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MBCIII - 1 – Strategic Management

Unit II

Programme Educational Objectives

Our program will create graduates who:

- 1. Will be recognized as a creative and an enterprising team leader.*
- 2. Will be a flexible, adaptable and an ethical individual.*
- 3. Will have a holistic approach to problem solving in the dynamic business environment.*

Logistics and Supply Chain Management

Course Outcomes

- CO1-Given the adverse business situation the student manager would be able to develop a strategy to sustain in the said business.
- CO2-Given the values of Critical Success Factors such as Sales, Market Share, ROI of an organization the student manager will be able to compare the same with market and compile the strengths & weakness chart for that organization.
- CO3-Given the vision document of an organization the student manager will be able to justify the role of the vision document in formulating the strategy for that organization.

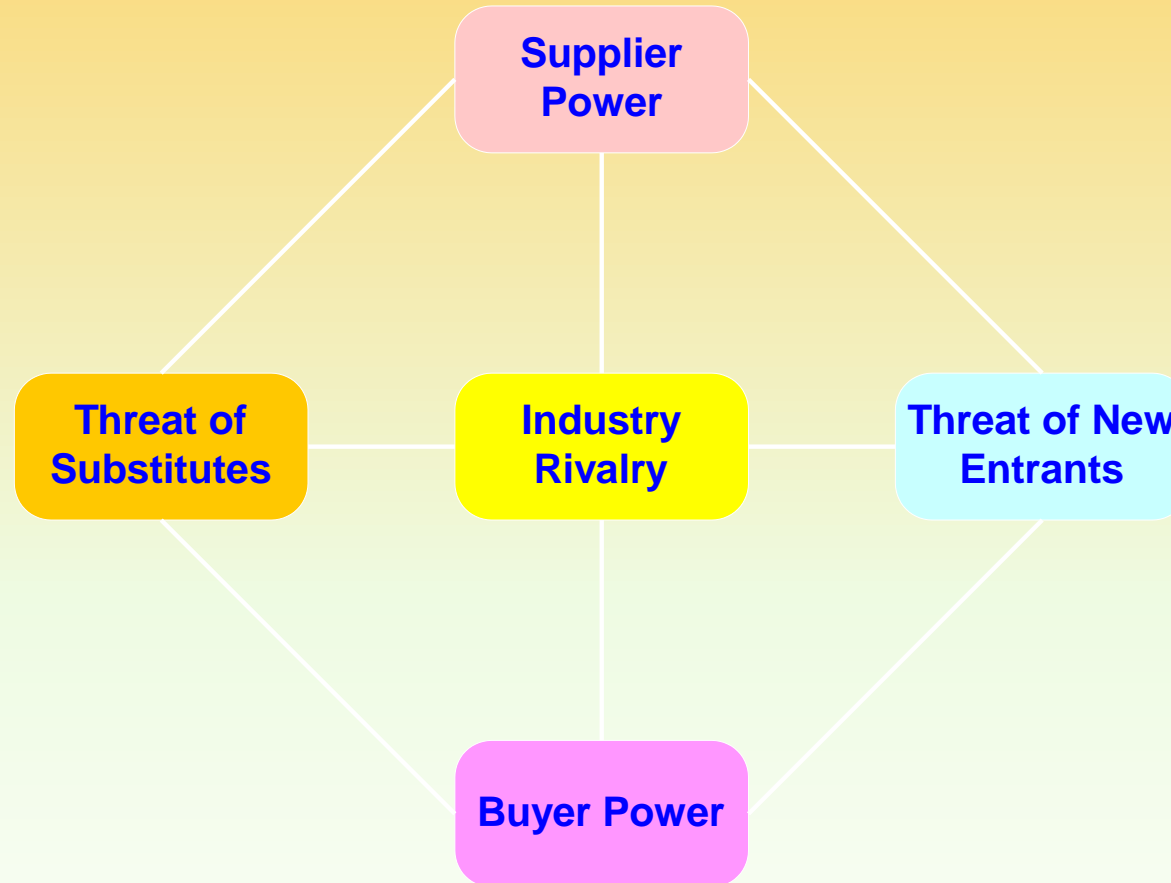
- CO4-Given the business environment, the student manager will be able to construct the Porter's Five Forces model which is likely to guide formulation of a strategy in given business environment.
- CO5-Given a condition of competitive environment, the student manager will be able to suggest suitable growth Strategy for the firm.
- CO6-Given the reasons for an organization to go global, the student manager will be able to analyze various challenges likely to be faced by an organization while formulating global strategy.

EXTERNAL ANALYSIS

ENVIRONMENT ANALYSIS- COMPONENTS OF EXTERNAL ENVIRONMENT

- All outside factors that may affect an organization make up the **external environment**.
- The **external environment** is Directly interactive. This **environment** has an immediate and first hand impact upon the organization. A new competitor entering the market is an example.
- The **external environment** of an organization are those factors outside the company that affect the company's ability to function. Some **external** elements can be manipulated by company marketing, while others require the organization to make adjustments.

Porter's Five Forces



Components of Internal Environment

- An organization's **internal environment** is composed of the elements within the organization, including current employees, management, and especially corporate culture, which defines employee behavior.
- Although some elements affect the organization as a whole, others affect only the manager.

Human resources:

- A firm's real assets are its human resources consisting of board of directors, top management, middle management, supervisors and employees.
- The board's vision, commitment, knowledge, experience political connections – all help in taking the firm to commanding heights.
- Same is the case with the top management which provides direction and middle management which translates theoretical into action plans.
- Managers with vision, drive, and enthusiasm always help the firm to steer out of troubles and stay ahead of competition.
- An organization's employees are also a key element of its internal environment.
- When managers and employees embrace the same values and have the same goals everyone wins.
- When they work at cross purposes, however, or when conflict and hostility pervade the organizations everybody loses.

Other Organizational Resources:

- Other organizational resources (Capital, land, equipment, plant, structure technology processes etc) should always be properly aligned with firm's strengths combined in an appropriate manner to produce results.
- Factors such as proper location, up to date technology, adequate capacity, efficient distribution network, reliable and cost effective sources of supply etc help the firm in realizing its professed goals.

Environmental scanning

- Is a process that systematically surveys and interprets relevant data to identify external opportunities and threats.
- An organization gathers information about the external world, its competitors and itself.
- The basic **purpose** of **environmental scanning** is to help management determine the future direction of the organization.
- **Environmental analysis** is a **strategic** tool. It is a process to identify all the external and internal elements, which can affect the organization's performance.
- The **analysis** entails assessing the level of threat or opportunity the factors might present. ... The **analysis** helps align **strategies** with the firm's **environment**.

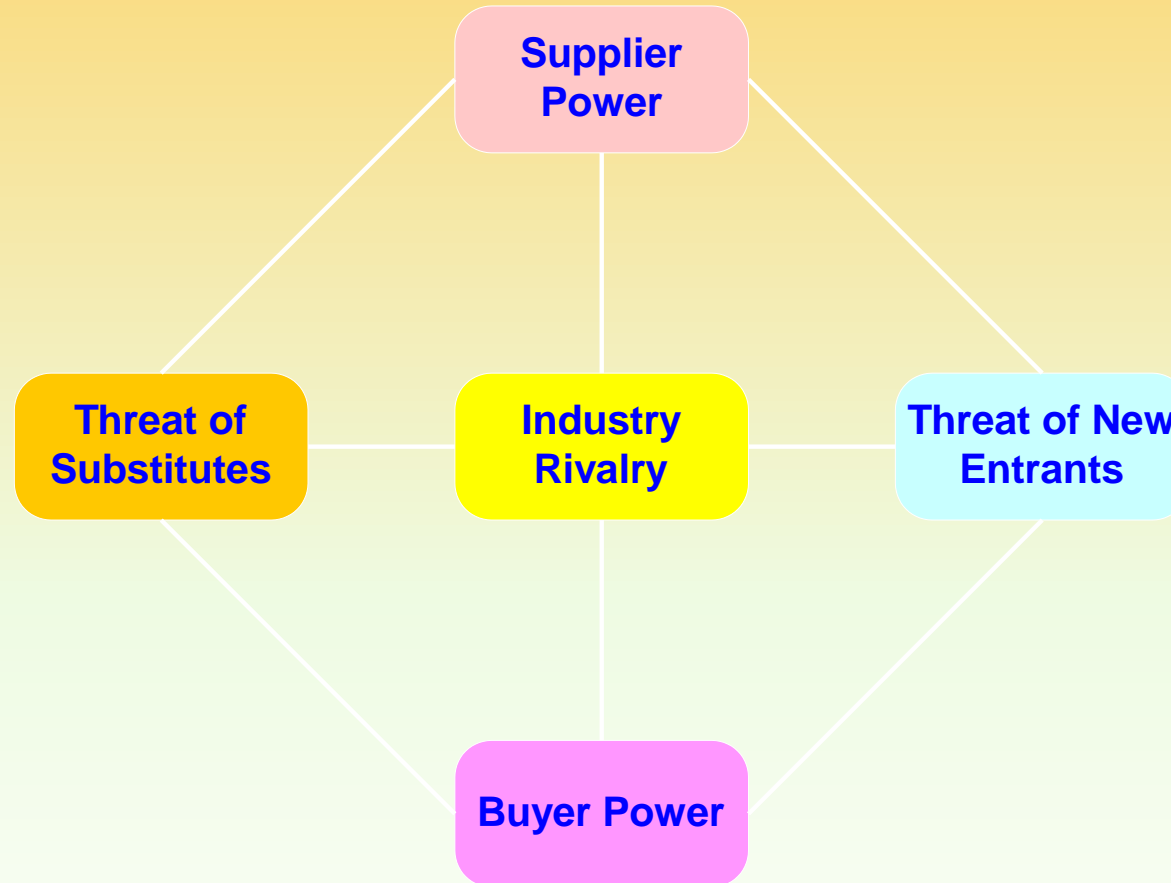
How do one can go for environmental scan?

- **Internal analysis of the environment** is the first step of environment scanning.
- This includes employee interaction with other employees, employee interaction with management, likewise, Also, discussions, interviews, and surveys can be used to assess the internal environment.
- Analysis of internal environment helps in identifying strengths and weaknesses of an organization.

Frame work for Industry Analysis

- Porter's five forces **analysis** is a **framework** for analyzing the level of competition within an **industry** and business strategy development. It draws upon industrial organization (IO) economics to derive five forces that determine the competitive intensity and therefore the attractiveness of an **industry**.

Porter's Five Forces



Reference Books

- Strategic Management, Robbins and Pierce II, 12th Edition, Tata Mcgraw Hills.
- Strategic Management, Planning and Implementation, Thompson and Thompson, Francis and Taylor London