

CHAPTER 6

FUNCTIONAL LEVEL STRATEGIES

FUNCTIONAL LEVEL STRATEGIES - INTRO

- Functional strategies are designed to help in the implementation of corporate & business level strategies
- The reasons why functional level strategies are needed -

[MC - CID]

- a) They provide a sense of direction to the functional staff
- b) They are aimed at implementation of corporate strategies & business strategies
- c) They act as a basis for controlling activities
- d) They help in bringing harmony & coordination
- e) Similar situations occurring in different functional areas can be handled consistently

MARKETING STRATEGY FORMULATION

Marketing

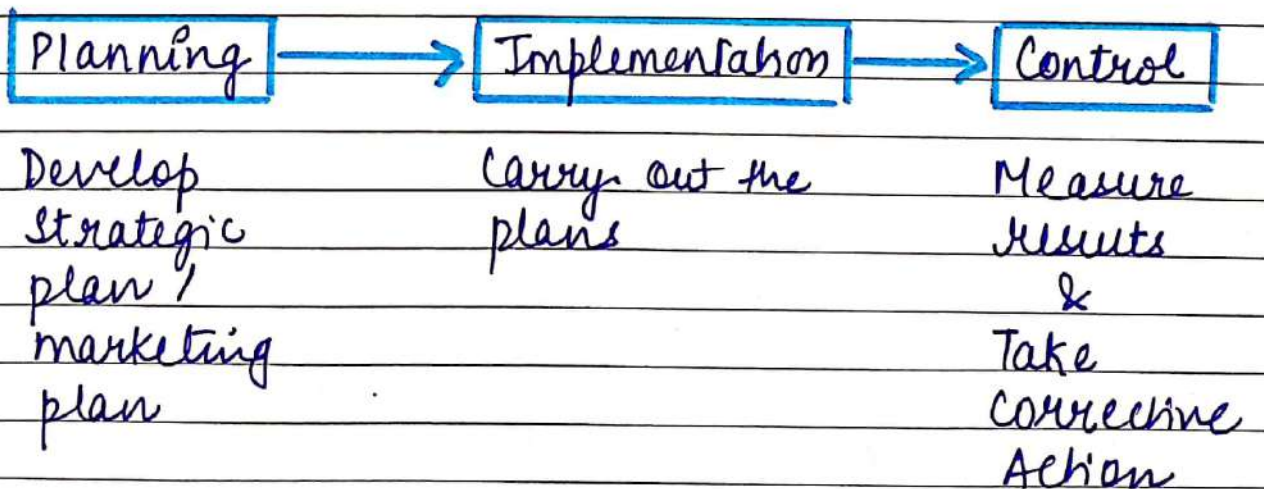
Marketing is the process of analysing market opportunities, selecting target markets, developing the marketing mix & managing the marketing effort.

Delivering Value to Customer

- Marketing alone cannot produce superior value for the consumer, instead it needs to work in coordination with other depts.
- To succeed in the competition, companies must be CUSTOMER-CENTERED.

Marketing Analysis

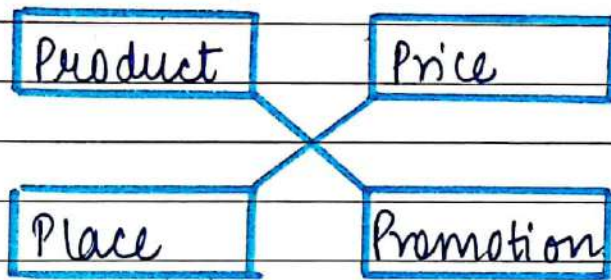
- It includes a complete analysis of [SWOT]
 - strengths & weaknesses of org &
 - identifying opportunities & threats
- It has 3 components



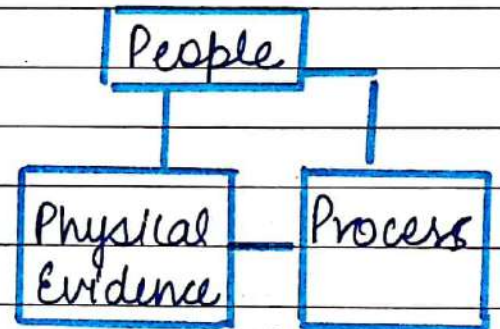
Marketing Planning

- It includes deciding in advance about the market strategies that will help to achieve the organisational goals.
- It includes [MC: MAPS]
 - M** - Market description
 - A** - Analysis of Competition
 - P** - Product review
 - S** - Section on distribution

Marketing Mix



4 P's



3 P's

Variable	Meaning	Areas of Strategy / Matters
Product	Goods or services offered by the company to the target market	<ul style="list-style-type: none"> • To manage existing product (पुराना चलाओ) • To add new product (नया बनाओ) • To decide on product <ul style="list-style-type: none"> B - Branding P - Packaging L - Labelling

Price	Amt of money that customers have to pay to obtain product	<ul style="list-style-type: none"> • Location of Customers • Price of related items • Terms of Sale • New Product Pricing <ul style="list-style-type: none"> - Penetration [Relatively Low] ↓ - Skimming [Relatively High] ↑
Place	All company activities that make the product available to target customers	<ul style="list-style-type: none"> • To Manage channels of Distribution [CD] • To Review CD • To decide terms of business with Wholesalers & Retailers
Promotion	Activities that communicate the merits of the product & persuade consumers to buy it.	<ul style="list-style-type: none"> • It includes <ul style="list-style-type: none"> - advertising - Personnel selling - Sales Promotion - Publicity
People	All human actors who plays a part in delivery to the customer [Co's personnel]	<ul style="list-style-type: none"> • To determine extent of coordination b/w firm's personnel & customer • To identify ways to improve relations with the customers
Physical Evidence	Env't in which service is delivered Customer interact with firm	<ul style="list-style-type: none"> • To identify the impact of service on the customer.

Process	Flow of activities by which the product/service is delivered	<ul style="list-style-type: none"> To eliminate un-necessary activities in the process To obtain cost reduction advantage
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Marketing Strategy - Techniques

Social Marketing	<p>D - Design I - Implementation C - Control</p> <p>of programs to create social awareness Eg: बेटी बचाओ, बेटी पढ़ाओ !!</p>
Augmented Marketing	<p>[Augmented = Additional]</p> <p>- Provision of additional customer service - built around the actual product Eg Laptop के साथ Laptop की Warrantee</p>
Direct Marketing	<p>- Interacting directly with customers - Direct response is obtained - Eg [Home shop 18] TV shopping</p>
Relationship Marketing	<p>Process of C - Creating M - Maintaining E - enhancing relationship with customers Eg - membership card given by Lifestyle</p>

Service
marketing

- Process of applying tools, techniques of marketing to services
- Eg Banking Services

Person /
Organisation/
Place
Marketing

- Consists of activities undertaken to
 - Create
 - maintain
 - change
 behaviour of target audience towards a person / org / Place
- Eg - Person - Modi ji
 Org - Sonali Ma'am classes
 Place - Gujrat [Tourism Advertisement]

Enlightened
Marketing

- It works on the philosophy that company's marketing efforts should bring returns in long-run.
- It has 5 principles
 - Customer Oriented marketing
 - Innovative marketing
 - Value marketing
 - Sense of Mission marketing
 - societal marketing

Differential
Marketing

- Market coverage strategy
- Firms decides to design separate marketing (offers) for each segment
- Eg HUL
 - Lifeboy
 - Lux
 - Pears

Synchro Marketing

- Used to regularize (smoother) the pattern of demand
- Eg. FANS, AC sold off at discounted prices during winter season

Concentrated Marketing

- It is a market - coverage strategy
- Firm goes after a large share of one (or few) markets

De-marketing

- This strategy reduces the demand on temporary basis
- Aim is not to destroy demand, but to shift it
- It is applied in case of full demand/ full occupancy in certain cases
- Eg. - Amusement parks are over-crowded on Sundays & holidays, so demands is shifted to working days.

Marketing decisions include -

- The amount & extent of advertising ?
- Kind of distribution network to be used ?
- Whether - Price Leader or follower ?
- Whether to provide complete or limited warranty ?
- Whether business is to be done with single (few) ? customers or on large scale
- Whether reward will be based / given straight salary or straight commission or partly ?

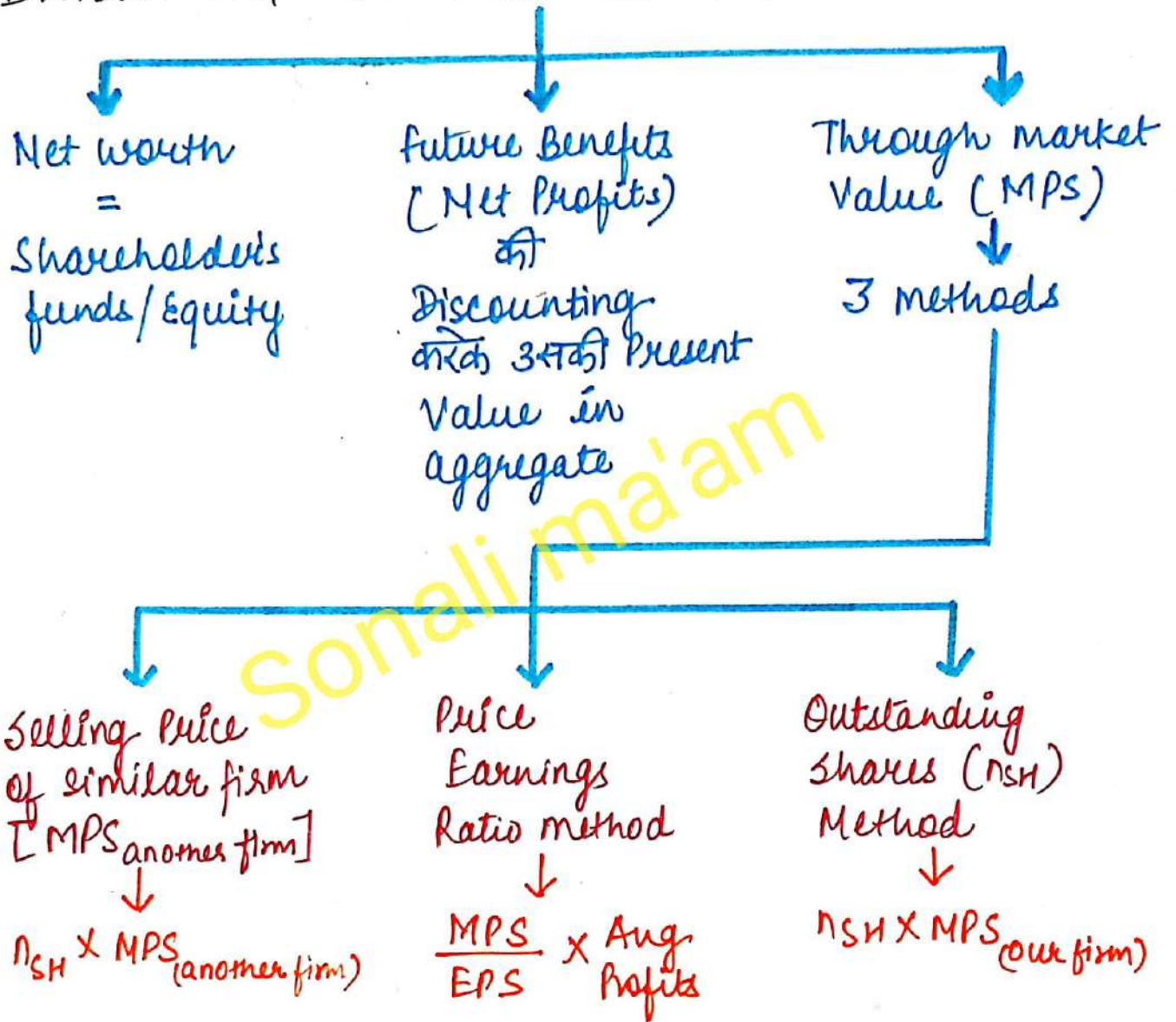
FINANCIAL STRATEGY FORMULATION

- Financial strategies are related to areas of FINANCIAL MANAGEMENT
- These include acquiring needed capital, developing projected statements, usage of funds & evaluating the net worth of business
- Some examples of financing decisions are -
 - a) To raise capital with short-term debt or long term?
 - b) To lease or to buy fixed assets
 - c) To extend the time of accounts receivables
 - d) To establish a certain percentage discount on accounts within a specified period of time
 - e) To determine dividend pay-out ratio
 - f) To determine amount of cash that should be kept in hand.

EVALUATING THE NET WORTH OF BUSINESS



EVALUATING NET WORTH OF THE BUSINESS



PRODUCTION STRATEGY FORMULATION

- The strategy for production are related to the production system, operational planning & logistics.
- This strategy affects
 - nature of Product/Service
 - markets to be served &
 - the manner in which the markets are to be served
- It is concerned with the
[MC: CWA]
 - C - Capacity, location, plant layout etc
 - W - Work system, degree of automation
 - A - Axtent [Extent] of vertical integration.

STRATEGY FORMULATION IN THE AREAS OF PRODUCTION SYSTEM & OPERATIONAL PLANNING & CONTROL -

(a) Production System Strategy

- It involves decisions which are long term in nature &
- Have Influence on
 - operations capability of the firm &
 - its ability to achieve Org objectives
- Examples
 - Production Technology strategy
 - Make vs Buy strategy.

(b) Operational Planning & Control Strategy

- It seek to ensure that resources are efficiently utilized &
- operations are carried in light to org objectives
- Examples
 - Quality Assurance
 - JIT [Just in Time]

LOGISTICS STRATEGY

- Management of logistics is a process which integrates the flow of supplies into, through & out of an organisation.
- The objective is to ensure that the right materials are available at the right place, at right time, of right quality & the right cost.
- Logistics strategy deals with the following issues -

- a) Sources of Raw material & components
Raw mat के Resources कौन-कौन से हैं ?
- b) Mode of Transportation
Input/output लाने-लेजाने के लिए कौन सा Mode Use करनी है ?
- c) Ownership of transport vehicle by our firm
क्या Transport Vehicle हमारे पास नहीं है ?
- d) No. of manufacturing locations
कितनी manufacturing कि locations हैं ?
- e) Method for deploying inventory
Inventory को deploy (use) कैसे-कैसे करना है ?

Benefits of logistics strategy

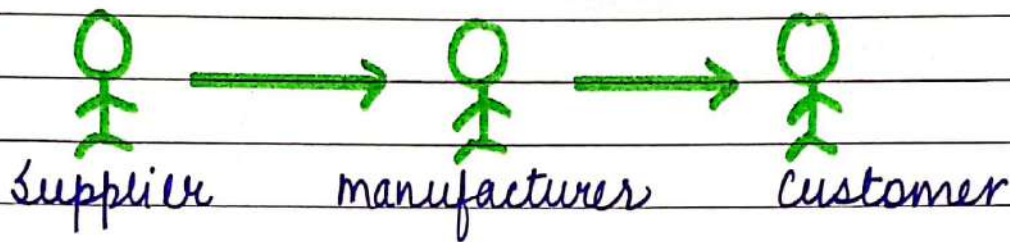
- Cost की Savings एत जाती है।
- Inventory carrying cost reduce एत जाती है।
- Delivery time improve एत जाती है।
- Customer को सतिसफा एत जाती है।
- Competitive advantage मिल जाती है।



Logistics management:

SUPPLY CHAIN MANAGEMENT

- The term SCM refers to the linkages between suppliers, manufacturers, & customers



- Implementing SCM systems (process)

Product development [Research & Devp]



Procurement [sources of R/M & other inputs]



Manufacturing [Production process]



Physical Distribution [Availability of Outputs]



Outsourcing [secondary activities etc]



Customer services [for maintaining customers]



Performance measurement [different parameters like productivity, quality, Returns etc]

RESEARCH & DEVELOPMENT STRATEGY

few Areas / Issues for which R&D strategies are formulated

- Emphasize product or process improvements
- Stress basic or applied research
- Be Leaders or followers
- Develop robotics or manual process
- Spend high amt or low amt
- Perform R&D within firm or outside
- Use University researchers or Pvt Organisations

Following Guidelines can be used to make the decision whether a firm should develop R&D Internally or outside to the external agencies -

Technical Progress	Market Growth	R&D Decision
Slow	Moderate / Slow	In house
Rapid / fast	Slow	R&D - No efforts required
Slow	Quick / fast	Outsource [Contract]
Rapid / fast	Quick / fast	R&D acquisition

Three major approaches for implementing R&D strategies

- Leader / Pioneer
- Follower / Imitator
- Low-cost Producer

LEADER	FOLLOWER	LOW COST PRODUCER
<ul style="list-style-type: none">• To market new technological product first• Aggressive R&D policy	<ul style="list-style-type: none">• To be innovative imitators of successful products• Minimizing cost	<ul style="list-style-type: none">• To be a Low Cost producer by mass producing the products• Less expensive than recent

Sonali ma'am

HUMAN RESOURCE STRATEGY

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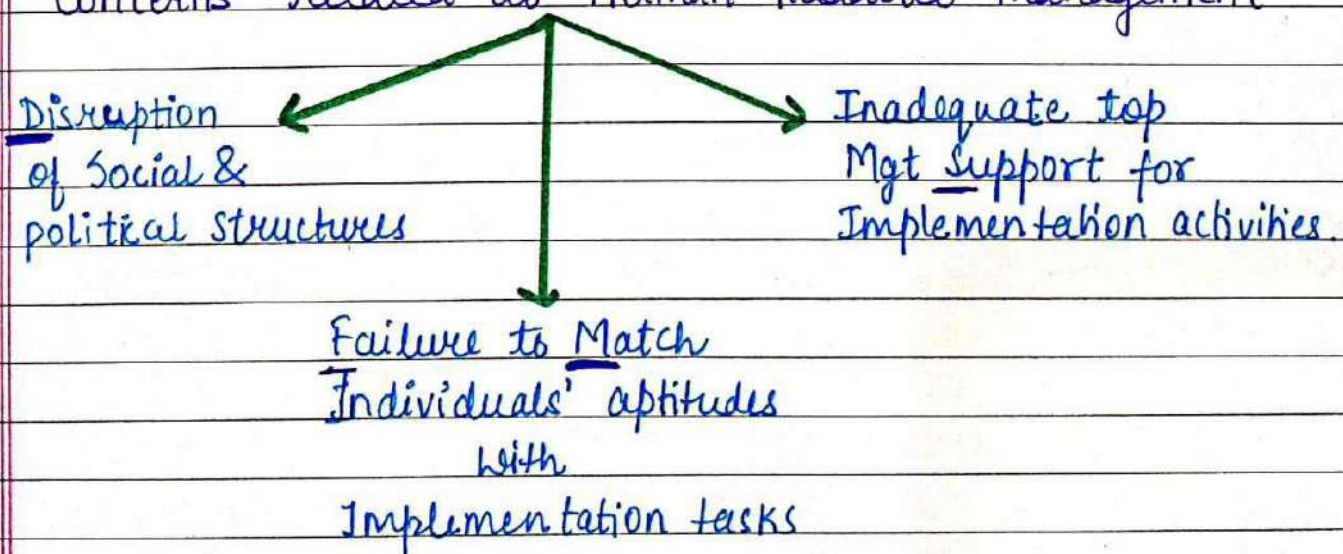
Role of Human Resource in Strategic Management
OR

Strategic Responsibility of Human Resource Manager

- Assessing the staffing needs & costs
- developing a staffing plan
- plan must also include motivation to employees
- develop performance incentives that link clearly to their performances.
- establishing & administering an employee.
- Maintaining work life balance.

Major strategic decisions [MC: MSD]
OR

Concerns related to Human Resource management



Failure to Match

- A concern in matching managers is that jobs have specific & relatively static responsibilities, although people are dynamic in their personal development.
- A number of guidelines can help to ensure that human relationships facilitate rather than bring any harm & for that individual's skills & abilities should be considered.

Inadequate Mgt Support

- Inadequate support from strategists often undermines org success.
- For this, CEO, small business owners etc should be committed to strategy implementation & they should reward the employees for the activities completed & objectives achieved.

Disruption of social & political structures

- Disruption of social & political structures that accompany strategy execution must be anticipated & considered during strategy formulation & implementation in an organisation.
- It is because, new formal/informal, new power & new status relationships may be unknown & may pose a threat.

Role of Human Resource Management in Achieving Competitive Advantage

1. A well trained & competent workforce can go long way to achieve competitive advantage for an org.

In the words of Charles Greer,

In a growing number of organisations, human resources are now viewed as a source of competitive advantage.

There is greater recognition that distinctive competencies are obtained through highly developed employee skills, distinctive org cultures which mgt processes & systems.

2. Therefore, Organisational factors which have a strong influence on employee competence are

Recruitment & Selection	Workforce is more competent, if firm successfully identify & select applicants
Training	Workforce is more competent, if employees are well trained to perform their jobs
Appraisal of Performance	Identify deficiencies & solve through coaching counseling for improvement in performance
Compensation	Offering attractive pay packages to attract/retain capable people

Human Resource Management Practices

Pre-Selection Practices

Selection Practices

Post-Selection Practices

- Pre-Selection practices includes human resource planning & Job analysis.
- Selection practices is meant to staff the various positions in the org i.e Recruitment & Selection
- Post-Selection practices to maintain & improve the job performance levels of employees eg Motivation, Training etc.

Sonali Ma'am

STRATEGIC ROLE OF HRM

In ensuring purposeful Direction	Synchronization of the firm's & individual objectives (in consistent with Org. goals)
In building up the Core Competencies	Core-competence is the unique strength which can be used for the achievement of Org. goals
In creating Competitive Atmosphere among employees	This will provide a competitive advantage for the firm
In developing good work Ethics & Culture	To create an atmosphere of trust amongst people
In HR Empowerment	[Empowerment = authorization] providing authorization will help to realize his/his full potential
In changing mgt or environment	HR-Mgt helps to cope up with the changes in the external Env't.
In managing the workforce diversity	This brings out the need for higher degree of participation of employees

[MC :- Given on next pg]

PCC में Good work किया तो , Empowerment मिलेगी , जिसे
EM , Environment change और पर गा , Diverse Workforce
को Manage कर सकेगे !

[Taking English words from the above sentence]

P → Purposeful direction

C → Core Competencies

C → Competitive atmosphere

Good work → Good work Ethics & Culture

Empowerment → HR Empowerment

Environment change → changing Env't/mgt

Diverse Workforce Manage → managing Diverse workforce