MARKET ORIENTED STRATEGIC PLANNING.

Market oriented strategic planning is the managerial process of developing & maintaining a viable fit between an organization objectives/ skills/ resources and its changing market opportunities.

_Aim:_ Shape/ Reshape companies business & products so that they yield targeted profits and growths.

Strategic Planning has Action Areas.
- Managing companies business as an investment portfolio.
- Assessing each business activity by considering market’s growth rate & companies position & fit in that market.
- Developing a strategy(game plan) to achieve long run objectives.

Strategic Planning takes into account that large organizations consist of four organizational levels.
- Corporate level.
- Divisional level.
- Business unit level.
- Product level.

<table>
<thead>
<tr>
<th>CORPORATE LEVEL</th>
<th>DIVISIONAL LEVEL</th>
<th>BUSINESS LEVEL</th>
<th>PRODUCT LEVEL</th>
<th>BRAND LEVEL</th>
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<tr>
<td>SC</td>
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<td>BAJAJ AUTO LTD.</td>
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<td>BAJAJ AUTO FINANCE LTD.</td>
<td>3 WHLR M/C------- W</td>
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<td>BAJAJ SEVASHRAM</td>
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BAJAJ SEVASHRAM

- Corporate HQ creates strategic plan to guide the whole enterprise to a profitable future.
- Each division creates a divisional plan covering the allocation of funds to each business unit within division.
- Each business unit develop a business unit strategic plan to carry that business to a profitable future.
- Each product level develops a marketing plan to achieve its objective. In its product marketing.
- Marketing plan made up of
  - Strategic Marketing Plan.
  - Tactical Marketing Plan.
Strategic Marketing Plan develops / outlines.
- Broad marketing objective.
- Strategy based on analysis of current market situation and opportunities (based on STP).

Tactical Marketing Plan outlines specific marketing plan. It may include
- Advertising
- Merchandising
- Pricing
- Channels (4 P’s of Marketing).

**Nature of High Performing Business:**
- Model proposed by Arthur D. Little (consulting firm).
- Four key success factors – Stakeholders
  - Processes
  - Resources
  - Organisation.

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“Set strategies to satisfy key stakeholders by improving critical business and aligning resources & organizing”.

**Stakeholders:**
- Stock holders
- Customers
- Employees
- Suppliers
- Distributors.

- Business must strive to satisfy threshold expectation of each stakeholders group.
- Stakeholders group are inter related dynamically.

**Processes:**
- A company can accomplish its satisfaction goals only by managing & linking work processes.
- Traditionally, company work carried out in departments. This may create problems. Hence, focus should be on core business processes, such as
  - New product development.
  - Sales generation.
  - Order fulfillment.

Cross functional team created for each processes.
**Resources:**
- To carry out processes, company needs resources.
  - Resources could be:
    - Labour/ People.
    - Materials.
    - Machine
    - Information
    - Energy.

  - Resources may be:
    - Owned
    - Leased
    - Rented.

- Earlier, companies would try to own most resources.
- Today, companies outsource less critical resources if this gives increased quality & cost reduction.

**Organization:**
Organization consists of:
- Companies Structures
- Companies policies
- Companies culture.

In changing market situation, company should be able to change/ adapt organization.

**CORPORATE STRATEGIC PLANNING:** (Corporate/ Divisinal).

Activities to be undertaken:
- Define corporate division.
- Establishing SBU’s.
- Assigning resources to each SBU.
- Planning new business.

**Defining Corporate Mission:**
- An organization exists to accomplish something. This is its specific mission/ purpose.
- Company’s mission shaped by:
  - History (of Aims/ policies/ Achievements).
  - Current preferences of owners/ management.
  - Market environment.
  - Resources (Mission should be achievable).
  - Distinctive competencies (company should base its mission on what it does best).

- Fundamentals questions to be asked:;
  - What is our business?
  - Who is the customer?
  - What is the value to customer?
  - What will/ should our business be?

- Good mission statement has three characteristic.
  - Focus on limited number of goods.
  - Stress policies/ values that company wants to honour.
  - Define major competitive scopes within which the company would operate.
eg.- Bajaj Auto Limited.
- Focuses on 2-wheeler & 3-wheeler (limited goods).
- Policy is “whichever product we make must be cheapest in that segment”.

Competitive scopes include
- Industry scope
- Product/Applications scope
- Competence scope
- Market segment scope
- Vertical scope
- Geographical scope.

Establishing SBU’s:
- Companies often define their business in terms of product. eg.- Auto business.
- Market definition of business may be better i.e., businesses viewed as customer satisfying process rather than goods producing process.
- Business may be defined using three dimension
  - Customer group.
  - Customer needs
  - Technology.

Eg.- small software company developing application software for co-operative banks.

<table>
<thead>
<tr>
<th>Customer group</th>
<th>Co-operative bank.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer need</td>
<td>Transaction processing.</td>
</tr>
<tr>
<td>Technology</td>
<td>Application Software platform.</td>
</tr>
</tbody>
</table>

This company may expand after sometime. For this it could redefine any of the dimensions of current business unit.

To Assign Resources to each SBU’s:
- Purpose of identifying each SBU is to develop separate strategies & assign appropriate resources.
- Business portfolio may include
  - Future winners
  - Past champions
  - Current bread winners.
- To go beyond impressions, one needs analytical tools to classify each SBU based on its profit potential.
  Analytical tools could be:
  - BCG Model (Growth Share matrix).
  - GE Model (Multifactor Portfolio Matrix).
**BCG Growth Share Matrix:**

<table>
<thead>
<tr>
<th>COMPANY</th>
<th>MARKET SHARE</th>
<th>MARKET SHARE OF MARKET LEADER</th>
<th>ANNUAL MARKET GROWTH RATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>? BAL</td>
<td>38%</td>
<td>42%</td>
<td>28%</td>
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<tr>
<td>? B. ALLIANZ</td>
<td>3%</td>
<td>72%</td>
<td>24%</td>
</tr>
<tr>
<td>DOG B. ELECTRICAL</td>
<td>6%</td>
<td>14%</td>
<td>6%</td>
</tr>
<tr>
<td>CC B. HINDUSTAN</td>
<td>8%</td>
<td>6%</td>
<td>4%</td>
</tr>
<tr>
<td>? B AUTO FIN LT</td>
<td>6%</td>
<td>16%</td>
<td>12%</td>
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</table>

The market leader is a market leader because its product offers the highest CDV to the largest group or sub-group of customers who are buying that product category. Non-market leader is a firm which is searching for a better CDV to offer to its customers. The resource cannot be done for different companies. It is done for different business units within a company.

**Question Marks:**
- Business that operates in high growth markets but have low relatives market share.
- Normally, a business tries to enter high growth market when there is already a market leader.
- Hence, most business starts as question mark.
- Question mark requires large investment, in plant/equipment/people.
  - To keep up with fast growing market.
  - Because it wants to overtake leader in market.
Star:
- Star is a market leader in a high growth market.
- A successful question mark becomes a star
- Company may need to spend
  o To keep up with the high market growth
  o To fight competition
- Hence, stars may not necessarily produce a lot of money to company.

Cash Cow:
- When a market's annual growth rate falls below 10%, a star becomes a cash cow, if it still has the largest relative market share.
- Investment in Plant/Equipment is not required.
- Being market leader, business enjoys scale economics & higher profit margin.
- Hence, cash cow generates money for company.

Dogs:
- Dogs have weak market shares in a low growth market.
- Generates low Profit/Loses.
- May generate some cash.
- Often consumes lot of management time.
- Company should hold on to dogs if
  o Turnaround in market growth rate is expected.
  o Chances for market leadership exists.
- Sentimental reasons should be avoided.

- Each SBU is plotted on the G-S Matrix.
- Then, company can determine whether its portfolio is healthy. Portfolio is unbalanced if
  o Dogs/Question marks are too many.
  o Stars/Cash cows are too few.
- Each SBU’s can now be assigned
  o Objective.
  o Strategy to fulfill objectives.
  o Resources/Budgets to implement strategy.
- Strategies could be
  o Build
  o Hold
  o Harvest
  o Divest

Build:
- Objective is to increase market share of SBU
- At times, short term earnings may be forgone to fulfill this objective.
- Good strategy for question mark when market share must increase if they are to become stars.
- May also be used for stars in certain situation.
**Hold:**
- Objective is to preserve SBU’s market share.
- Appropriate for cash cows who are strong if they are to continue yielding cash.

**Harvest:**
- Objective is to increase SBU’s short term cash flow regardless of long term effect.
- Suitable for weak cash cows.
- Also used at times for question mark & dogs.

**Divest:**
- Objective is to Sell/ Liquidate the business because resources can be better used elsewhere.
- Suitable for Dogs/ Question marks that are acting as a drag on companies profits.

**NOTE:**
- As time passes, SBU’s change their position in the growth share matrix, eg.- question mark – star – cash cow – dog.
- Hence, companies should examine not only current position of SBU, but also its moving position (history & future).
- Resource allocation/ Strategy planning to be done based on above.

**General Electric Growth-Share Matrix:**
(Multifactor Portfolio Matrix).

- SBU’s appropriate obtain needs to take into account
  o Market attractiveness
  o Business strength.
    Over and above, it’s position in the G-S Matrix.

**Logic:**
- Companies are successful to the extent that they enter attractive markets & posses required business strengths to succeed in the markets.
- Neither a strong company in an unattractive market nor a weak company in an attractive market will do well.

To measure this two dimension, strategic planners need to identify the factors underlying each dimension & find a way to measure them & combine them into an idea.
MARKET ATTRACTIVENESS

I/G = INVEST/ GROW
S/E = SELECTIVITY & EARNING
H/D = HARVEST & DIVEST

BUSINESS STRENGTH

Underlying Factorial & Weights:

- **Market Attractiveness**:

<table>
<thead>
<tr>
<th>Weightage</th>
<th>Bajaj Auto Ltd.</th>
<th>Weighted Avg.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Overall Market Size 0.20</td>
<td>4.0</td>
<td>0.80</td>
</tr>
<tr>
<td>2. Annual Market Growth Rate 0.20</td>
<td>4.0</td>
<td>0.80</td>
</tr>
<tr>
<td>3. Historical Profit Margin 0.15</td>
<td>3.0</td>
<td>0.45</td>
</tr>
<tr>
<td>4. Competitive Integrity 0.15</td>
<td>2.0</td>
<td>0.30</td>
</tr>
<tr>
<td>5. Technological Requirements 0.15</td>
<td>3.0</td>
<td>0.45</td>
</tr>
<tr>
<td>6. Inflation Vulnerability 0.05</td>
<td>4.0</td>
<td>0.20</td>
</tr>
<tr>
<td>7. Energy Requirements 0.05</td>
<td>3.0</td>
<td>0.15</td>
</tr>
<tr>
<td>8. Environmental Impact 0.05</td>
<td>3.0</td>
<td>0.15</td>
</tr>
<tr>
<td>1.0</td>
<td>3.30</td>
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</tbody>
</table>

- **Business Strength**:

<table>
<thead>
<tr>
<th>Weightage</th>
<th>Bajaj Auto Ltd.</th>
<th>Weighted Avg.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Market Share 0.10</td>
<td>4.0</td>
<td>0.40</td>
</tr>
<tr>
<td>2. Growth in Market Share 0.15</td>
<td>5.0</td>
<td>0.75</td>
</tr>
<tr>
<td>3. Product Quality 0.10</td>
<td>4.0</td>
<td>0.40</td>
</tr>
<tr>
<td>4. Brand Reputation 0.10</td>
<td>4.0</td>
<td>0.40</td>
</tr>
<tr>
<td>5. Distribution Network 0.05</td>
<td>4.0</td>
<td>0.20</td>
</tr>
<tr>
<td>6. Promotional Effectiveness 0.05</td>
<td>4.0</td>
<td>0.20</td>
</tr>
<tr>
<td>7. Productive Capacity 0.05</td>
<td>4.0</td>
<td>0.20</td>
</tr>
<tr>
<td>8. Productive Efficiency 0.05</td>
<td>4.0</td>
<td>0.20</td>
</tr>
<tr>
<td>9. Unit Costs 0.15</td>
<td>4.0</td>
<td>0.60</td>
</tr>
<tr>
<td>10. Material Suppliers 0.05</td>
<td>3.0</td>
<td>0.15</td>
</tr>
<tr>
<td>11. R &amp; D Performances 0.10</td>
<td>2.0</td>
<td>0.20</td>
</tr>
<tr>
<td>12. Managerial Staff 0.05</td>
<td>4.0</td>
<td>0.20</td>
</tr>
<tr>
<td>1.0</td>
<td>3.90</td>
<td></td>
</tr>
</tbody>
</table>
- Each underlying factor rated on scale of 1 – 5
  o 1 being very unattractive
  o 5 being very attractive
- Weighted score arrived at for two core dimension
  o Market Attractiveness
  o Business strength
- Centre point of circle is identified as above.

<table>
<thead>
<tr>
<th>SBU</th>
<th>Market Attractiveness</th>
<th>Business Strength</th>
<th>Market Size</th>
<th>Market Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>BAL</td>
<td>3.30</td>
<td>3.90</td>
<td>24000</td>
<td>38%</td>
</tr>
<tr>
<td>BA</td>
<td>4.10</td>
<td>1.90</td>
<td>16000</td>
<td>3%</td>
</tr>
</tbody>
</table>

\[
(A1/A2) = \frac{(3.462 \times R_1^2)}{(3.462 \times R_2^2)} = \frac{R_1^2}{R_2^2} = (R_1/R_2)^2 = (24000)/(16000) = \frac{3}{2} = (R_1/R_2) = (1.732/1.414).
\]

- Area of circle is equal to size of relevant market.
- Market share of SBU shown by shady part of the circle.
- SBU’s expected position in 3-5 years evaluated through analysis of Product Life Cycle/ Company Strategy/ New Technology/ Economic Events.
- Shown through arrows with suitable length & direction.
**G.E. Model: (Strategies):**

1. **Invest to grow at maximum rate possible.**
   - Concentrate on maintaining strength (Project Position).

2. **Build Selectively:**
   - Invest in most attractive segments.
   - Build ability to counter competition.
   - Emphasize profitability by increased productivity.

3. **Invest to Build:**
   - Challenge for Leadership.
   - Build on strengths.
   - Reinforce vulnerable areas.

4. **Protect & Refocus:**
   - Manage for current earnings.
   - Concentrate on attractive segments.
   - Defend Strengths.

5. **Selectivity/ Manage for Earnings:**
   - Protect existing Programs.
   - Concentrate investments in segments where profitability is good & risk are relatively Low.

6. **Build Selectively:**
   - Specialize around limited strengths.
   - Seek ways to overcome weakness.
   - Withdraw if indications of sustainability growth are lacking.

7. **Manage for Earnings:**
   - Protect position in most profitable segments.
   - Upgrade product line.
   - Minimize investment.

8. **Limited Expansion / Harvest:**
   - Look for ways to expand within high risk.
   - Minimize investment & Rationalize operations.

9. **Divest:**
   - Sell at time that will maximize cash value.
   - Cut fixed costs & avoid investments meanwhile.

Overall, once objectives & budgets are set for a SBU, marketing needs to carry out plan efficiently & profitably.

**Critique of Portfolio models:**

**Benefits:**
- Helps managers think strategically / understand business better.
- Improves strategy plan quality.

**Pitfalls:**
- Need to be used with understanding. At times focus too much on high growth business which may lead to neglect of current business.
- Ratings and weights can be manipulated to produce desired location on matrix.
- At times, users may average out ratings. In such cases, SBU’s remain in the central part of the matrix, leading to ambiguous interpretation.
Models fail to delineate synergies between two or more businesses. A losing business may provide a core competency for a winning business.

**Overall:**
- Portfolio Models have provided insight & helped to improve managerial, analytical & strategic capabilities.
- Facilitated better decision making than mere impression.

**Planning New Business:**
- Company’s plans for existing business allow it to project total sales/ profits over time period.
- If projected sales & profits are less than what corporate/ management desires, there is a gap in the strategic plan.
- This gap could be filled by developing/ acquiring new business.

- Options to fill strategic planning gap could be
  - Intensive growth opportunities.
  - Integrative growth opportunities
  - Diversification growth opportunities.

**Intensive Growth Opportunities:**
- There are opportunities to achieve further growth within the company’s current business.
- Normally, first course of action for growth.
- To detect new intensive growth opportunities, use ANSOFF’s product or market expansion grid.
Chapter-3
Market Oriented Strategic Planning

**Option: 1. = Market Penetration Strategy.**
- Try to gain more market share with current products in current market.
- Approaches:
  - Encourage current customer to buy more per period by increased usage rate or showing additional uses. Eg: Brushing with Colgate dental cream twice
  - Attract customers from weaker competition (Detect weakness in competition Customer Delivered Value). Eg: Colgate capturing market of Forhans.
  - Encourage non – users to start using. (works id non user group is large). Eg: Colgate dental cream campaign in rural market, especially for children.

**Option: 2. = Market Development Strategy.**
- Look for new markets whose needs may be met by current products.
- Approaches:
  - If current market is in retail(individual customer) look at institutional markets(groups). Eg: Kahalgaon NTPC, Hero-Honda in Angul, Orissa.
  - Seek additional distribution channels. Eg: CSD supplies DG(supplies & distribution)
  - Seek additional geographical market. Eg: All geographical location.

**Option: 3. = Product Development Strategy.**
- Involves development of new/additional products or features to deliver superior CDV. Eg: Different types of handles available in bikes.
- Categorize customer into groups and offer different CDV to different groups at different prices.
- Use technology to alter product satisfying same/ similar customer need/ want. Eg: computers – desktops, laptops…

**Integrative Growth Opportunity:**
- Increase sales/ profits through integration within industry.
- Integration could be:
  - Backward (Develop/ Acquire supplier).
  - Forward (Develop/ Acquire Whole seller/ Retailer).
  - Horizontal (Acquire competitor with government approval).
Eg: A motor manufacturing company may acquire copper wire factory (Backward). Next step, it may venture into fan manufacturing (Forward). Apart from that, it may also acquire competitor's motor manufacturing unit (Horizontal).

**Diversification Growth opportunities:**
- Makes sense when good opportunity can be found outside present business.
  - Good opportunity - Industry is highly attractive.
  - Company has business strategic required to be successful.

Diversification could be:
-1- Concentric Diversification:
  - New products that have technical marketing synergies with existing product line.
  - New product may appeal to a different customer group.
    Eg: Bajaj scooter to motorcycle.
-2- Horizontal Diversification:
  - New products that could appeal to its current customer even though new products are technologically unrelated to its current products. Eg:- Bajaj Auto to Bajaj Auto Finance.
-3- Conglomerate Diversification:
  - New business that have no relationship to company’s current technology/ Products & Markets. Eg:- Bajaj Auto to Bajaj Allianz.

Note:
- To pursue growth, companies need to not only develop/ acquire new business, but also carefully divest weak old business to release needed resources to reduce costs.
  - Downsizing could be done through
    o Preening: Removing unprofitable/ dead/ dying parts of business to increase performance.
    o Harvest: As discussed earlier.
    o Divest: As discussed earlier.

**BUSINESS STRATEGIC PLANNING (BSP):**
- Once Corporate/ Division strategic plan is developed, a clear strategic plan for each individual SBU needs to be drawn.

Procedure for BSP:
- BUSINESS MISSION
- EXTERNAL ENVIRONMENT
- INTERNAL ENVIRONMENT
- GOAL FORMULATION
- STRATEGY FORMULATION
- PROGRAM FORMULATION
- IMPLEMENTATION
- FEEDBACK AND CONTROL
BUSINESS MISSION:
- Specific mission within broader corporate mission need to be outlined.
- Process:
  o Focus on specific objectives in terms of
    ▪ Customer groups. Ex:- Income categories.
    ▪ Customers needs. Ex:- Product categorization.
    ▪ Technology. Ex:- Technology levels.

External Environment Analysis:
- Once the business Mission is formulated, the business environment emerges with clarity.
  This business environment needs to be monitored for Operations/Threats.
- In general, business unit needs to monitor
  o Macro Economic Forces (Demographic/ Economic/ Technological/ Legal/ Social/ Cultural/ Political).
  o Micro Environment Actors (Customers/ Competitor/ Distribution Channel/ Supplier).
  o Marketing Intelligence system needs to be set up to monitor Trends/ development.

For each development or change in trend, opportunities and threats need to be identified.

Opportunities:
- Marketing opportunities is an area of buyer need in which a company can perform profitably.
- Opportunity classified according to:
  - Attractiveness of Opportunities.
  - Probability of Success.

Threats:
- Development in external environment.
- An environmental threat is a challenge posed by an unfavourable trend or development that would lead, in the absence of defensive marketing action, to reduction in Sales/ Profit.
- Threats can be classified as:
  o Seriousness.
  o Probability of occurrence.
Based on above, businesses overall attractiveness may be categorized as
  o Ideal Business: High Opportunity/ Low Threats.
  o Mature Business: Low Opportunity/ Low Threats.
  o Troubled Business: Low Opportunity/ High Threats.

**Internal Environment Analysis:**
- Identifying business attractiveness are not adequate. Business needs to have relevant competencies.
- Hence, Strength/ Weakness need to be evaluated periodically.

**Checklist for Strengths/ Weaknesses:**

<table>
<thead>
<tr>
<th>Competency</th>
<th>Performance</th>
<th>Importance</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Major</td>
<td>Minor</td>
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<tr>
<td></td>
<td>Strength</td>
<td>Strength</td>
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<tr>
<td>(A) Marketing Factors</td>
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<tr>
<td>1) Company Reputation</td>
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<tr>
<td>2) Market Share</td>
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<tr>
<td>3) Product Quality</td>
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<td>4) Service Quality</td>
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<td>5) Pricing Efficiency</td>
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<td>6) Distribution Efficiency</td>
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<td>7) Promotional Efficiency</td>
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<td>8) Sales Force Efficiency</td>
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<td>9) Innovation Efficiency</td>
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<td>10) Geographical Efficiency</td>
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<td>(B) Finance Factors</td>
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<td>1) Cost/ Availability of Capital</td>
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<td>4) Technical Skills</td>
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<td>5) Timely Production</td>
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<td>Organizational Factors</td>
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<td>1) Leadership Capability.</td>
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<td>2) Dedication of Employees</td>
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<td>3) Entrepreneurial Orientation</td>
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<td>4) Flexibility/Responsiveness</td>
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To be successful, companies need to develop:
- Core competencies.
- Superior “In-Company” capabilities to evaluate strength & weakness

“In Company” capabilities achieved through frequent strength/weakness analysis & action thereon leading to “capabilities based competitiveness”.

**Goal Formulation**:  
- Once SWOT analysis he’s complete, a business unit can develop specific goals for planning period.  
- Goals are objective that are the specific with respect to magnitude and time. Hence, goals are measurable.  
As a result, goals can be managed, implemented and controlled.

A business unit may have multiple goals:
For example:  
- profitability  
- Sales growth  
- Market shares  
- Innovativeness  
- Risk containment  
- Reputation/image and so on.
- Business unit needs to set objective and manage by objective (MBO)
  Lido Aiococca – Founder of MBO.

**Objective should meet following criteria:**
- Hierarchically arranged from most important to least important
- Objective should be quantitative with time frame
- Goals should Be realistic
- Objective should be consistent (cannot maximize sales and profitability simultaneously)

**Goal trade offs should be understood clearly:**
- Short term Profit Vs long term growth.
- The Penetration of existing market Vs market development.
- High growth Vs low risk.

**Strategy formulation:**
- Goals Indicate what business unit wants to achieve the kind
- Strategy = game plan for how to achieve.
- Porter’s generic strategy types
  - Overall Cost leadership.
  - Differentiation.
  - Focus.

**Overall cost leadership:**
- Achieve lower production and distribution costs.
- Price lower than competitor and winning increases market share.

For this, business unit must be good/better than competitors at
- Engineering - manufacturing
- Purchasing - physical distribution
- Problem could be the emergence of other firms with even lower costs
- Key to success is to achieve lowest cost among those competitors adopting similar differentiation/focus strategy.

**Differentiation:**
Business unit concentrates on achieving superior performance in an import customer between area valued by a large part of the market.

Example:- business unit can strive to be (One of):
- service leader. (TVS motors)
- Quality leader. (Yamaha)
- Style leader. (None)
- Technology leader. (Hero Honda)

Business unit cultivate those strengths that will give it a competitive advantage in one or more benefits.
Focus:
- Business unit focus on one or more narrow market groups than going after a large market.
- Business gets to know special customer group’s needs and pursues either cost leadership or differentiation within targeted market groups.

Strategic Group:
- Firms pursuing same strategy directed to same customer group constitute a strategic group.
- Firms that carries off strategy best will make more profits.
- Lack of clear strategy (Middle-Of-The-Road) leads to poor profits.

Program Formulation:
- Once principal strategy is developed, detailed supporting programs need to be worked out. Ex:- Overall Strategy = Technological Leadership.
  - Programs
    - Make R & D stronger.
    - Gather technical intelligence.
    - Train technical sales force.
    - Advertise technical leadership.
- Programs costs to be evaluated.
- Cost Benefit Analysis to indicate clearly whether program is justified or not.

Implementation:
- Program formulated needs to be implemented efficiently.
- For this, Mckinsey 7-S frame work for business success.

Mckinsey 7-S Framework:
- Hardware for success
  - Strategy
  - Structure
  - Systems
- Software for success
  - Style
  - Staff
  - Skills
  - Shared Value
Style: Employees share common way of thinking & behaving.
Staff: Company has recruited capable people, trained them well and assigned them to right jobs.
Skills: Employees have skills needed to carry out company’s strategy.
Shared Values: Employees share similar guiding values related to their work.

Strategy implementation is superior in companies where software elements are present in addition to hardware elements.

Feedback & Control:
- As a company implements its strategy, it needs track results & monitor development in internal & external environment.
- Environment may:
  - Be Stable.
  - Evolve Slowly/ Predictably.
  - Change Rapidly/ Unpredictably.

Overall, environment is likely to change.
- Hence, company needs to review/ revise its Implementation/ Programs/ Strategy/ Objectives.
- Hence, system for feedback & control gains importance.

Key to organizational health:
- Company’s willingness to examine changing environment.
- Adaptation of appropriate new Goals/ Strategy/ Program/ Implementation or behaviour.
- High performance companies try to maintain viable fit with evolving environment through flexible business strategy planning.

PRODUCT LEVEL STRATEGIC PLANNING:

Task of any business is to deliver value to the market at a profit.
Value-Delivery process could be:
- Traditional.
- Competitive.

Traditional:
Value delivery process made of
- Making product-
  - Design product.
  - Procure material.
  - Make product.

- Selling product
  - Price product.
  - Selling price.
  - Advertisement/ Promotion of product.
  - Distribution.
  - After Sales Service, ie, make the product and sell it.
- Marketing takes place in second half of the process.
- Assumption is that company knows what to make & market will buy enough units to make profits for company.
- Works well in shortage economies.
- Lower focus on
  - Quality.
  - Features
  - Style.

Value Delivery Process In Competitive Environment:
- Process made up of:
  - **Strategic Marketing**: Choose the value.
    - Customer segmentation.
    - Market selection/ Focus/ Tightening.
    - Value Positioning.
  - **Tactical Marketing**:
    - Product development.
    - Service development.
    - Pricing.
    - Sourcing/ Making.
    - Distribution/ Servicing.
  - **Communicate Value**:
    - Sales force.
    - Sales promotion.
    - Advertising.

- Traditional process may not work in competitive economies where choices are abundant.
- Hence, “Mass Market” gets broken up into smaller markets, each with its own buying criteria.
- Smart competitor needs to be successful in such markets.

Marketing Process:

*Marketing Process consists of:*
- Analyzing marketing opportunities.
- Development marketing strategy.
- Planning marketing strategy.
- Managing marketing effort.
Product level strategic planning:
- Strategic Marketing:
  • Segmentation.
  • Targeting.
  • Positioning.

- Tactical Marketing
  • Product.
  • Price.
  • Place.
  • Promotion.