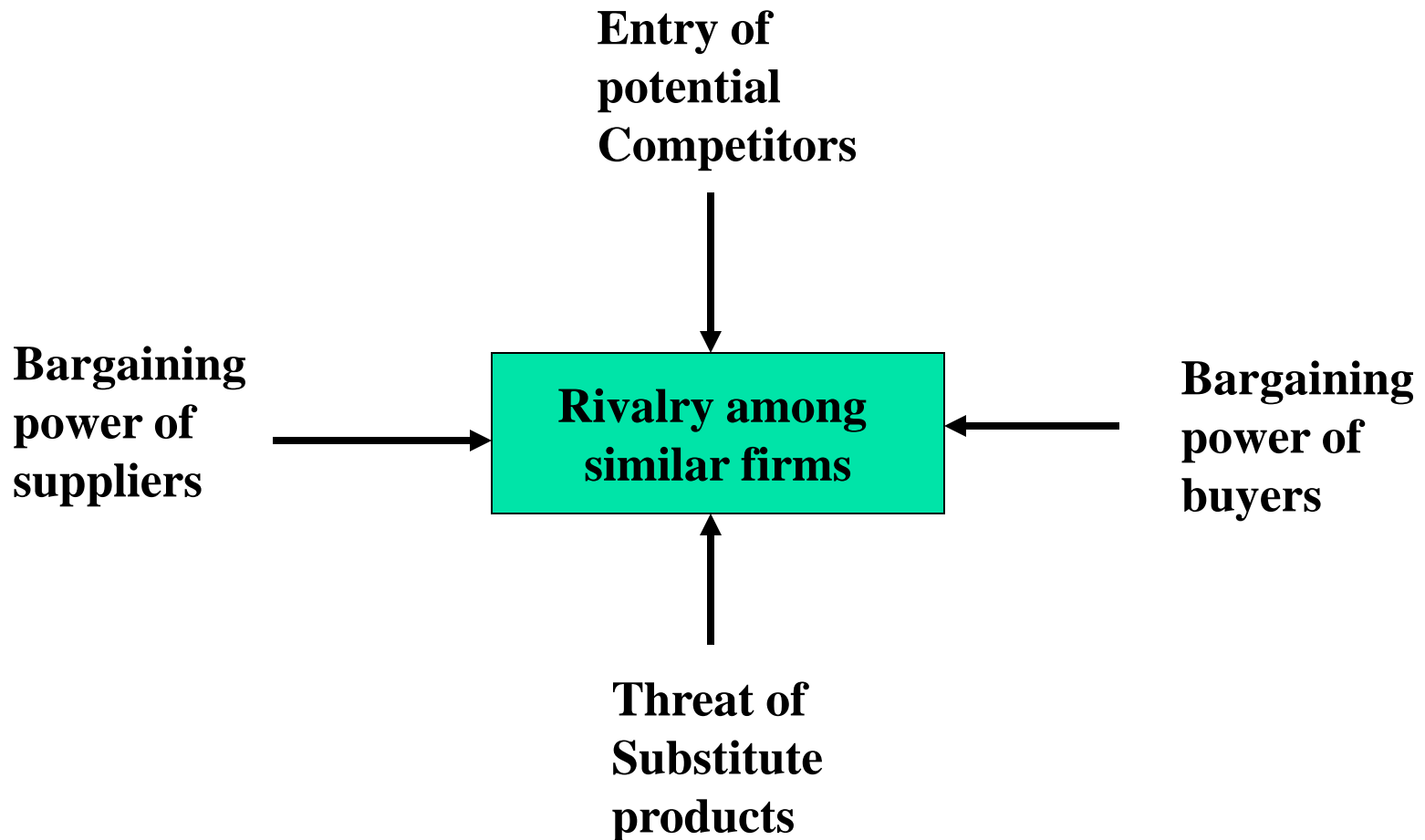
- The formulation of strategy is concerned with matching capabilities of an organization to its environment.
- Steps involved
 - **Understand the nature of the org. environment**
 - **Audit the environmental influences**
 - **Analysis of the competitive forces**
- Identify the **Strategic Position** of the organization.

Key Environmental Influences





Analysis of Competitive Forces





Resource & Strategic Capability Analysis

- The capability of any organization is fundamentally determined by the separate activities which it undertakes in designing, producing, marketing, delivering and supporting its products & services and the linkages between them.
- Steps
 - Resource Audit (internal & external)
 - **Value Chain Analysis**
 - Comparative Analysis
- Arrive at SWOT Analysis / Core Competency

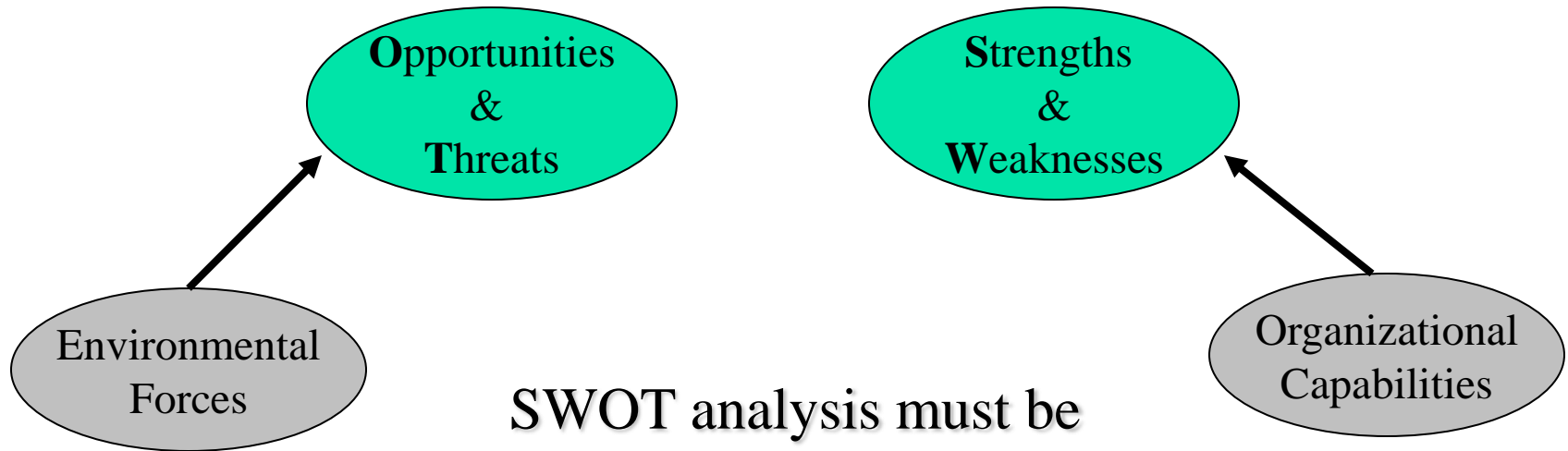


Value Chain Analysis

- The organization executes a number of activities to prepare and deliver the product / service to the customer.
- Some of these activities are related directly to the product creation and others support the direct activities.
- One needs to understand
 - the “value added” in each activity, and
 - Linkage of the organization value chain with the value chain of customers and suppliers.



SWOT Analysis



SWOT analysis must be done relative to the competition.



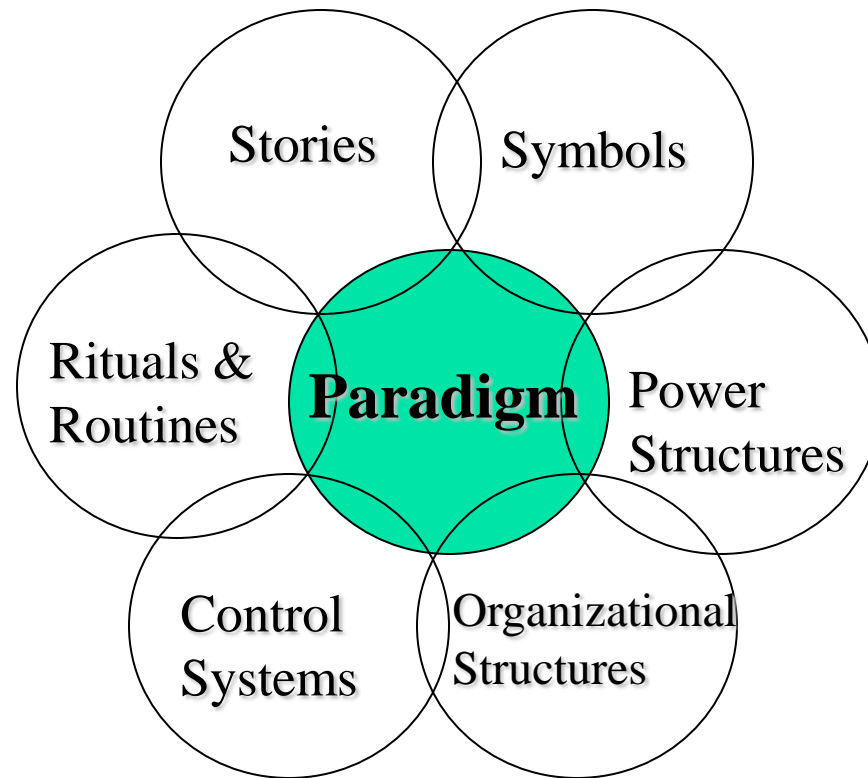
Culture Analysis

- Cultural context external to the organization
 - Dominant values in society
 - Influence of organized groups
- Cultural context internal to the organization
 - Organization Values
 - Beliefs
 - Assumptions

Paradigm



Cultural Web





Stakeholder Analysis

- Identify Stakeholders
 - internal stakeholders (eg. employees)
 - external stakeholders (eg. shareholders)
- Map the stakeholders in terms of power and level of interest in the organizations strategies
- Determine Stakeholder Expectations
- Resolve Conflicts of Expectations

Resolution of Stakeholder Conflicts

Level of Interest

Low

High

Power

Low

Minimal
Effort

Keep
Informed

High

Keep
Satisfied

**Key
Drivers**



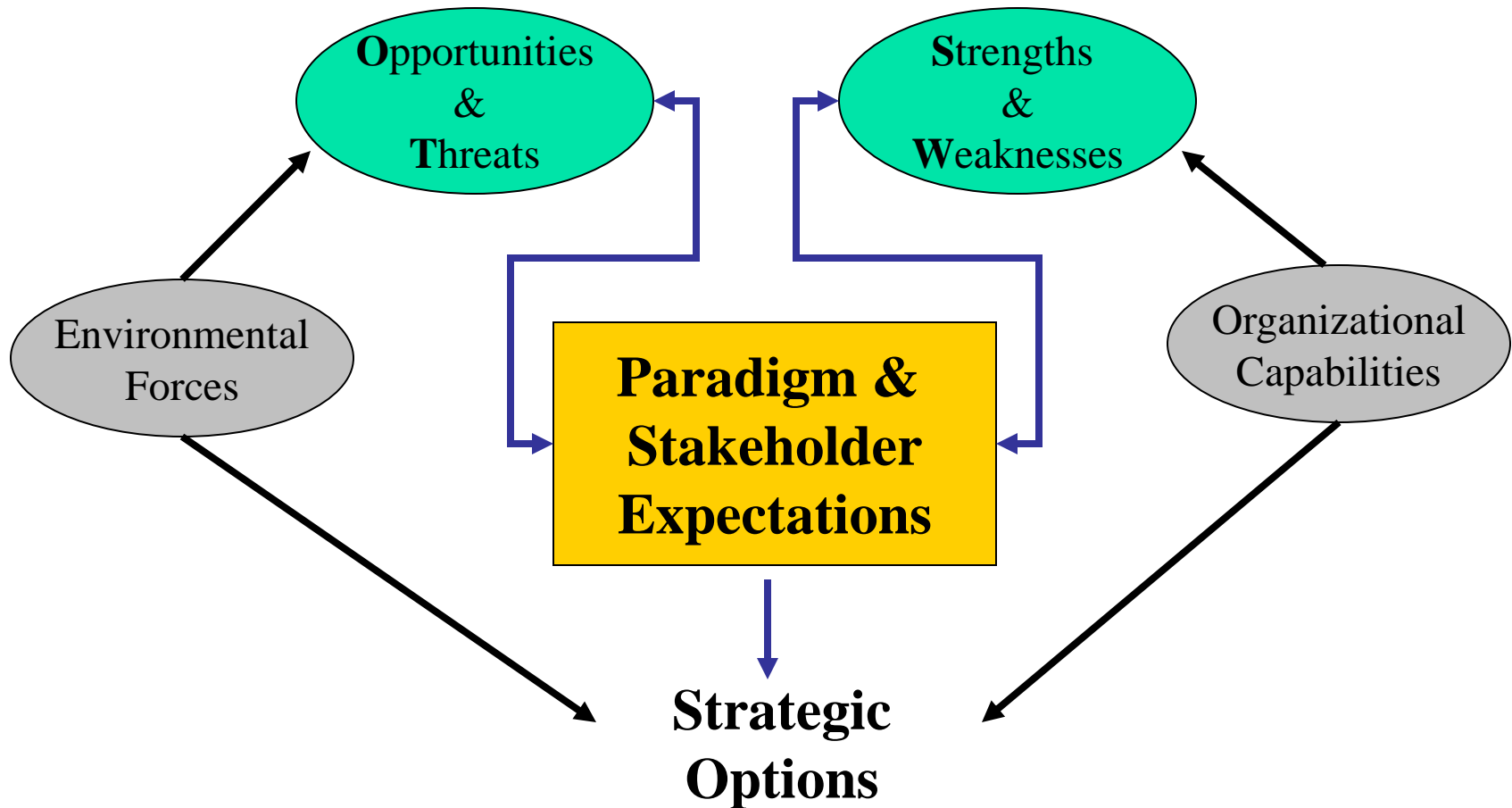
Strategic Analysis – A Summary

- As a result of Strategic analysis we understand
 - Environmental influences on the organization
 - Capability of the organization
 - Cultural framework of the organization
 - Expectations from the organization
- The next step is to generate **strategic options** based on the above understanding.

Strategic Analysis



Strategic Options





Strategic Options

What



Generic Strategies

Price Based

**Feature Based
(Differentiation)**

Focus

How



Direction

Consolidation

Market Penetration

Market Development

Product Development

Withdrawal



Methods

Internal Dev.

Diversification

**Merger and
Acquisition**

Joint Venture

Alliances



Evaluation of Options

- Suitability
- Feasibility
- Acceptability



Suitability

- Does the strategy exploit the organizations' strengths and opportunities?
- How far does the strategy overcome the weaknesses and threats?
- Does it fit in with the organizations' goals & expectations especially profitability goals?



Feasibility

- Can the strategy be funded?
- Is the organization capable of mobilizing the resources for implementing the strategy?
- Will the technology be available?
- Can the organization cope with the reaction of competitors?



Acceptability

- Is the organization comfortable with the changing risk / return equation?
- Is there a cultural fit?
- Is the organization ready to cope with the change in its relationships with stakeholders?
- Will the strategy be acceptable to the environment of the organization?



Making the Choice

- Danger of analysis paralysis.
- Choice should be based on the sole criteria:
 - Strategy should fulfil the profit objectives.
 - Among the choices which is the best in combating the environmental challenges.
- **This is a semi democratic process.**

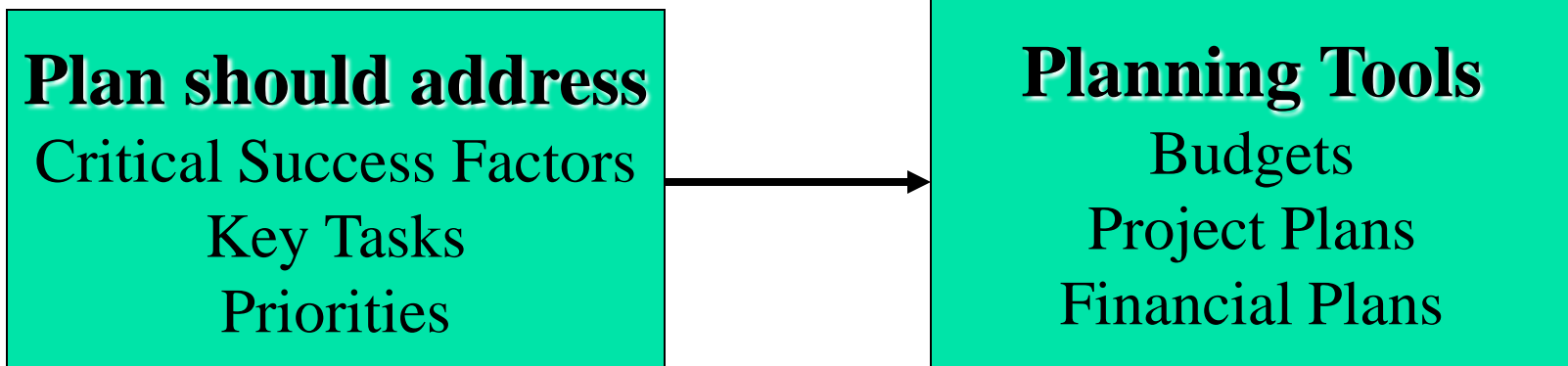


Strategy Implementation

- Planning & Allocating Resources
- Organization Design
- Managing the Strategic change

Planning & Allocating of Resources

- Resource identification - what resources are required for the strategy implementation.
- Determine fit with existing resources.
- Linkages between the resources.
- Prepare Resource Plan

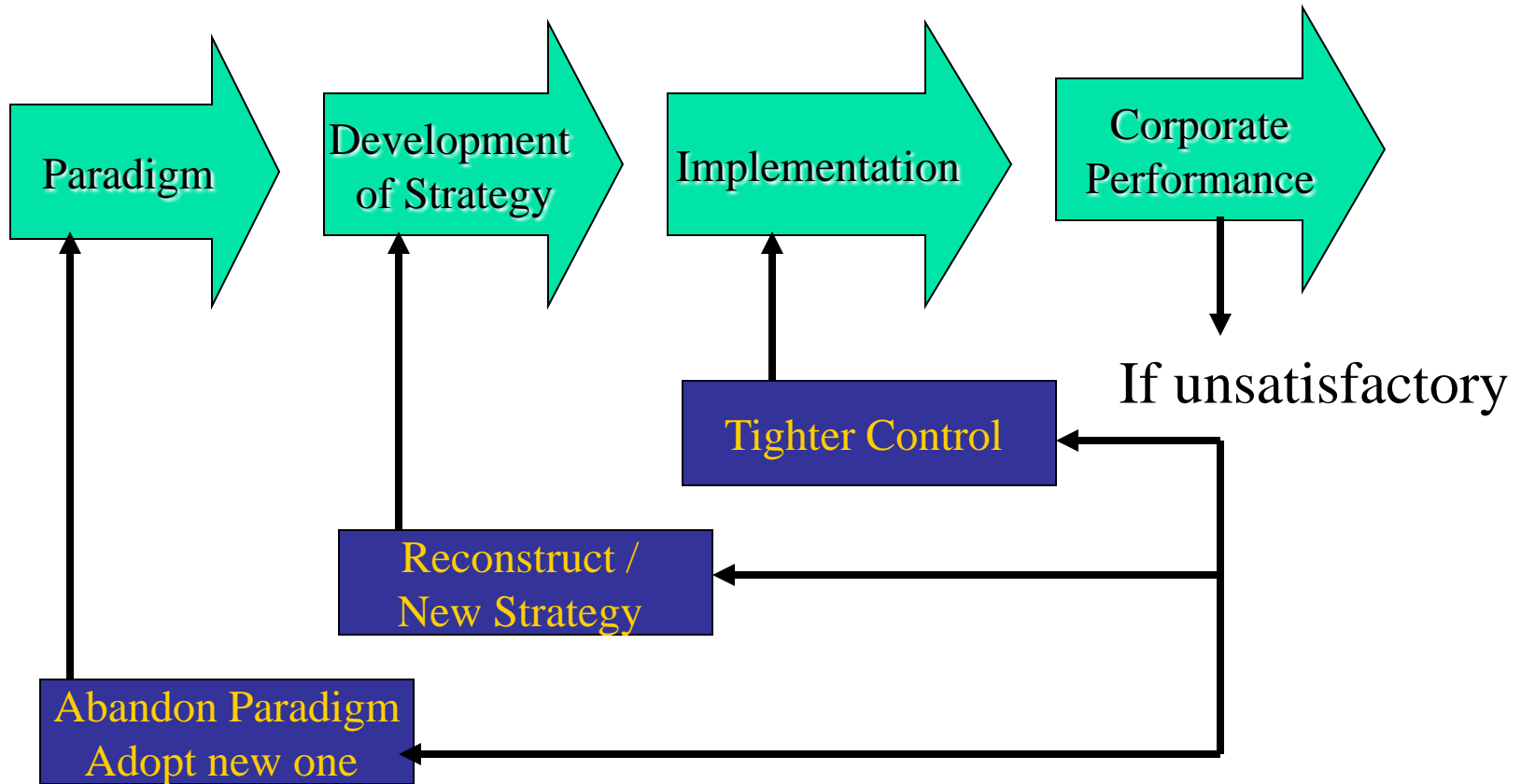




Organization Design

- Depends on Industry, the Labour Market , the Cultural Web, and the Control & Reward Mechanisms of the organization.
- Issue of Centralization vs Decentralization of Control.
- Issue of employee morale.
- Choice of the appropriate organizational configuration.

Managing Strategic Change





Conclusion

- Strategic thinking and actions are critical for the survival of any organic entity whether individual or organization.
- We have tried to create a framework for the analysis/formulation, choice and implementation of strategy.

STRATEGIZE AND THRIVE



Thanks!
