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PRINCIPLES AND PRACTICE OF MARKETING

UNIT 1: STRATEGIC MANAGEMENT

1. Nature and Scope of Strategic Management

What is Strategic Management?

Strategic Management is the comprehensive process of defining an organization's direction, making decisions on allocating resources to pursue this direction, and managing change to ensure goals are achieved.

It's about **thinking ahead** to ensure the company survives and thrives in the long run by adapting to market conditions and competition.

Key Features:

- **Future-oriented:** Focuses on long-term objectives and the future environment.
- **Cross-functional:** Involves all parts of the organization (marketing, finance, operations, HR).
- **Decision-making at the top:** Primarily done by senior management.
- **Continuous process:** Not a one-time event but ongoing strategy formulation, implementation, and evaluation.

Scope of Strategic Management:

1. **Environmental Analysis:** Understanding external opportunities and threats, and internal strengths and weaknesses.
2. **Strategy Formulation:** Crafting the plan based on the analysis.
3. **Strategy Implementation:** Putting the plan into action through organization, resources, and leadership.
4. **Strategy Evaluation and Control:** Monitoring progress and making necessary adjustments.

Levels of Strategy:

- **Corporate Level:** What industries/businesses to operate in (e.g., Tata Group in steel, automotive, IT).

- **Business Level:** How to compete in each business (e.g., Tata Motors competing in commercial vehicles).
- **Functional Level:** Day-to-day activities that support the business-level strategy (marketing campaigns, operational efficiency).

2. Concept of Core Competence

What is Core Competence?

It's a unique set of skills or expertise that provides a company with a **competitive edge** that is difficult for competitors to copy.

Why is it important?

Because it allows a company to:

- Enter multiple markets.
- Deliver unique value to customers.
- Build products or services that stand out.

Criteria by Prahalad & Hamel (1990):

1. Access to a wide variety of markets.
2. Provides customer benefits.
3. Hard to imitate.

Example:

- **Honda's core competence** is its engine technology — it uses this in motorcycles, cars, lawn mowers, etc.
- **Apple's core competence** is product design and user experience integration.

3. Capability and Organisational Learning

Organizational Capability:

This is the **ability of an organization** to effectively manage resources to achieve goals.

- **Threshold capabilities:** Basic skills needed to compete (e.g., a retail store needs inventory management).
- **Distinctive capabilities:** Unique abilities that differentiate the company.

Organizational Learning:

- Learning is how organizations improve by acquiring knowledge.
- Organizations can be:

    - **Single-loop learners:** Improve existing processes without questioning assumptions.
    - **Double-loop learners:** Rethink strategies and challenge assumptions to innovate.
- **Learning organizations** are those that continuously adapt, improve, and transform (Peter Senge's concept).

4. Management of Strategic Change

What is Strategic Change?

It involves major shifts in the organization's strategy, structure, or culture to remain competitive.

Why is it needed?

Because markets, technologies, and customer preferences keep evolving.

Models of Change Management:

Lewin’s Model (3 stages):

- **Unfreeze:** Prepare the organization to accept change by challenging the status quo.
- **Change:** Implement the change.
- **Refreeze:** Make the change permanent.

Kotter’s 8-Step Model:

1. Create urgency for change.
2. Build a coalition to lead change.
3. Develop a vision.
4. Communicate the vision.
5. Remove obstacles.
6. Generate short-term wins.
7. Consolidate gains.
8. Anchor new approaches into culture.

Resistance to Change:

- People fear the unknown or losing control.
- Can be reduced by communication, involvement, and support.

5. Process of Strategic Planning

Strategic planning is the **systematic process** to define the organization’s strategy.

Steps:

1. **Vision and Mission Statements:**
    - **Vision:** The future aspiration (e.g., “To be the world’s most loved brand”).
    - **Mission:** The purpose and primary objectives (e.g., “To provide affordable healthcare”).
2. **Environmental Analysis:**
    - **External Analysis:** Examine factors outside the company that affect it, using:
        - **PESTEL** (Political, Economic, Social, Technological, Environmental, Legal).
        - **Porter’s Five Forces** (competition, suppliers, buyers, new entrants, substitutes).
    - **Internal Analysis:** Understand internal strengths and weaknesses through:
        - **Value Chain Analysis:** Breaking down activities that add value.
        - **VRIO Framework:** Value, Rarity, Imitability, Organization.
3. **Setting Objectives:**
    - Clear, measurable goals aligned with mission.
4. **Strategy Formulation:**
    - Develop strategic options (growth, stability, retrenchment).
    - Use tools like SWOT, BCG Matrix, GE Matrix.
5. **Strategy Implementation:**
    - Allocate resources and align organization.
6. **Evaluation and Control:**
    - Monitor outcomes, take corrective actions.

6. Process of Strategic Implementation

This is **translating strategy into action** by managing resources, people, and operations.

Activities involved:

- Developing policies and programs that support strategy.
- Aligning organizational structure and culture.
- Motivating employees and ensuring communication.
- Allocating budgets and resources.

7. Activating Strategies

After planning, you activate strategies by:

1. **Resource Allocation:**
    - Ensuring the right funds, equipment, and manpower.
2. **Designing the Structure:**
    - Assigning roles and responsibilities to execute strategy effectively.
3. **Aligning Functional Areas:**
    - HR, marketing, finance, and operations must all support the strategy.
4. **Leadership and Communication:**
    - Leaders must drive the change and keep everyone informed and motivated.

8. Strategy and Structure

Alfred Chandler’s famous dictum:

“Structure follows strategy.”

- When strategy changes, the organization’s structure must also adapt to support the new strategic goals.

Types of Organizational Structures:

1. **Functional Structure:**
    - Departments based on functions (Marketing, Finance). Suitable for stable, single-product firms.
2. **Divisional Structure:**
    - Divisions based on product lines or geography. Suitable for diversified firms.
3. **Matrix Structure:**
    - Combines functional and project-based structures. Employees report to two bosses. Useful in complex environments.

Why Alignment is Important:

If the structure doesn’t fit the strategy, execution will be slow and ineffective.

Summary Table

Topic	Key Idea
Strategic Management	Long-term, integrated decisions for organizational success
Core Competence	Unique strengths that differentiate and provide advantage
Organizational Capability	Firm’s ability to use resources effectively
Organizational Learning	Continuous improvement and adaptation through knowledge
Strategic Change Management	Managing change systematically to stay competitive
Strategic Planning	Stepwise process from vision to evaluation
Strategic Implementation	Putting plans into action via resources and leadership
Activating Strategies	Resource allocation, leadership, and functional coordination
Strategy & Structure	Structure must support and enable strategy