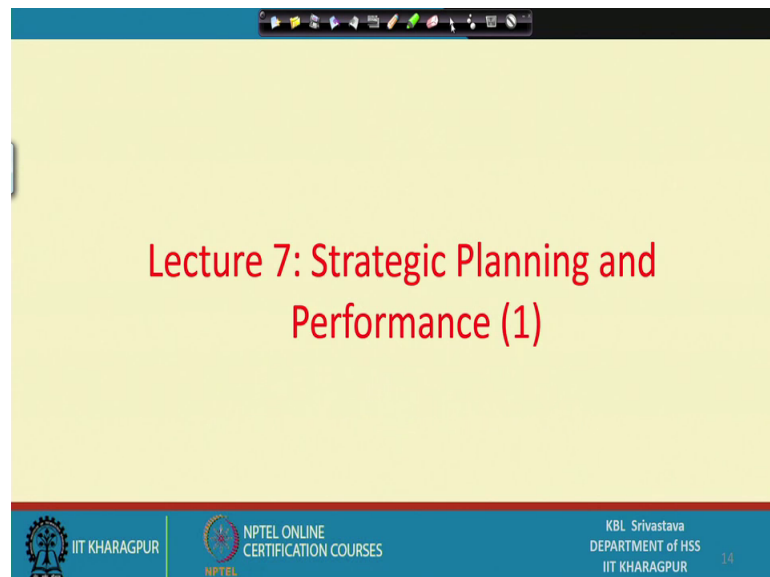


Strategic Performance Management
Prof. K. B. L. Srivastava
Department of Humanities and Social Sciences
Indian Institute of Technology, Kharagpur

Lecture – 07
Strategic Planning and Performance – 1

So, welcome to the second weeks next lecture, that is lecture number 7 and here we will discuss about strategic planning and how it could be linked with performance. See when we are talking about strategic planning we need to discuss it in detail about what is strategic planning, how do we go about strategic planning, and the basic idea is that since we are going to link strategic planning with performance, we need to remember two things that how do we go about analyzing the environment, setting vision mission goal, and then see that this alignment is at two different levels. One is that individual goals are aligned with group or department and then organizational goals, and the second kind of alignment that we have to see that whatever comes out as a vision or mission is percolated down to strategies goals and objectives of the organization, leading to higher performance.

(Refer Slide Time: 01:11)

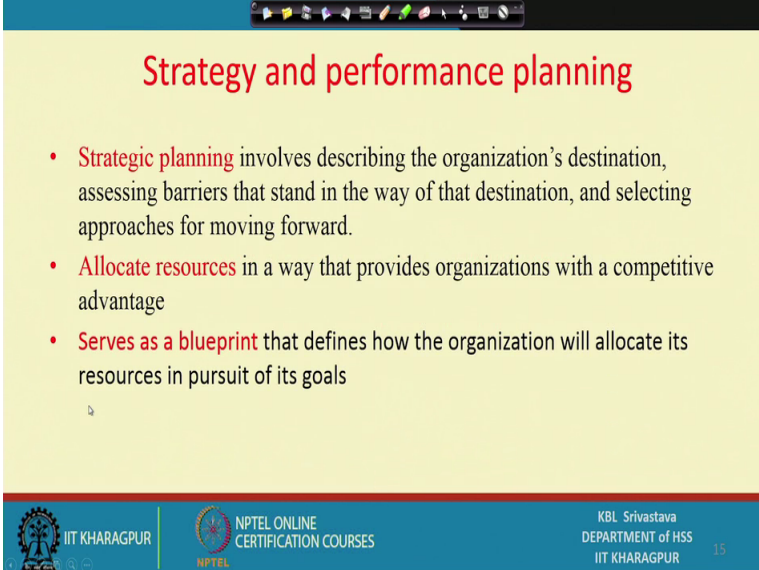


So, keeping this in mind we are going to discuss this next topic that is strategic planning and performance, and the basic idea here is that how we can strategically plan to see that there is a consistency and alignment at different levels, and how it is linked with

performance. Now when we are going to discuss about this, we need to remember certain things that how do we proceed and what we need to do in order to look at this.

So, the idea here is that when we are going to look at a strategic planning, we need to discuss what is a strategic planning.

(Refer Slide Time: 01:44)



The slide is titled "Strategy and performance planning" in red text. It contains three bullet points:

- **Strategic planning** involves describing the organization's destination, assessing barriers that stand in the way of that destination, and selecting approaches for moving forward.
- **Allocate resources** in a way that provides organizations with a competitive advantage
- **Serves as a blueprint** that defines how the organization will allocate its resources in pursuit of its goals

The slide footer includes the IIT Kharagpur logo, NPTEL ONLINE CERTIFICATION COURSES, and the name KBL Srivastava, DEPARTMENT of HSS, IIT KHARAGPUR. The slide number 15 is also present.

So, if you look at the definition of a strategic planning what does it involves. Basically when we are going for a strategic planning, the idea is to develop certain action plan which will help the organization to realize its goals and objectives right. So, if you look at the definition it says that, it involves identifying with the organization wants to go, and how it is going to achieve what it wants to achieve. And then it also needs to see that it that how we can going we are going to identify the barriers in the process of achieving these goals and objectives, and for that you know that you are going to analyze the environment and see that what needs to be done right.

So, once we are able to identify the goals and objectives where we want to reach, we also need to identify what are the barriers for this in order to reach those goals and objectives, and also say to it that what are the different kind of a strategies that we can plan to reach to those goals and objectives. Now let me give an example of strategy, strategy basically relates to action plan.

So, and. So, organizations make their strategies to compete in the market, to improve

their performance right. So, there could be different kind of a strategies that could be built or developed by the organization right. I am talking about the strategy here. So, for example, you want to differentiate your product from others. So, it is going to be a strategy based on differentiation. You want to compete be based on low cost. So, that is could be another strategy. So, if you are going to compete on the low cost then you have to see that how we are going to create products and services, which is going to be low cost compared to your competitors so that, you are able to achieve your goals and objectives right. In the process you also need to identify those barriers which is going to be there, and which is going to hinder your goals and objectives like if we for going for low cost strategy, then you have to see that what are the things that you need to do as a part of your strategy, that is what we call action plan and how we are going to move forward to achieve this kind of objective using a low cost strategy right. Similarly in the process you also need to allocate resources.

That what kind of res, how we are going to use different kind of resources or input right. So, you need to maximize the use of different kind of inputs maybe main material technology and other things, because you need to allocate this resources in such a way. So, that you are able to achieve good performance and that would help you to achieve competitive advantage. So, when we are talking about strategies nothing else, but its a kind of blueprint which defines how the organization will allocate it resources to achieve its goals right. So, as a part of the strategic planning, you have the idea here is that since you are going to link strategy with performance.

So, you have to see that how we are going to develop our strategy. So, that you are able to improve your performance to achieve or realize the goals and objectives of the organization.

(Refer Slide Time: 05:00)

Purpose of strategic Planning

- Allows organizations to define their identities- *a clearer sense of who they are and what their purposes are*
- Helps organizations prepare for the future
- Allows organizations to analyze their environment to adapt to environmental changes and anticipate future changes
- Provides organizations with focus and allocate resources to what matters most
- Produce a culture of cooperation and a common set of goals
- Generates new options and opportunities to be considered
- a powerful tool to guide employees' daily activities by identifying the behaviors and results that really matter

IIT KHARAGPUR | NPTEL ONLINE CERTIFICATION COURSES | KBL Srivastava DEPARTMENT of HSS IIT KHARAGPUR 16

Now in this process we also need to see that why there is a need to go for a strategic planning right. Why companies develop strategies? The basic idea here is that if I have a strategy on (Refer Time: 05:15) that would help you to achieve your goals and objectives is. So, if you have a strategy or you have planned a strategically, then it is going to help you to define certain things like what you are, what you want to achieve, what is the objective for which this organization exist right. So, you can identify these identities with a good strategic plan and it also helps you to prepare for the future. For example, if you have a strategy of low cost differentiation. So, the idea here is that you are using these strategies to achieve certain goals and objectives, and that would help organization to compete in the market right.

As a part of your strategic planning, what you do basically. You are going to analyze the environment that will discuss in detail later, and then after the analysis of the environment you see that what kind of changes are going to happen in the environment. And when it comes to analyzing the environment basically you are going to see that what are the different factors which are operating in the environment and then how many factors are operating, what is the level of these factors in terms of being simple or complex. If too many factors are operating then it will going to be a very very complex, if only few factors are operating then it is going to be simple. Similarly if these (Refer Time: 06:31) factors are very dynamic environmental factors, then we can say that the environment is very very dynamic in which you are operating. If these factors are not

changing very frequently are not that dynamic or they are static in nature then we can say that yes these factors are not that dynamic, but more stable, and that is why you do not need to worry much about it.

Means that based on this environment analysis that will discuss later on also, you identify what kind of plan you need to go ahead with. Because environment decides what kind of a strategy you are going to plan for the future. Based on this environment analysis you are going to identify the strategy, which may be linked with the goals and objectives of the organization right. So, once you have done this environmental analysis you know what is your strategy, the next task is that you are going to see what are your resources what are your competence in terms of people, in terms of technology, in input in terms of processes which help you to achieve these goals and objectives ok.

So, the idea here is that make sure that you are focused and paying attention to your strategy and similarly you are going to allocate resources in such a way. So, that it helps you to realize the goal. Another issue that is very very important is that you also need to create a culture. So, what kind of culture is important here? See when you are going to talk about organizational culture which basically represents what? The norms and values right of the organization.

So, if you look at culture it plays a very important role because if you have a culture of trust and cooperation that helps to you to realize the goal, but your culture of suspicion and mistrust, peoples do not like each other, they do not take risk then what will happen probably will not be able to realize your goal. So, while you are going to allocate resources to ensure that you are able to achieve goals and objectives, you also need to ensure that there is a culture of trust and cooperation which is very very important because it could be helping you or facilitating you in achieving the goals and objectives of the organizations. Now based on this environmental analysis you also identify what kind of opportunities are available to you in the market, and similarly it also talks about the threats right.

So, a strategic planning for that matter is very very important and that is why strategic plan helps employees to see that what are the activities that they need to take up at the operational level, and what kind of behaviours or results are important for them. And based on this discussion we move further to discuss some other issues related to strategic

planning.

(Refer Slide Time: 09:11)

An overview of strategic Planning

1. Environmental Analysis
2. Mission
3. Vision
4. Goals
5. Strategies

IIT KHARAGPUR | NPTEL ONLINE CERTIFICATION COURSES | KBL Srivastava DEPARTMENT of HSS IIT KHARAGPUR 17

Now what we are going to do here, we are going to provide you an overview of a strategic planning what actually a strategic planning is and then later on we will try to link it with what you call performance. Now as a part of environment sorry strategic planning we are going to conduct analysis as I told you related to the environment, we also need to identify the vision and mission of the organization, then based on this we set goals and in order to achieve these goals, we are going to develop certain strategies which is going to help you to realize these goals and objectives. So, this is the process through which we proceed. So, in this part of the lecture basically we are going to focus upon the environment analysis.

So, how do we go about analyzing the environment of the organization so that we are able to identify the gap in the environment, which could help us to identify our strength and weaknesses and then it will also help you to decide what kind of vision and mission you are going to have for the organization.

(Refer Slide Time: 10:21)



Now as a part of the environmental analysis if we are taking up the first one what we do, but before we take up look at in detail what is the strategic planning process. As a part of the strategic planning, you are going to collect information about the environment, about the stakeholders, about your competitors right about the performance.

So, you are going to get all this data, and based on this analysis you are going to do a swot analysis. Swot analysis is basically which stands for strength weaknesses opportunities and threat threats, as a part of strategic planning process. And this swot analysis basically include identifying your opportunities and threats, based on the external environment and also identifying your weaknesses right based on your internal analysis right. And then based on this analysis you identify the gap which will help you to prepare for the kind of a strategy that you want to achieve in the market.

And then you can look at different kind of strategies and the options that is available to you and then you proceed further. Let us take a example to explain what happens; suppose you are going to operate in a market and then you are going to analyze you are a strategy say for example, look at the aviation market or look at the financial institution or you look at the telecom market right.

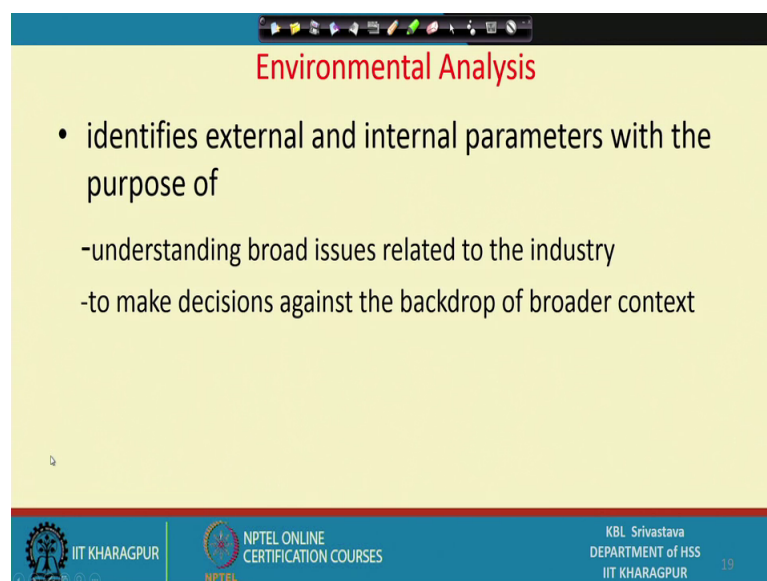
Now if you look at these markets most of these ma place or big place in this market develop their strategy based on what? Based on the analysis of the environment, in what kind of environment they are operating how this environment is going to affect them in

terms of providing opportunity and threats, and they also try to identify doing some kind of internal analysis what are their strength and weaknesses. So, in this part probably we are going to focus more on environmental analysis in an subsequent lectures we also discuss that once we are able to do this swot analysis, based on that you identify what are the various strategies that you are going to have.

And then based on that you are going to develop your strategies and then you do some kind of analysis depending upon the kind of opportunities threats, strength and weaknesses you have and that is going to help you to develop your strategic plan. In terms of objective, what are your main strategies whether you are going for low cost, whether you are going for differentiation or any other kind of strategies right and then you also identify your goals in the short term and long term and then you also identify the kind of operations that you are going to carry out in order to achieve these goals and objectives.

And based on this then you look at your performance, review your performance and see whether these objectives have been achieved based on the kind of strategies that you have adapted or not right. So, they this is the entire strategic planning process which will be covered in the second week lecture. Now we are going to proceed mostly with the first part that is looking at the environmental analysis, which is to be focused in this particular case.

(Refer Slide Time: 13:32)



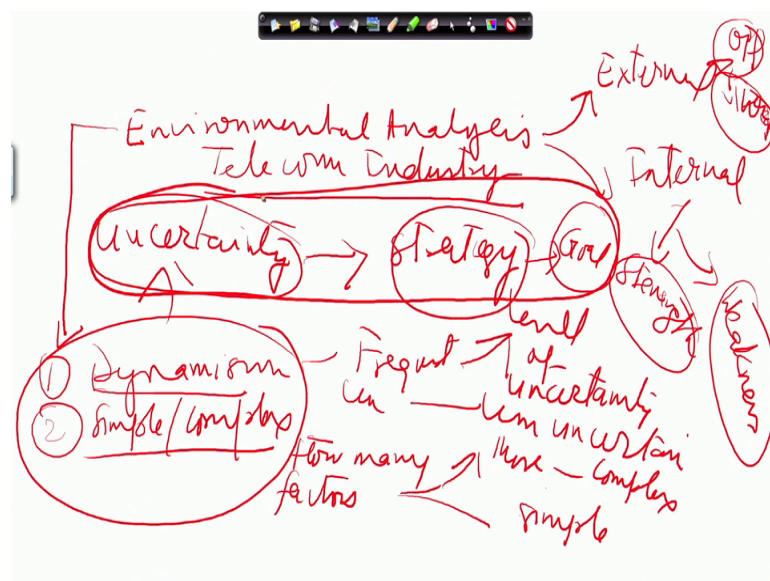
The slide is titled "Environmental Analysis" in red text. It contains a bulleted list of points. The footer includes the IIT Kharagpur logo, NPTEL Online Certification Courses logo, and the name of the lecturer, KBL Srivastava, along with his department and the slide number 19.

- identifies external and internal parameters with the purpose of
 - understanding broad issues related to the industry
 - to make decisions against the backdrop of broader context

IIT KHARAGPUR | NPTEL ONLINE CERTIFICATION COURSES | KBL Srivastava
DEPARTMENT of HSS
IIT KHARAGPUR 19

Now when you are going to do some kind of environmental analysis basically the idea is to identify the kind of environment that you are operating in. So, the environment could be identified as external environment or it could be external right. So, we need to analyze both the internal environment as well as external environment both. So, you have to understand the issues related to the industries and also see that what kind of decisions can be made depending upon the kind of environment that you are operating in. See for example, when you are going to identify the environment for a telecom industry right let us take an example to understand it.

(Refer Slide Time: 14:17).



So, if you are going to take an example of a telecom industry, then you are going to do some kind of environmental analysis right. And the this you are going to do for say telecom industry right. Now if you look at the telecom industry and this environmental analysis is based on what you call external environment in which you are operating, and also internal environment in which you are operating.

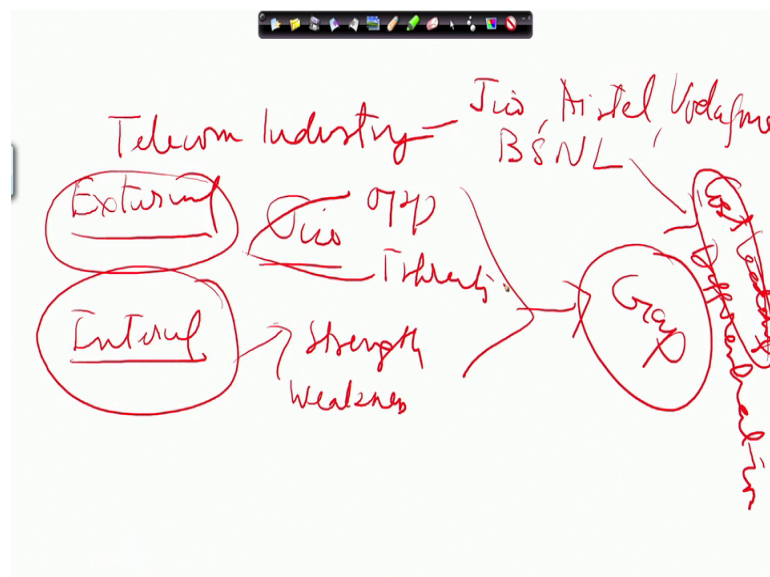
So, you are going to analyze external environment and internal environment, this is going to give you identify your opportunities and threats and this is going to help you to identify your a strength and weaknesses right. So, opportunity and threats here is going to be identified and strength and weaknesses is to be identified. Now when you are going for environmental analysis you also identify two things; how much dynamism is there in the environment, and how simple or complex the environment is right. A frequent

changes are happening in the environment it means that the environment is more dynamic.

So, it increases the level of uncertainty right, and it is less frequent then it is going to be less uncertain right. Now when I am talking about simple or complex, it means that how many factors are operating. If more factors are operating then the environment is going to be very very complex, if less number of factors are operating then the environment is going to be simple. So, this analysis helps you to identify the uncertainty in the environment right. So, once you are able to identify your uncertainty in the environment, or the level of uncertainty that is there in the environment then you can think about the kind of a strategy that you want to achieve or do want to have in order to realize your goal right. So, it is something like this.

So, the main thing that we are going to discuss here is that how this environmental analysis helps you to identify the goals and objectives of the organization.

(Refer Slide Time: 16:57).



Now discussing further we are since we are going to talk about telecom industry, we have to see that what are the external factors, what are the internal factors right. So, we need to identify those external internal factors which you help you to identify the gap right and this gap would suggest the kind of a strategy that you are going to have right. Look at the different place that we have (Refer Time: 17:26) Reliance Jio, Airtel, Vodafone and BSNL these are the major place in the Indian market currently right.

Now they are competing with each other in terms of products and services that they are offering to the customers now what kind of strategies that they are having? Two kind of a strategies which is being offered is in terms of cost leadership or offering a different kind of product or service differentiation, these are the two major strategies that is being adopted by them and this kind of strategy which they are adapting is based on the external and environmental analysis. Say for example, if one company is going for cost leadership.

Say this Jio is going for cost leadership, then what happens others company fall also going for the same kind of strategies, but in order to go for this kind of strategy you also need to look at your strength and weaknesses, which is going to provide you a competitive advantage. So, now, you have to see what is your opportunities in the market what kind of threats are available to you, and based on this in external environmental and internal environmental factors you are going to analyze the environment for the telecom industries and see how different players are we having, and what kind of a strategies they are adopting in order to realize the goals and objectives of the organization.

(Refer Slide Time: 19:05)

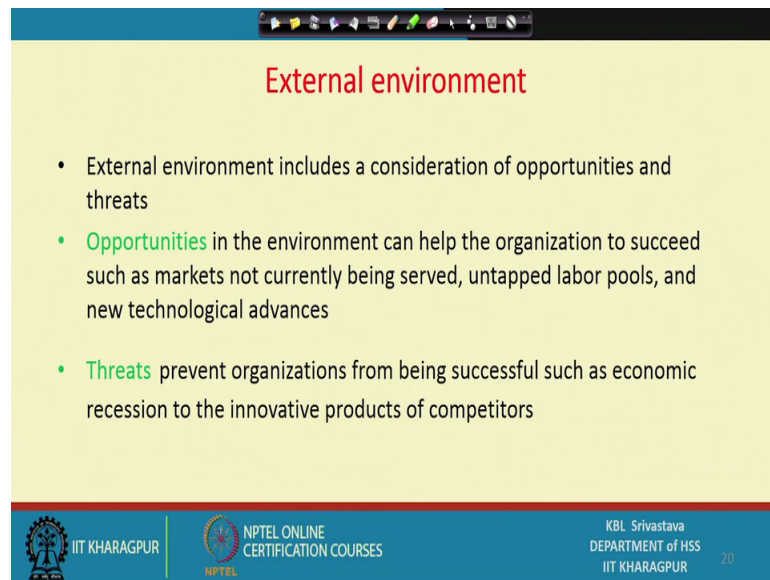
Environmental Analysis

- identifies external and internal parameters with the purpose of
 - understanding broad issues related to the industry
 - to make decisions against the backdrop of broader context

IIT KHARAGPUR | NPTEL ONLINE CERTIFICATION COURSES | KBL Srivastava DEPARTMENT of HSS IIT KHARAGPUR 19

So, we are going to discuss the environment and that is why I had given this example to explain you right. So, moving further what we need to do is that, we have to see that what are the different kind of environmental factors which is going to play important role right.

(Refer Slide Time: 19:18)



The slide is titled "External environment" in red text. It contains three bullet points: "External environment includes a consideration of opportunities and threats", "Opportunities in the environment can help the organization to succeed such as markets not currently being served, untapped labor pools, and new technological advances", and "Threats prevent organizations from being successful such as economic recession to the innovative products of competitors". The footer includes the IIT KHARAGPUR logo, NPTEL ONLINE CERTIFICATION COURSES logo, and the name KBL Srivastava, DEPARTMENT of HSS, IIT KHARAGPUR, along with the number 20.

- External environment includes a consideration of opportunities and threats
- **Opportunities** in the environment can help the organization to succeed such as markets not currently being served, untapped labor pools, and new technological advances
- **Threats** prevent organizations from being successful such as economic recession to the innovative products of competitors

IIT KHARAGPUR | NPTEL ONLINE CERTIFICATION COURSES | KBL Srivastava
DEPARTMENT of HSS | IIT KHARAGPUR | 20

And under the external environment basically the idea is to identify the opportunities and threats.

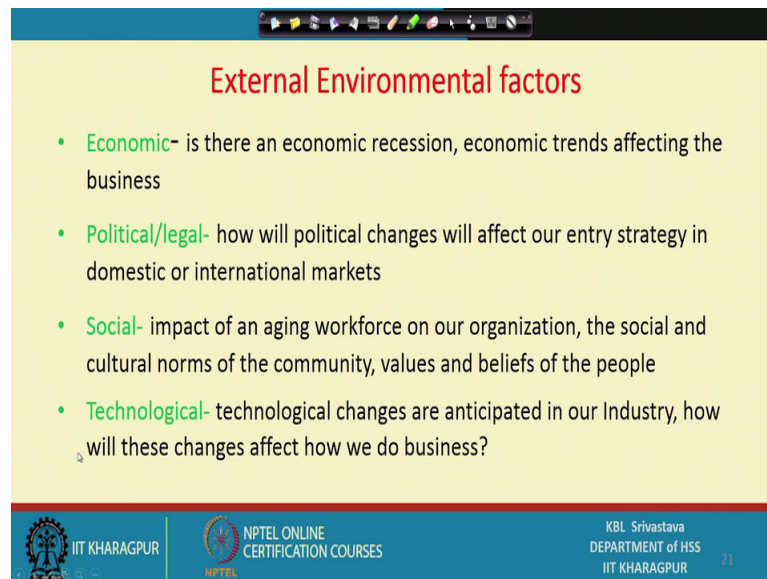
And opportunities help you to succeed in the market maybe you can tap new markets or you are going to offer new products and services in a existing market or a new market or you are going to a tap new labor pool or you are going for a new technology right. So, these kind of things are going to provide you some kind of opportunities in the market. Similarly there could be threats from other competitors also right not only that, but suppose others are offering more innovative products say for example, if indo Jio is coming out with a new innovative product or services, then it is going to create a threat for other telecom operators, similarity in say look at aviation industry the same case is here.

If you are going for a low cost airline and then you are successful then other companies are also going to follow their suit. Similarly you are going to this ensure that the kind of conditions that you have say the economic environment, if there is economic restriction then your strategy is going to be different, but if you are in situation whether this economic bone, then the situation is going to be different and you are going to have a different kind of strategy.

For example if you have an economic boom you go for expense and average specification. If there is economic recession, then you go for lot of cost cutting exercises

restructuring, dealering, down charging right that is a part of the external environment.

(Refer Slide Time: 20:46)



The slide is titled "External Environmental factors" in red text. It lists four bullet points in green text:

- **Economic-** is there an economic recession, economic trends affecting the business
- **Political/legal-** how will political changes will affect our entry strategy in domestic or international markets
- **Social-** impact of an aging workforce on our organization, the social and cultural norms of the community, values and beliefs of the people
- **Technological-** technological changes are anticipated in our Industry, how will these changes affect how we do business?

The slide footer contains the IIT KHARAGPUR logo, NPTEL ONLINE CERTIFICATION COURSES logo, and the text: KBL Srivastava, DEPARTMENT of HSS, IIT KHARAGPUR, 21.

Now what are the various factors? So, economic factors very very important like what kind of economic trend is there economic growth is there whether this economics recession or not right, apart from economic factors also have political legal factors, how the political changes is going to affect your strategy because when there is a new political party in the power, the equation changes I mean not only in the international market, but also the domestic markets then social cultural factors are very very important, what kind of culture and values people have right what kind of belief systems you have what kind of workforce you have.

So, all this is going to impact your strategy similarity what kind of technology you are using. Because technological changes are very very fast in the industry, in many industries you will find that the life cycle of product is very less. So, all this is going to affect the business.

(Refer Slide Time: 21:35)

External Environmental factors

- **Competitors**- how do the strategies and products of our competitors affect our strategies and products? Can we anticipate our competitors' next strategic move?
- **Customers**- what our customers want now? what will they want in the next five years? Can we anticipate customer's needs
- **Suppliers**- what kind of relationship we have with our suppliers now? is it likely to change, and in what way, in the near future?

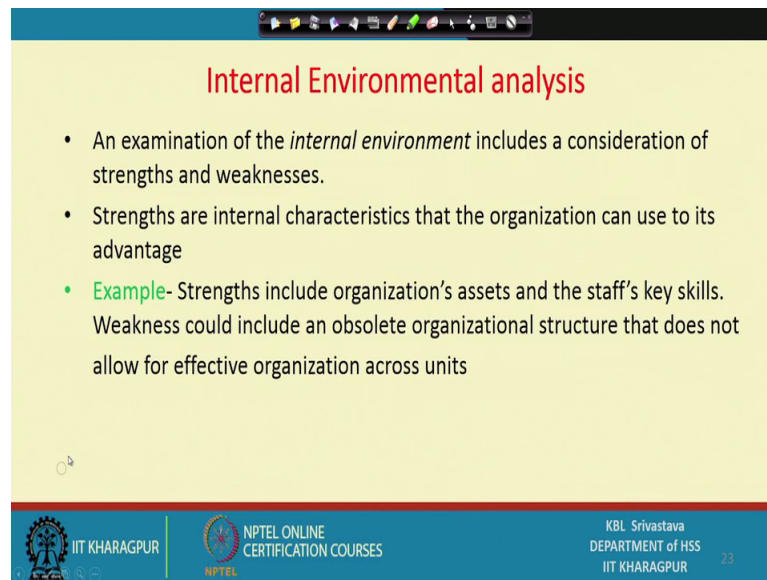
IIT KHARAGPUR | NPTEL ONLINE CERTIFICATION COURSES | KBL DEPART IIT KH

Similarly if you look at competitors, you also need to see how your competitors are behaving; because your competitors are also going to affect your strategy in product because if they if they are offering innovative product, and if you are not able to offer the same type of innovative product probably you are not going to successful. So, you need to follow those strategies which is adopted by every start a every competitors. Similarly you also need to see what are the ne next strategic move, what kind of things they are going to offer or they are likely to offer.

So, you need to anticipate and how you are going to see that you are also going to be on the same line, then your customers you also need to look at the requirement of the customers, what are the needs and expectations, how you are going to meet them today al also in the future all right. Then suppliers you also need to see that what kind of relationship you want to develop what kind of supply chain, logistics you want to develop and whether you are going for automation or not and what kind of relationship you expect them to have with you in the future.

So, all these are the external factors because these factors are outside the boundary of the organizations. So, when you are going for a external environment analysis, you are going to look at these factors right and then you also look at the ext in internal environment.

(Refer Slide Time: 22:42)



Internal Environmental analysis

- An examination of the *internal environment* includes a consideration of strengths and weaknesses.
- Strengths are internal characteristics that the organization can use to its advantage
- **Example-** Strengths include organization's assets and the staff's key skills. Weakness could include an obsolete organizational structure that does not allow for effective organization across units

IIT KHARAGPUR | NPTEL ONLINE CERTIFICATION COURSES | KBL Srivastava DEPARTMENT of HSS IIT KHARAGPUR 23

And when you are talking about internal environment, basically you are going to look at your competence in terms of your strength and weaknesses. So, a strength are your competence which help you to achieve goals and objectives. For example, it include your assets, your capabilities, the knowledge and skill of the people, the kind of technology that you have.

So, all these could be a part of the asset right and weaknesses include I mean the kind of structure that you have which is not facilitated if a effective performance or if you have a weak culture not a strong culture. So, that could be a weakness people are not taking risk if you people are not innovative. So, this could be considered as a weakness for the organization. So, the knowledge skill and ability could be your that is called competence could be a part of your strength, and if you have a weak culture you have a out dated structures. So, it could be a part of what you call weaknesses.

(Refer Slide Time: 23:44)

Internal environmental factors

- **Organizational structure**- is the current structure facilitates effective communication?
- **Organizational culture**- includes the unwritten norms and values of the members. Is it encourages or hinder innovation and entrepreneurial behaviors among managers?
- **Politics**- are the various units competing for resources leading to conflict or collaborate? Are units likely to be open and collaborative in cross-unit projects?
- **Processes**- are the supply chains working properly? Can customers reach us when they need to and receive a satisfying response when they do?
- **Size**- is the organization too small or too large? Are we growing too fast? Will we be able to manage growth (or downsizing) effectively?

IIT KHARAGPUR | NPTEL ONLINE CERTIFICATION COURSES | KBL Srivastava DEPARTMENT of HSS IIT KHARAGPUR 24

So, let us see what are the factors that is important structure it is very very important. Whether the current structure of the organization is facilitating good communication, because the idea of having a good structure is to see the kind of reporting relationship you have vertically and horizontally, and what kind of communication you expect both vertically and horizontally right. So, you need better coordination, and for that you need a good structure. So, if a structure is outdated or obsolete it is not going to help you to achieve whatever you want to have.

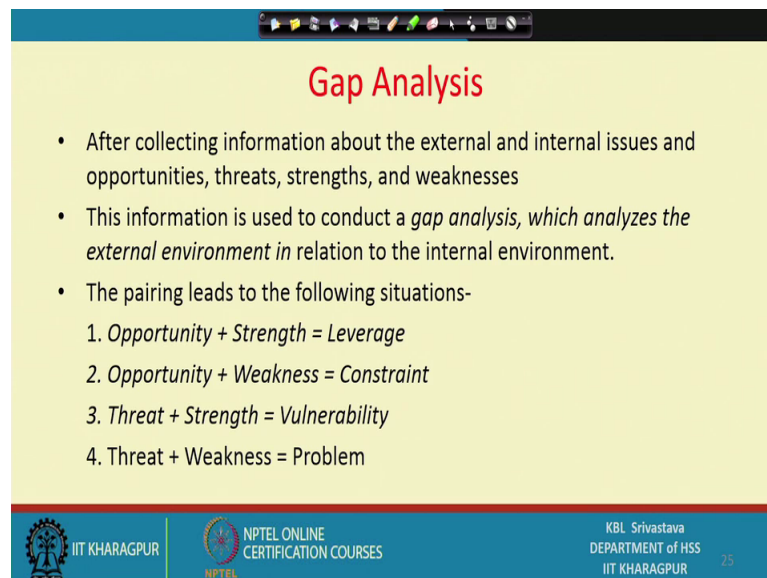
So, you need to go for restructuring otherwise it becomes a weaknesses. Similarly the kind of culture that you have, what kind of norms and values are there whether you take risk whether you allow people to go find innovations and become entrepreneurs right. So, if we that is there it means that you are thinking of going for a culture, which is more of what you call a entrepreneur culture or whether you are having a bureaucratic culture, which does not facilitate effective performance.

Another issue in the organization is related to politics, what kind of politics are being played or people would conflict conflicting or having conflict for resources, are they are going for manipulations of the things or you collaborative and open or not. So, these kind of the things basically are part of the politics and then you have to see that this does not hinder your effective performance, then the kind of processes you are having. Any kind of processes related to marketing, HR systems, finance. So, all these processes are going

to see that if you have good processes, and people are satisfied these processes they are cost effective, then it is good otherwise not then size. Whether it is too big or too small are you growing or expanding and diversifying, whether you are going to manage your you will be able to manage your growth or even downsize, suppose there is economic (Refer Time: 25:34) effectively or not. So, if you look at these factors basically they are talking about what are they going to act as a strength or they are going to act as a weaknesses right.

So, when you are talking about internal environmental factors, this indicates about a strength and weaknesses and external environmental factors, they talk about your opportunities and threats.

(Refer Slide Time: 27:57)



Gap Analysis

- After collecting information about the external and internal issues and opportunities, threats, strengths, and weaknesses
- This information is used to conduct a *gap analysis*, which analyzes the external environment in relation to the internal environment.
- The pairing leads to the following situations-
 1. *Opportunity + Strength = Leverage*
 2. *Opportunity + Weakness = Constraint*
 3. *Threat + Strength = Vulnerability*
 4. *Threat + Weakness = Problem*

IIT KHARAGPUR | NPTEL ONLINE CERTIFICATION COURSES | KBL Srivastava DEPARTMENT of HSS IIT KHARAGPUR 25

Now based on this analysis Gap analysis, we are going to identify what is going to happen right. So, you collect data or information about the external environmental factors, based on that you look at the level of uncertainty that you have environmental uncertainty that we have already talked about, and this level of uncertainty depends upon how frequently these internal and external factors are changing, and how been a factors are operating right. If more number of factors are operating and the these factors are frequently changing, and I mean the internal and external environmental factors, then what will happen then the level of uncertainty will go up, and then you have to see that what kind of a strategy you need in order to cope up with this kind of situation right.

So, based on this information you are going to conduct a goal and gap analysis right which analyses the external environment in relation to the internal environment. It means that whether internally you have this strength to cope up with the challenges of the internal external environment or not. So, if you have a strength and competence, your structure is good, culture is good, there is no politics right then probably and people have the competence probably you would be able to deal better with the external environment right.

So, we need to pair both the external environment and external environment and see what happens. So, there are four options the four pairs that has come out here. Now you see that opportunity versus strength, it means that after the environmental analysis you find that it is going to provide you lot of opportunities in the new markets for new products and services, based on what? Based on the competence, it means that you are competent enough to go for this kind of things. So, it is going to provide you some kind of competitive advantage. So, it is going to provide you labries.

So, this is the best combination when you are talking about opportunities and a strength if both are available, then it is going to provide you some kind of competitive advantage. It means you can tap the market you have the competence. So, people will be able to do it. So, and it is going to help you to improve your performance. Next you have the opportunity, but you are weak it means that once you go for internal environmental analysis, and you find that you do not have the competence to deal with the kind of things that is going to follow after the environmental analysis, especially the external environment it means that you will not be able to realize or exploit the opportunities that is available in the market. And this is going to create a constraint right. So, what you need to do? You need to see that how you are going to remove these weaknesses. So, that you are able to leverage out right.

Say there lap a lot of companies which know that they there are opportunities in the market, maybe in automobile sector you look at steels industry or any other industries, but since they do not have internal strength or competence and they are weak on several accounts in terms of culture, structure and processes, they are not able to cash on the opportunities that is available to them and then what happens? It creates a constraints and they will not be able to compete in the market. And third threat versus the strength you have the competence, but you have big competitors in the market which are creating

threats to you. You know recently I gave an example of low cost airlines or telecom operators who are going to offer services at reasonably good prices and competitive prices right. So, this could be perceived as a threat for those telecom operators or those airlines, which have been offering product and services not at a competitive weights.

So, what will happen? It is going to open threats for them, but if they have their strength probably they could cope, but it would increase their vulnerability or risk. So, if they are not going to utilize their strength in order to cope up with the challenges the external environment, then they become vulnerable and they will not be able to compete in the market. So, the question here is that how you are going to utilize your strength. You are having the strength, but probably you are not realizing that you are going to use this strength to overcome the threats. So, what companies are going to do is that they are going to look at your strength, structure systems and processes and they would need to bring about a change so that the vulnerability goes down. So, the level of risk goes down and you are able to compete in the market and finally, if you perceive the threat and you are internally weak, this is the worst case scenario it means there is a problem.

Because after the environmental analysis you find the lot of competitors, but at the same time you are not in a position to compete. Because inherently you do not have the strength neither your structure system and process facilitates this process. So, what will happen? You are not going to compete and this suggests that you will be in a trouble right. So, this would create problem for you and pro. So, what you need to do in this case you need to work out both. So, what kind of a strategy you are going to have? You need to adopt a different kind of strategy, either you change your environment domain or you go for something else so that you can compete because in this environment in which you are operating you are not going to be successful. So, if both are bad it is always advisable to change your environmental domain where you can do something ok.

(Refer Slide Time: 31:45).

Strategic Planning for the Organization

Environmental and **Gap Analyses** provide information for organizations to decide:

- Who they are
- What they do
- This leads to the formation of mission statement

IIT KHARAGPUR | NPTEL ONLINE CERTIFICATION COURSES | KBL Srivastava
DEPARTMENT of HSS | IIT KHARAGPUR | 26

So, the idea here was is that how you are going to use this a strategic planning for the organization, and as a first step you are going to understand the environment and the gap and that would help you to decide who they are and what they do right. So, based on this environmental analysis we move further to discuss about the mission of the organization that is all.

Thank you very much.