



# CA INTER SM

# MARN

(Master Revision Notes)



CA Saket Ghiria

Fully Updated & Revised  
Including all Amendments  
Comprehensive Revision Book

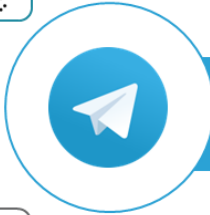
Exclusive For May 23 & Nov 23



Subscribe our YouTube Channel  
👉 Search 'CA Saket Ghiria'



Download our Books from Play Store  
👉 Search 'CA Saket Ghiria' in Play Store



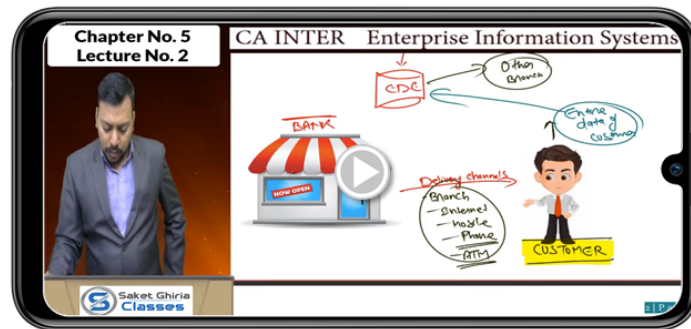
Join our Telegram Channel  
👉 <https://t.me/saketghiria>



Visit Our Website  
👉 [www.saketghiria.com](http://www.saketghiria.com)



# Now Watch our Lectures on your Android Mobile & Tablet



**Requirement:** Android Version 6.0 & Above, Min. 2 GB RAM  
**Note:** App Don't run on Motorola Devices.

Scan it to get the App



# Contents in Brief

S.N.	Chapter Name	P.N.
Chapter 1	Introduction to Strategic Management	1 to 6
Chapter 2	Dynamics of Competitive Strategy	7 to 17
Chapter 3	Strategic Management Process	19 to 21
Chapter 4	Corporate Level Strategies	22 to 25
Chapter 5	Business Level Strategies	26 to 29
Chapter 6	Functional Level Strategies	30 to 36
Chapter 7	Organisation and Strategic Leadership	37 to 44
Chapter 8	Strategy Implementation and Control	45 to 48

© All Rights Reserved

All rights reserved with the Author CA. Saket Ghiria & Saket Ghiria Classes. No part of this book may be reproduced, stored in any electronic retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without prior permission, in writing, from the Author.

**CA INTER**

# EIS-SM

## *Regular Batch*

### Key Features

- For May 23 & Nov 23 Attempt
- Full Course (68 Lectures, 190 Hours)
- 100% Syllabus Coverage with Conceptual Clarity
- Instant Query Support & Doubt Resolution

1.5 Views 6 Months



₹ 6400



₹ 6000

2 Views 9 Months



₹ 7200



₹ 6800

Lectures Play on Laptop & Android Devices

**Most Preferred EIS-SM Class All Over India  
Highest Past Result All Over India**

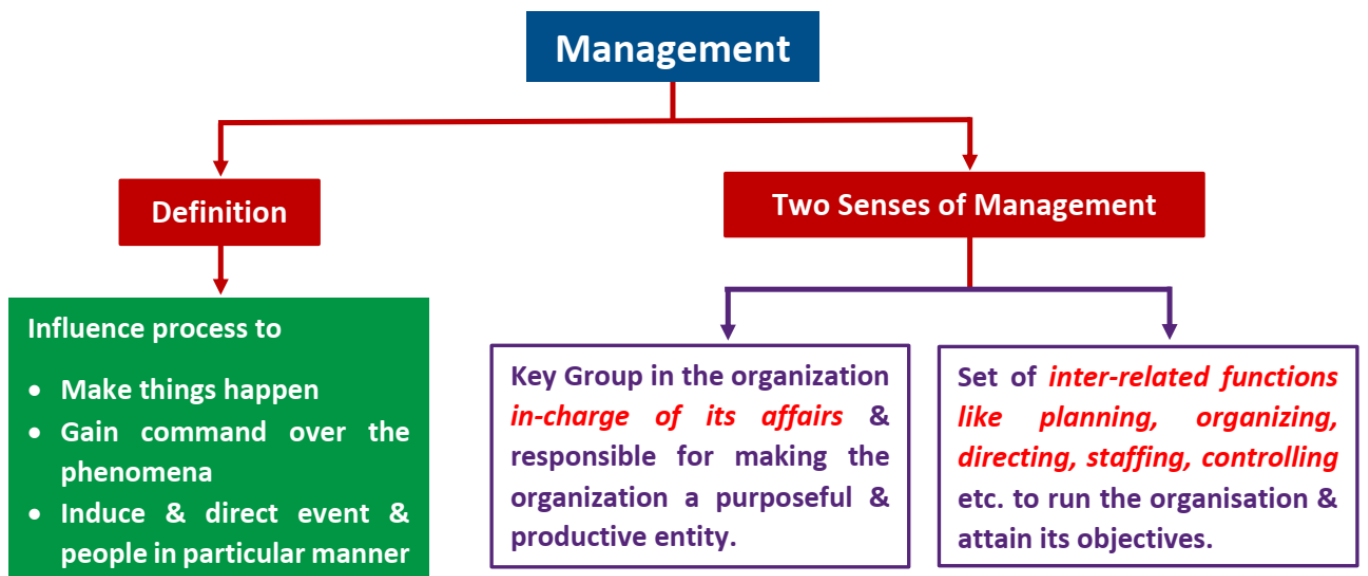
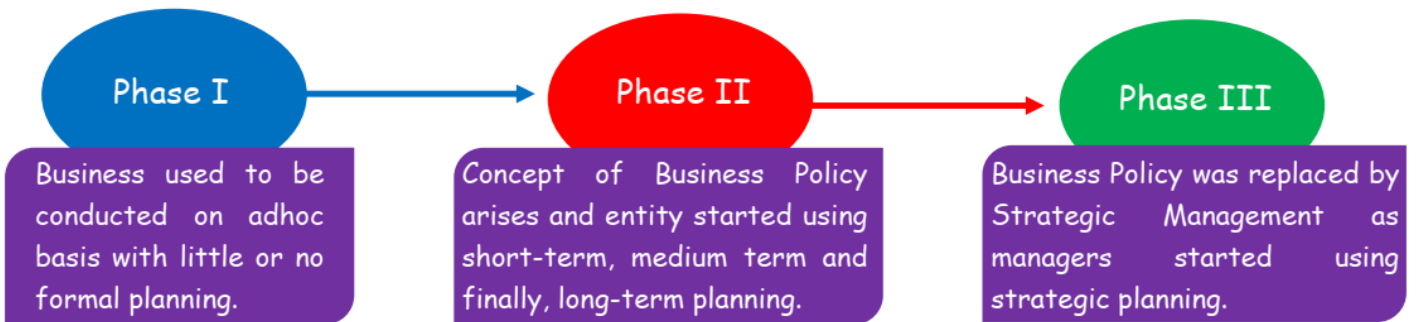
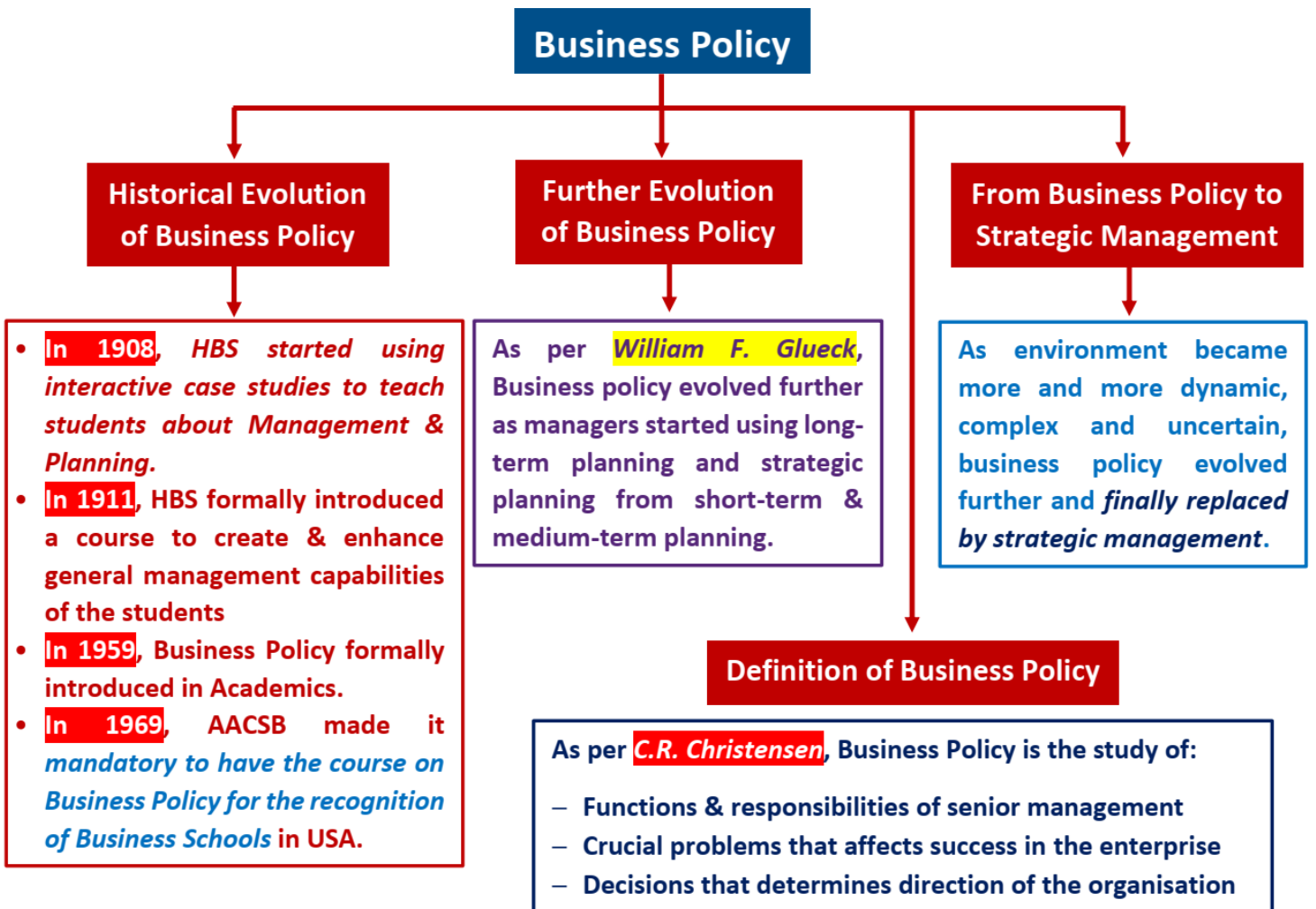
**For Booking & More Info**

 [www.saketghiria.com](http://www.saketghiria.com)

 9910674854, 9911404430

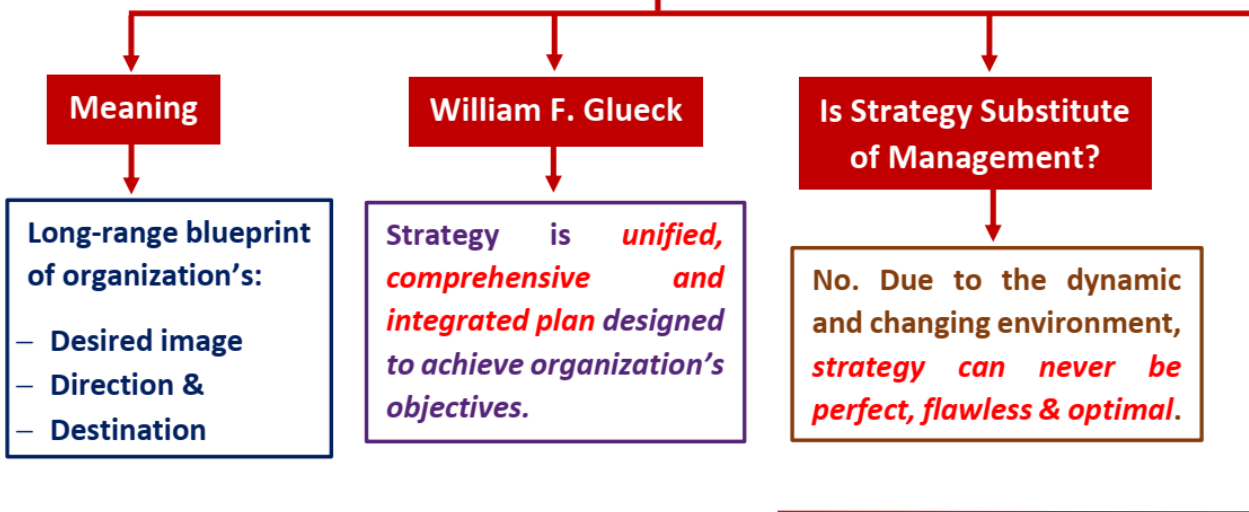


**CA Saket Ghiria**

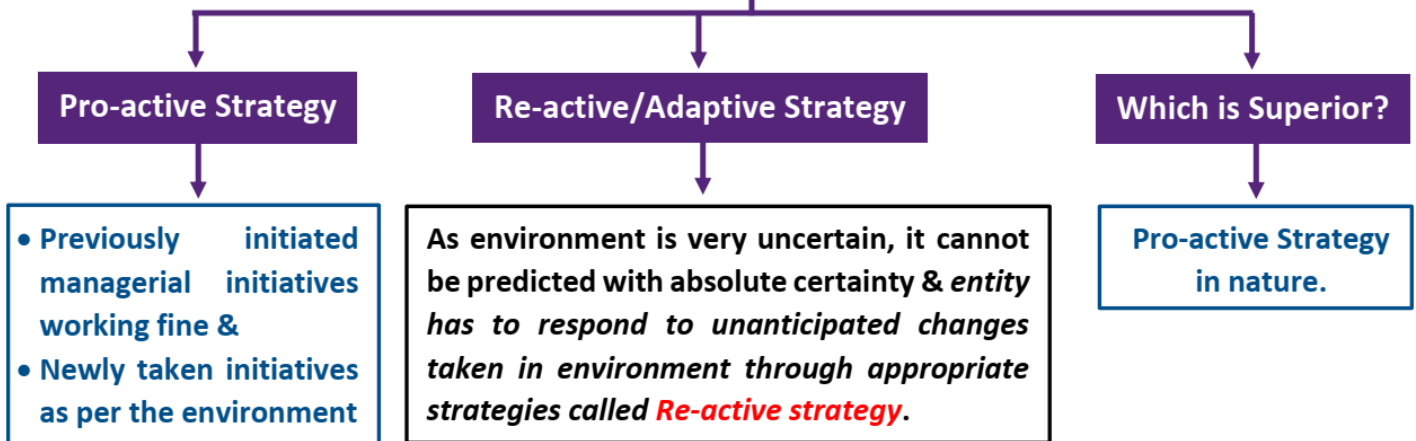




Strategy



Pro-active & Re-active Strategy



© SAKET GHIRIA CLASSES



The Verge

Google announces ChatGPT rival Bard, with wider availability ...

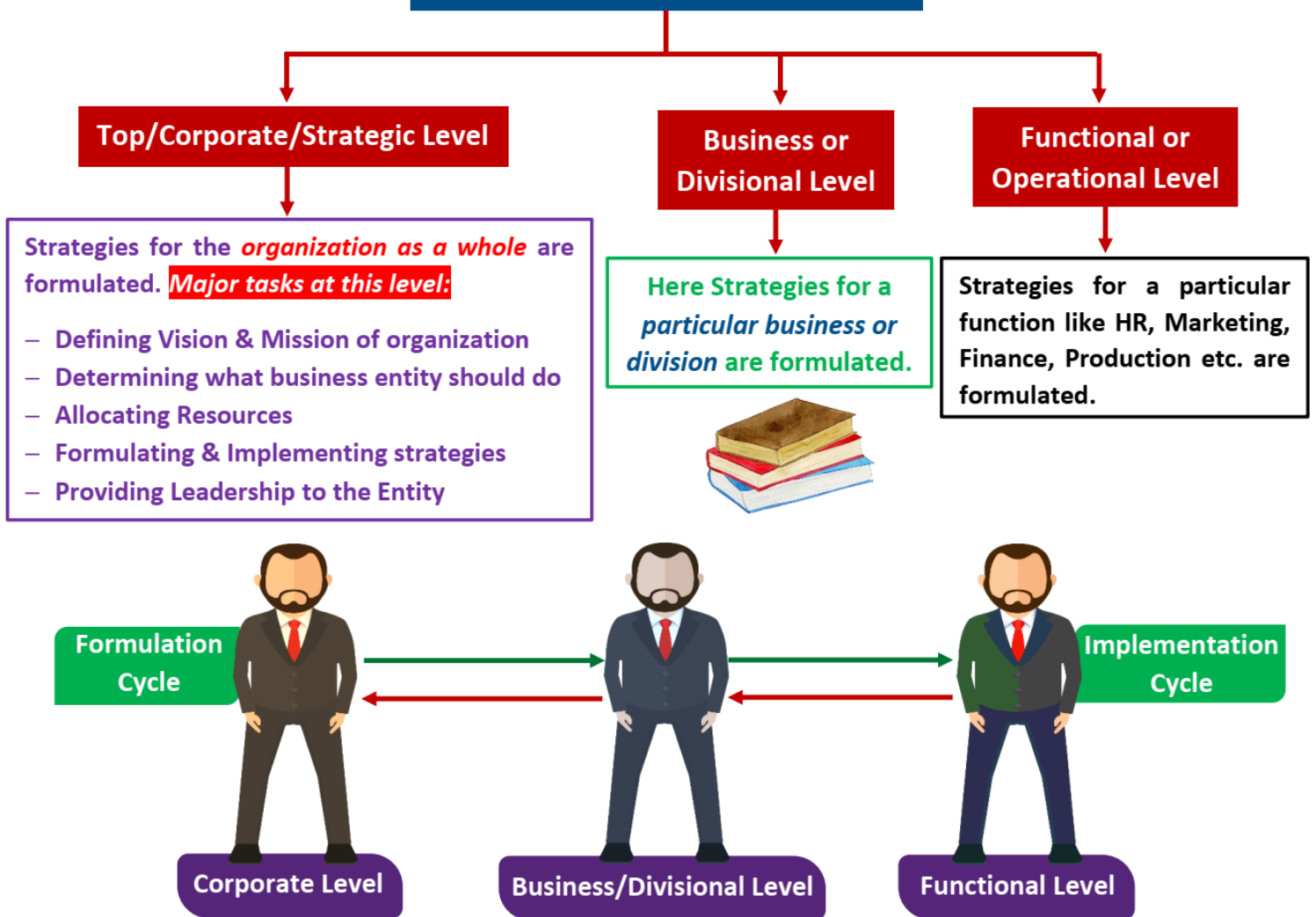
It's official: Google is working on a ChatGPT competitor named Bard. ... like how to plan a baby shower or what kind of meals could be made...





Strategy	Strategic Management
Strategy implies long-range blueprint of an organisation designed image, direction & destination.	Strategic Management refers to the <i>managerial process of developing a strategic vision, mission, setting objectives, formulating &amp; implementing strategy and initiating corrective actions as needed.</i>
Strategy is like a plan through which entity tries to achieve its goods & objectives.	Strategic management process involves: <ul style="list-style-type: none"> <li>- Strategy formulation</li> <li>- Strategy implementation</li> <li>- Strategy evaluation</li> </ul>
It has narrow scope compared to Strategic Management	Strategic Management has a broader scope.

### Strategic Levels in Organization



**Author's Note** - In the stable business environment, the larger portion of a company's strategy is usually the pro-active strategy but in the business environment full of uncertainties, the reactive strategies becomes very crucial and entity may have to draft suitable reactive strategies for all levels of the organisation. Environment scanning plays very crucial role in identifying the need of a reactive strategy. However pro-active strategy always provides the best result and first-mover advantage like Microsoft got with its AI bot Chat GPT. However in response of which, Google also introduced its own AI bot Google Bard. So the introduction of Bard AI bot by Google is basically a reactive strategy.



**Strategic Management**

**Meaning**

**Objectives**

**Model or Stages**

**Managerial Process of**

- Developing Vision, Mission, Objectives & Goals
- Formulating Strategy
- Implementing Strategy
- Evaluating Strategy
- Initiating corrective actions

- Stage 1 - Develop vision, Mission, Objectives & Goals
- Stage 2 - Environmental & Organisational Analysis
- Stage 3 - Generation, Analysis & Selection of Strategies
- Stage 4 - Implementation of Strategies
- Stage 5 - Strategic Evaluation & Control

- To create competitive advantage
- To guide entity successfully through all the changes

**Stage 3. Generate, Analysis & Select Strategies (Formulation of Strategies)**

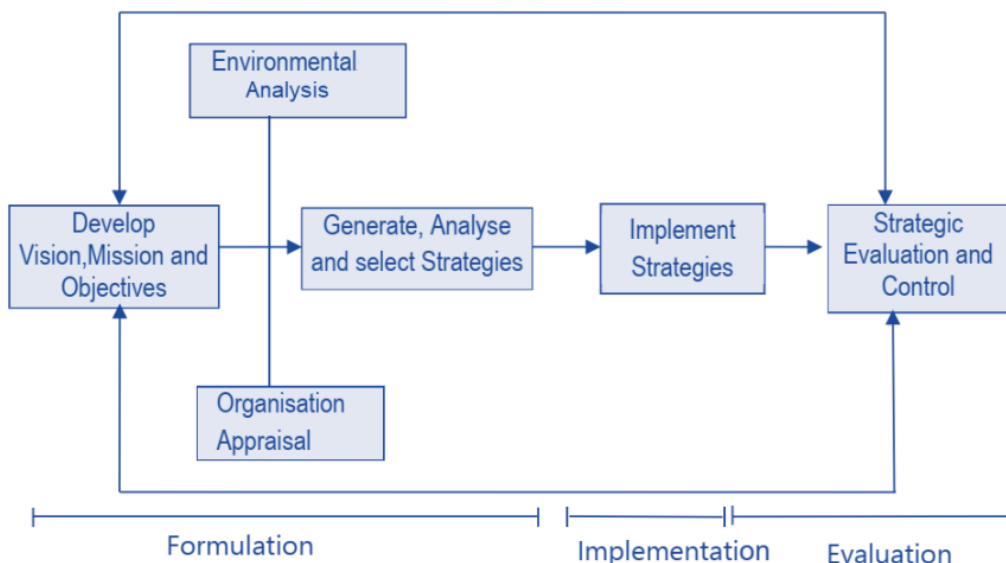
*Different Strategic Alternatives Entity can have are as follows:*

- Continue in same business with same volume of activity or
- If continue in same business, expand existing units or establish new units or
- If want to diversify, go for related or unrelated diversification or
- Get out of business fully or partially

**Stage 4. Implementation of Strategies**

*Strategy implementation process involves following principle aspects:*

- Staffing organization with needed skills
- Motivating people to achieve target
- Developing budgets to provide resources
- Creating proper corporate culture & work climate
- Installing system to enable employees to better carry out task
- Pushing for continuous improvement
- Extracting internal leadership







**Benefits/Advantages of Strategic Management**

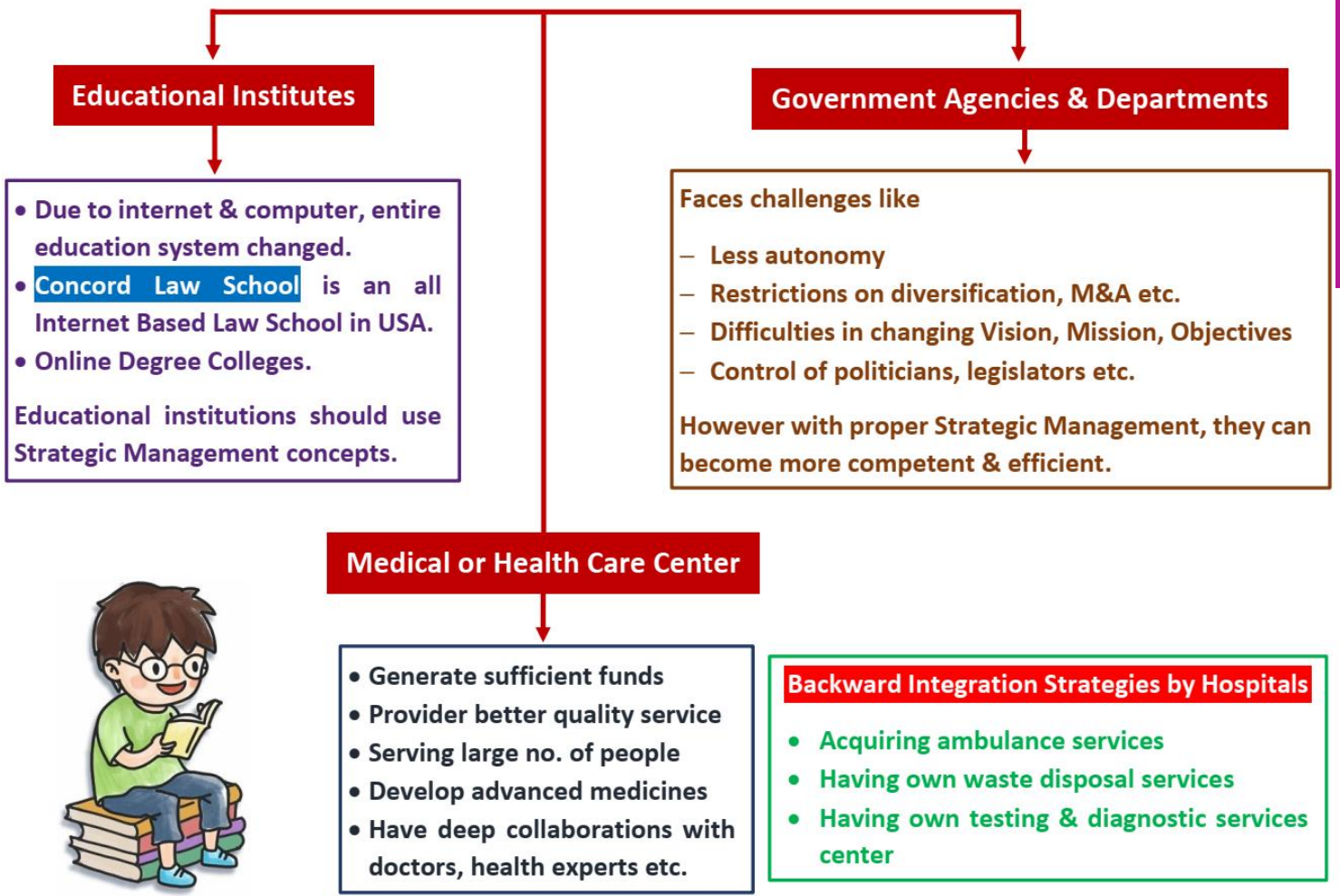
- Helps the entity to face the future.
- Builds core competencies & competitive advantages.
- Helps entity to identify and convert opportunity.
- Increases the longevity of business.
- Makes organisation more proactive.
- Provides framework for major business decisions.
- Acts as a corporate defence mechanism.

**Limitations of Strategic Management**

- It is a time-consuming process.
- As environment is complex and uncertain, it may become very difficult to draw suitable strategy.
- If estimates about environment gets wrong, entire exercise can fail.
- It is costly process.
- In competitive situations, strategic management exercise may become very difficult.

**Strategic Management in Govt Departments & NPOs/NGOs**

Organizations can be classified as *Commercial & Non-Commercial*. Whether commercial or not, entity should use the concepts of Strategic Management.




© SAKET GHIRIA CLASSES



**BizzBuzz**

**BSNL revival package: Is it a waste of money?**

The BSNL package is typical: infusion of fresh capital for capital expenditure and upgrading its services, de-stressing of its balance sheet,...





Major differences between Corporate Level, Business Level & Functional Level Strategies

Basis	Corporate Level Strategy	Business Level Strategy	Functional Level Strategy
Formulated by	CEO, Board of Directors & Senior Executives of the Organisation.	Business or Divisional Managers	Functional Managers
Time period	These strategies are usually for long term.	These strategies are usually for medium term.	These strategies are usually for short term.
Range	These are the broadest strategies covering the organisation as a whole.	These are the strategies that are specific to the particular business or division.	These strategies are <i>specific to the functions like HR, Finance etc.</i> of a business or division of the organisation.
Risk Involved	High Risk	Moderate Risk	Low Risk
Example	Strategy for Alphabet Inc. as a company.	Strategies for different divisions of Alphabet Inc. like YouTube, Android etc.	For YouTube, strategies like Human Resource, R&D, Finance etc. of YouTube.



Which should be a bigger matter of concern for an organisation?

- Frequent changes in Functional level strategies.
- Frequent changes in Corporate level strategies.



bt Business Today

Google loses over \$100 billion m-cap after AI chatbot Bard gives wrong answer in ad

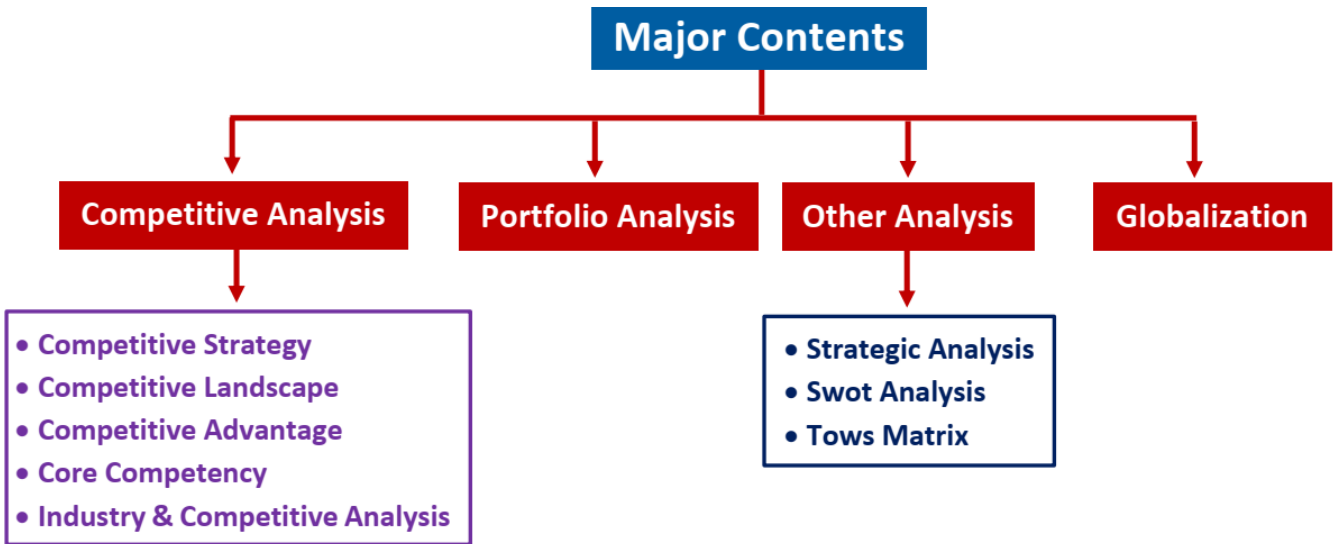
Shares of Google's parent company lost more than \$100 billion in market value on Wednesday after its Bard chatbot ad showed inaccurate...



Major roles of Functional Level Manager

- They are concerned with the functional level activities like production, marketing, finance etc. the proper execution of which, is essential for the successful implementation of the business level and corporate level strategies.
- They are closest to the market and customers thus can provide very valuable information to the business level & corporate level managers which will assist them in the more effective strategy formulation at their level which would be more realistic and attainable.
- As it is ultimately the responsibility of the functional level managers to execute strategies, thus the higher level management shall involve them in their strategy formulation.

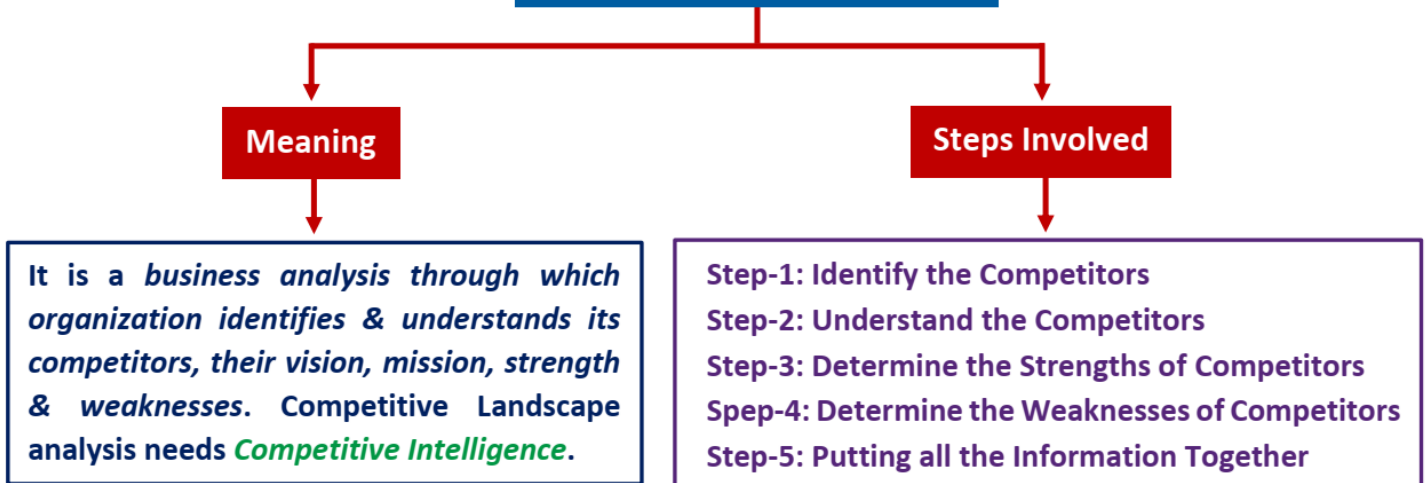
Major Contents



Competitive Strategy



Competitive Landscape



© SAKET GHIRIA CLASSES



FE The Financial Express

Collaboration with Maruti helps Toyota get new customers

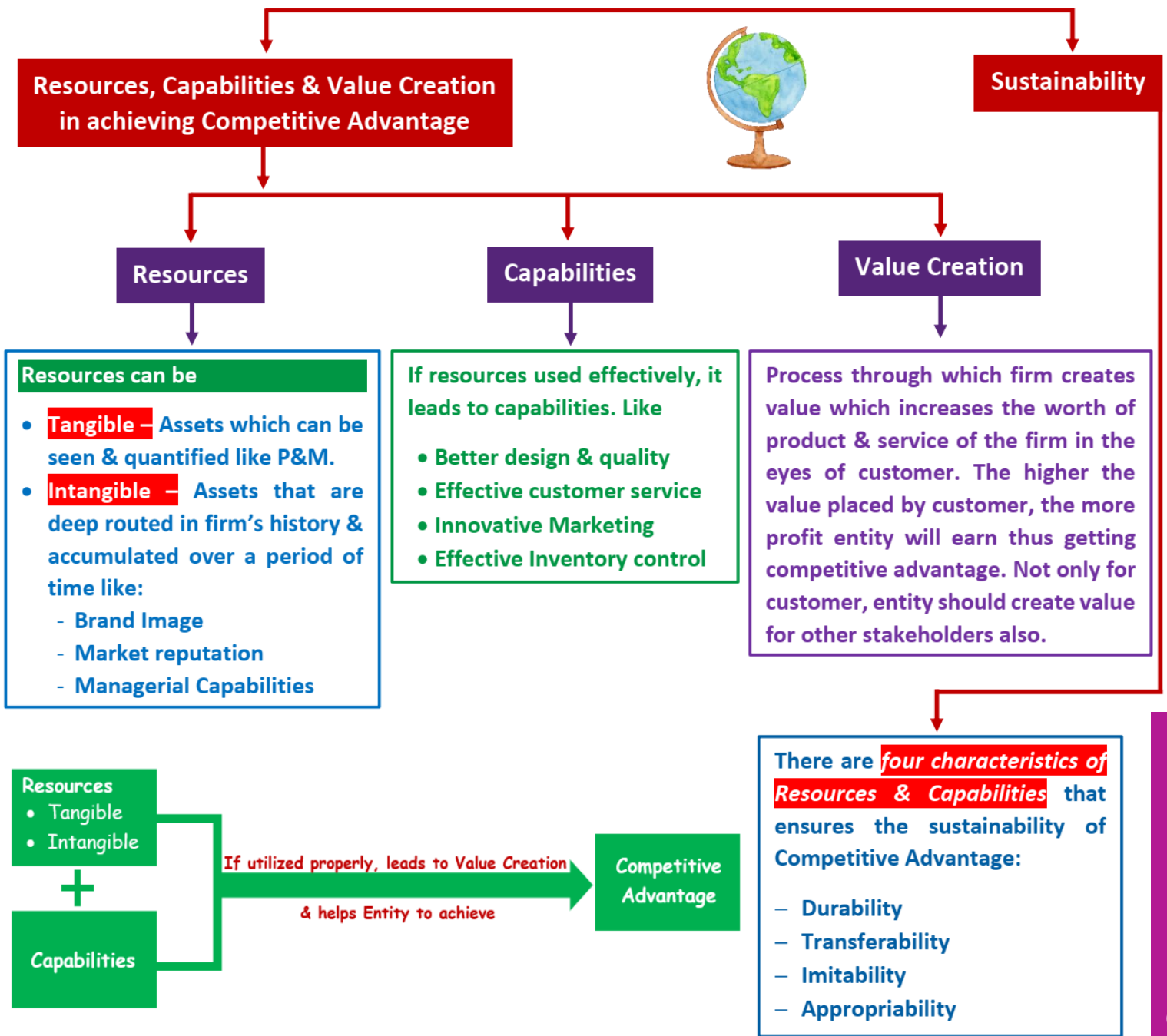
In a little under three years since Toyota Kirloskar Motor (TKM) launched the Glanza — the rebadged version of Maruti Suzuki's Baleno and...





Competitive Advantage

An organization is said to have competitive advantage when its profitability is higher than average industry profitability.



© SAKET GHIRIA CLASSES



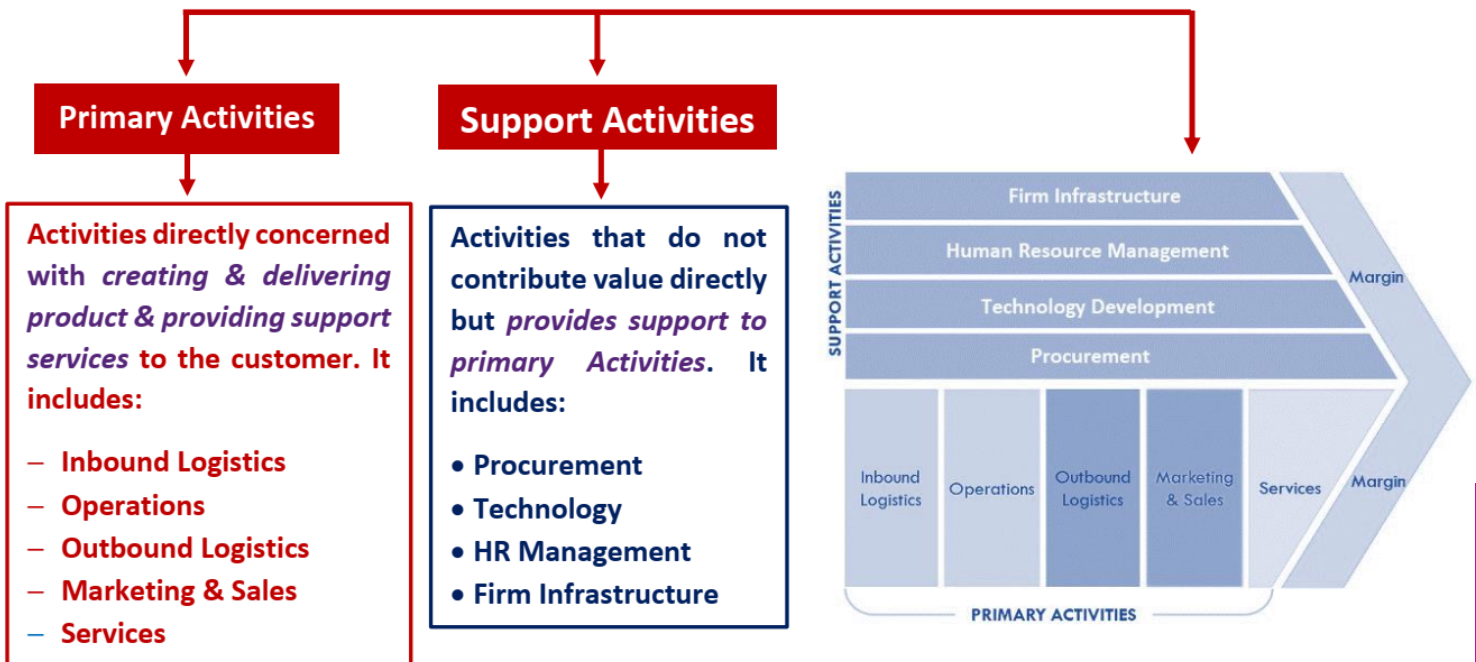
# Apple Again Dominates Smartphone Profit, Taking Record 85% Share

- iPhone maker collects almost half of smartphone sale revenue
- Android-making rivals fight increasingly narrow profit margins



Value Chain Analysis

Developed by **Michael Porter in the year 1985**, it is a process by which *entity classified its value chain activities into Primary Activities & Support Activities*. *Value Chain refers to the activities that a firm operating in any specific industry performs to transform input into finished goods*. Purpose of Value Chain Analysis is to *identify & remove those activities that do not add value to the customer*. Value Chain Analysis is the source of Competitive Advantage.



TOWS Matrix

Developed by Heinz Wehrich, it helps to identify relationship between strength, weakness, opportunities & threats & helps in selecting strategies.

Strategic Choices

TOWS vs. SWOT

- SO (Maxi-Maxi) Aggressive Strategy
- ST (Maxi-Mini) Conservative Strategy
- WO (Mini-Mini) Competitive Strategy
- WT (Mini-Mini) Defensive Strategy

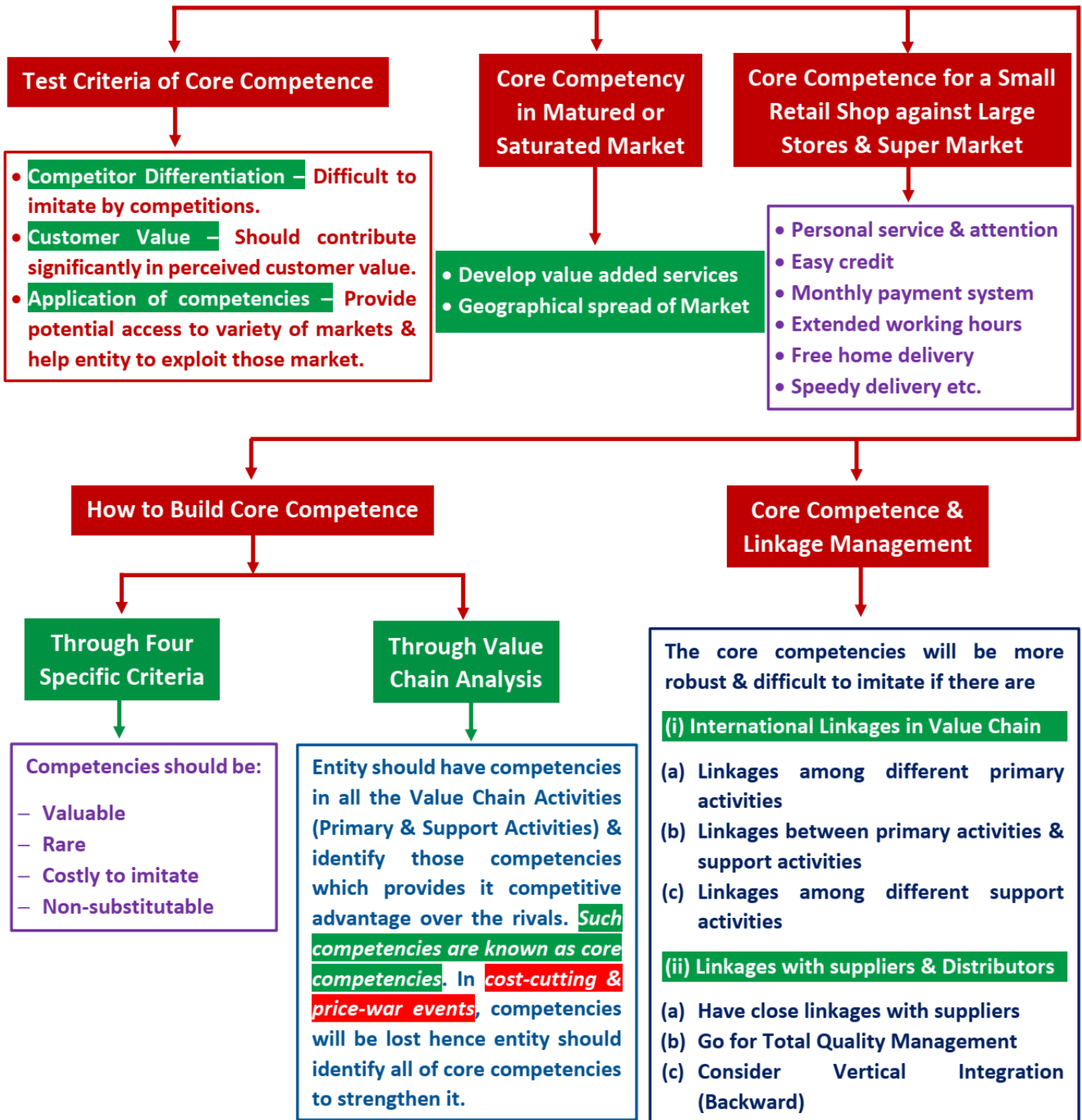
SWOT acts as a foundation of TOWS & TOWS is an extension of SWOT but TOWS is neither undermining nor substituting the SWOT Analysis.

		Internal Elements	
		Organisational Strengths	Organisational Weaknesses
External Elements	Environmental Opportunities	SO Maxi-Maxi	WO Mini-Maxi
	Environmental Threats	ST Maxi-Mini	WT Mini-Mini



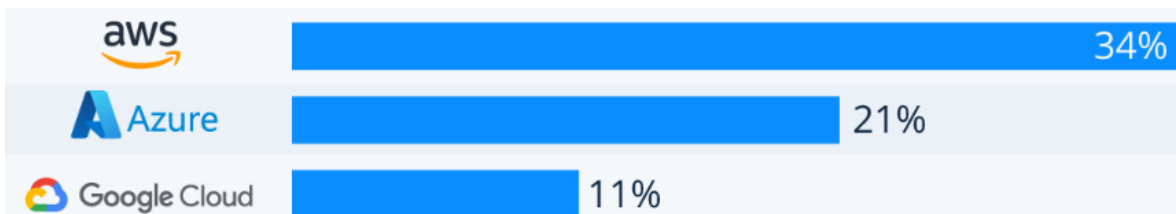
CORE COMPETENCE

Advocated by **C.K. Prahalad & Gary Hamel in the Year 1990**, it implies the collective learning in the organization coordinating diverse resources, skills, capabilities & technologies. Core competence helps entity to build competitive advantage.



© SAKET GHIRIA CLASSES

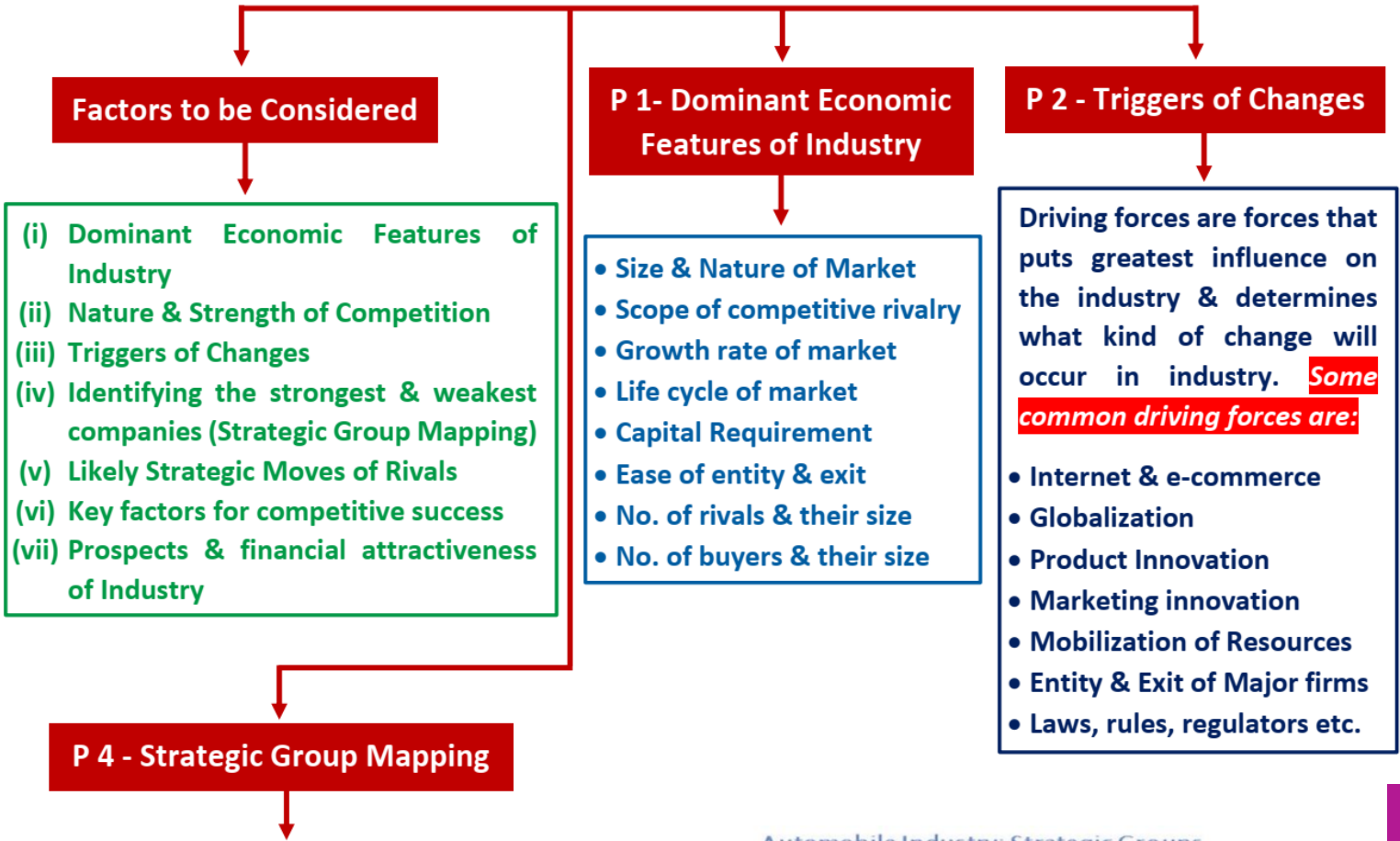
Cloud Computing Vendors Market Share





**Industry & Competitive Analysis**

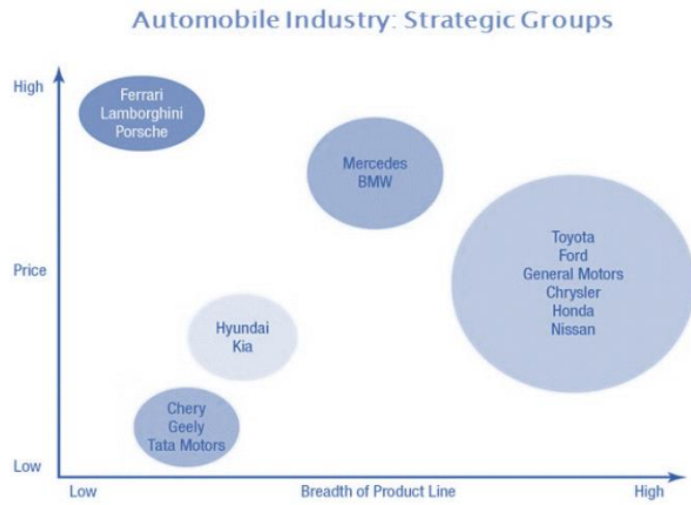
Industry is the group of similar firms whose products or services have similar features & attribute & they compete for some buyers. Like Automobiles Industry, FMCG Industry etc. *It is very important for an entity to have the proper understanding of the Industry it wants to enter or even if it is already operating in that industry.*



**A Strategic Group consists of those rival firms having similar competitive approach & position the market.**

**How to Draw**

- Identify any two competitive approach that differentiates the firms in Industry
- Plot firm into two variable map
- Assign firm having similar competitive approach into same Strategic Group
- Draw circle around each Strategic Group



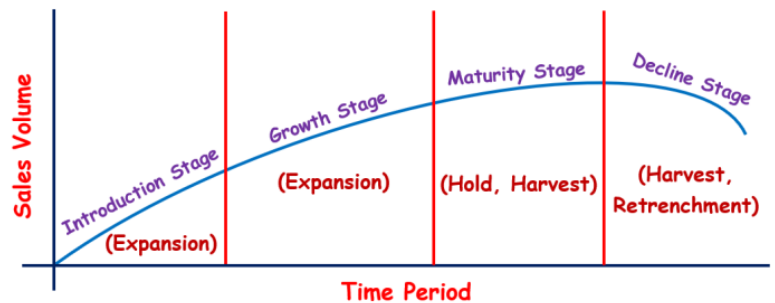
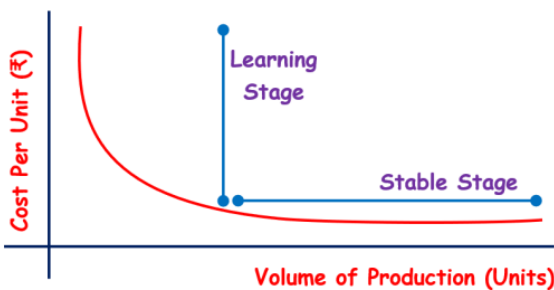
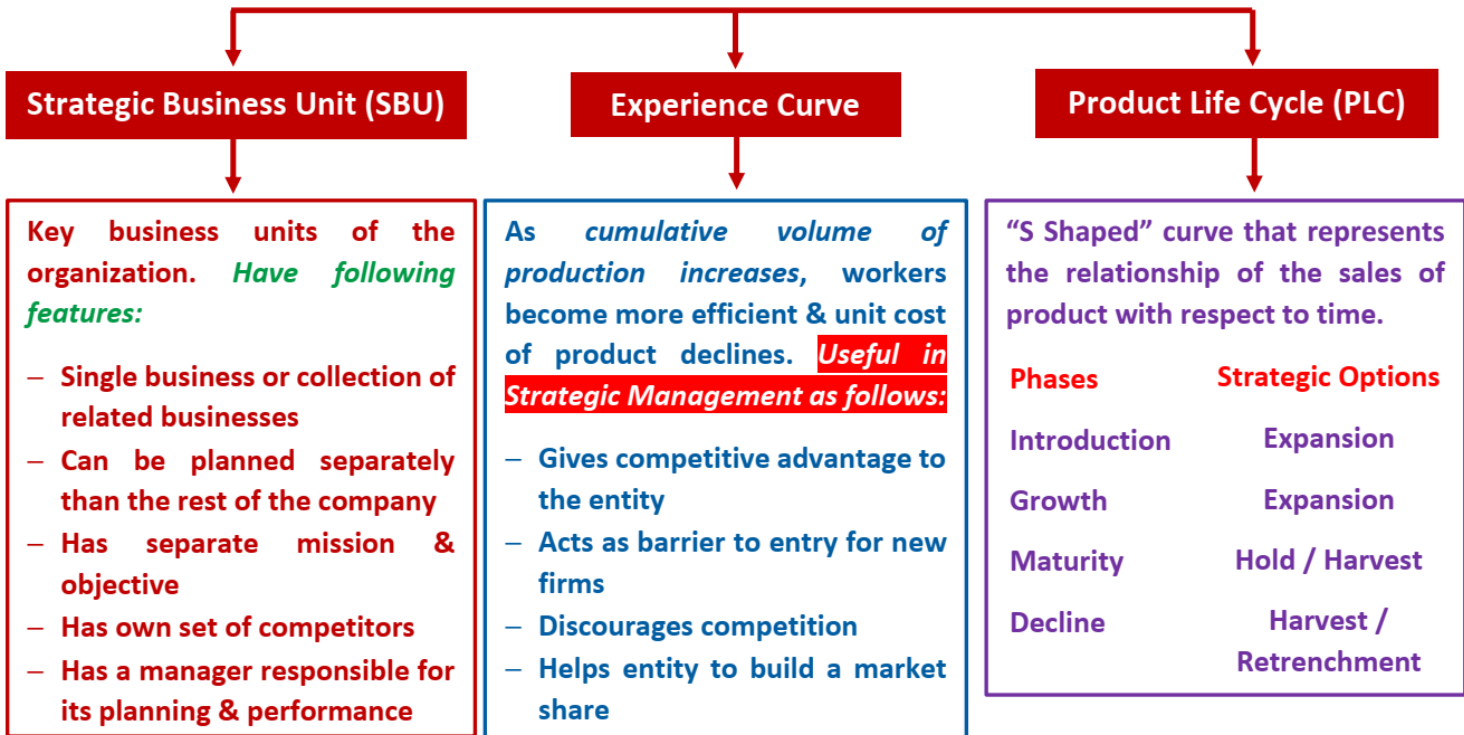
Note - To understand the Nature & Strength of Competition in the industry i.e. P 2, we use **Porter's Five Forces Model Method.**

© SAKET GHIRIA CLASSES



**Portfolio Analysis**

Portfolio is the *combination of various business or products that makes a company*. Portfolio Analysis refers to the set of tools or methods that would help strategists in taking some strategic decision with regard to the individual products or businesses of firm's portfolio. **Three important concepts need understanding:**



© SAKET GHIRIA CLASSES



**FN FoodNavigator-USA**

**Coca-Cola rebuilds portfolio with a 'higher bar for innovation'**

After The Coca-Cola Co. halved its brands during the pandemic, the beverage giant is ready to strategically rebuild its product portfolio...



**Methods of Portfolio Analysis**







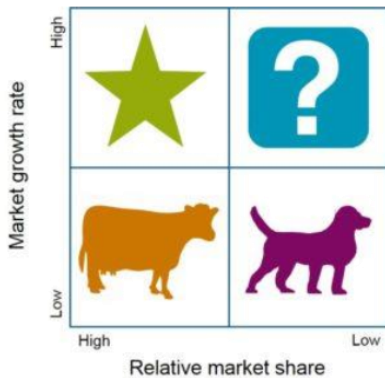
**Boston Consulting Group (BCG) Growth Share Matrix**

It is one of the simplest methods of analyzing the product or business portfolio of an organization & thus channelizing the resources into those products or businesses having greatest potential. It is famous for its cow & Dog metaphors. **It works as follows:**

It uses two-dimensional matrix where:

- “Vertical or Y axis” represents **market growth rate** &
- “Horizontal or X axis” represents **relative market share**

Using these factors, BCG matrix classifies the Product, Business or SBU into four categories Star, Question Mark, Cash Cow & Dog & there are four strategic options namely Build, Hold Harvest & Divest.



Classified Into	Description	Strategic option
<b>Star</b>	Product, Business, SBU <b>operates in high growth market with high market share.</b>	Build, Expand
<b>Question Mark</b>	Also called wild cat, problem child, these are product, Business SBU <b>operates in high growth market with low market share.</b>	Build & turn into star or Harvest & Divest
<b>Cash Cow</b>	Product, Business, SBU <b>operating in low growth or no-growth market with high market share.</b>	Hold or Harvest
<b>Dog</b>	Product, Business or SBU <b>operating in low or no growth market with low market share.</b>	Harvest or Divest

**General Electric (GE) Model**

Developed by GE with the consulting firm McKinsey & Company, this model is also known as GE Nine Cell Matrix, Business Planning Matrix, Stop-Light Model, Model Inspired by Traffic Light. **GE Model uses two factors namely:**

- In Vertical axis – Market Attractiveness
- In Horizontal axis – Business Strength

**Market Attractiveness**

Vertical axis indicates market attractiveness & it is measured by:

- Market Size
- Market Growth rate
- Industry Profitability
- Competitive Intensity
- Technology Availability

**Business Strength**

Horizontal axis indicates Business Strength & it is measured by:

- Market Share
- Profit Margin
- Brand Image
- Customer Loyalty
- Production Capability





**Ansoff's Product Market-Growth Matrix**

Proposed by Igor Ansoff, it is a useful tool through which *entity can design its growth strategy through both existing & new product in both existing & new market. It has following strategic options:*

**Market Penetration**

Most common expansion strategy where entity **achieves growth by selling existing product in existing market in more quantity** through:

- Increases product usages
- Increases frequency used
- Increases quantity used
- Find new users for current users

**Market Development**

Marketing **existing product to customer in new market** i.e. expanding in new geographical markets.

**Diversification**

Most challenging option where entity **sells new product in new markets**. Types are:

- Vertically Integrated
- Horizontally Integrated
- Concentric
- Conglomerate

**Product Development**

Modification of existing product or creation of **new but related item** to be marketed to the current customers like:

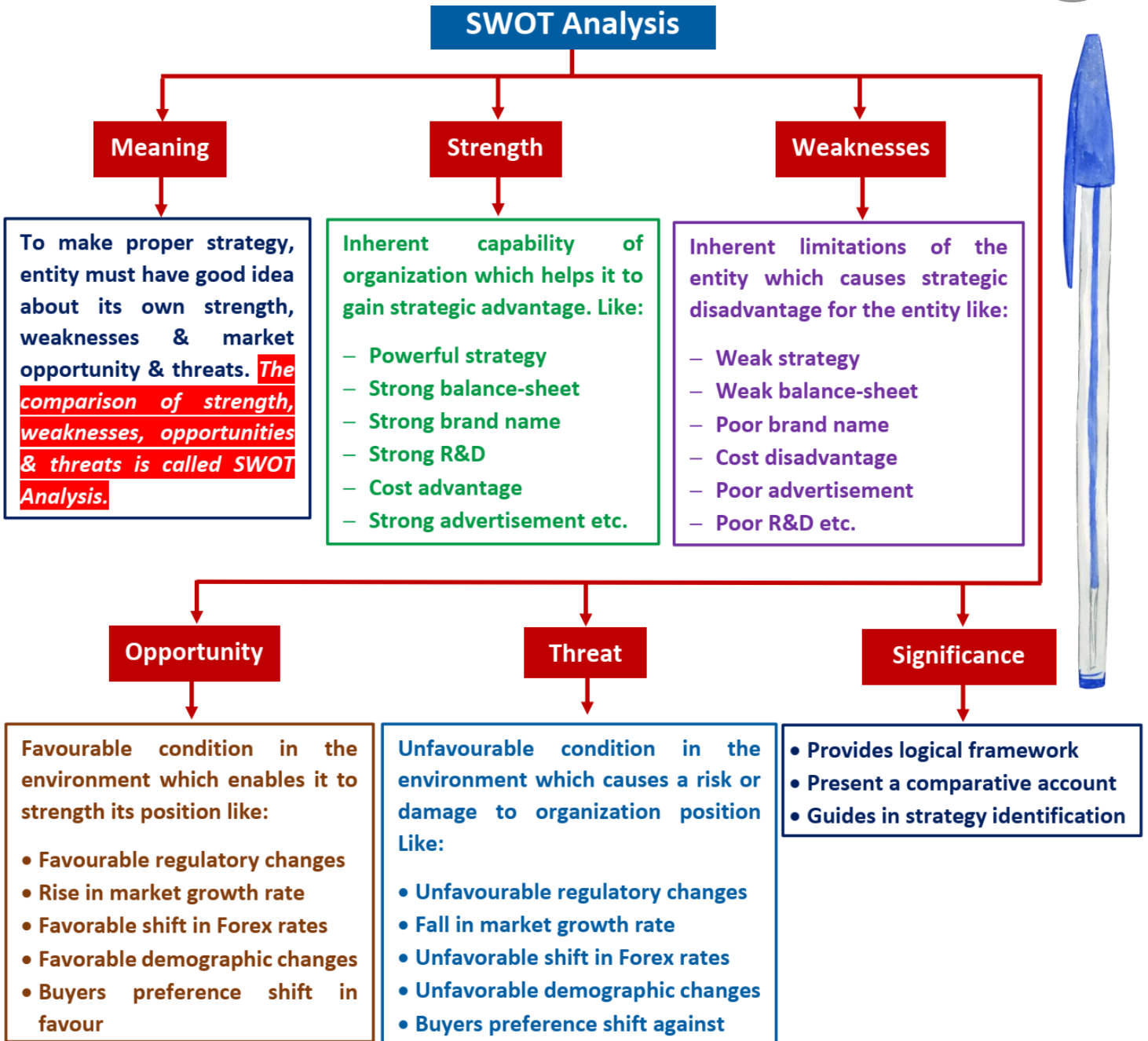
- Adding features in existing product
- Making refinement in existing product
- Developing new product for some market

	Existing Products	New Products
Existing Markets	Market Penetration	Product Development
New Markets	Market Development	Diversification

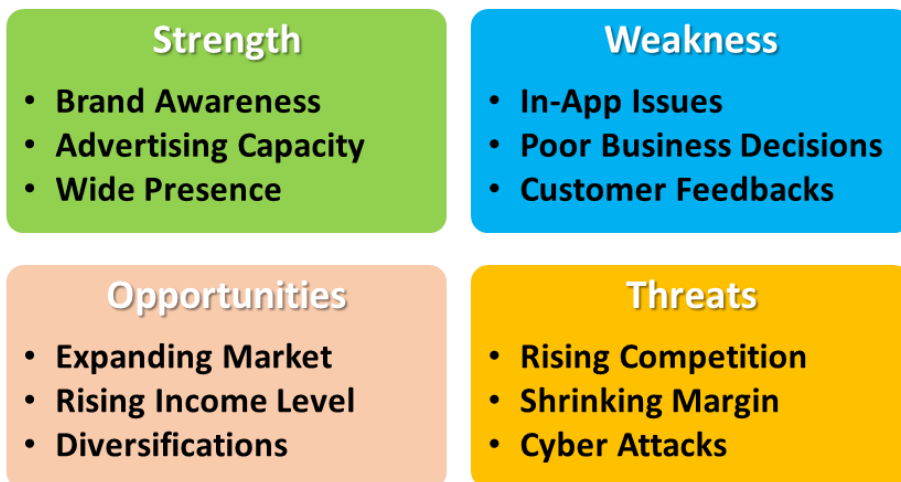
**ADL Matrix**

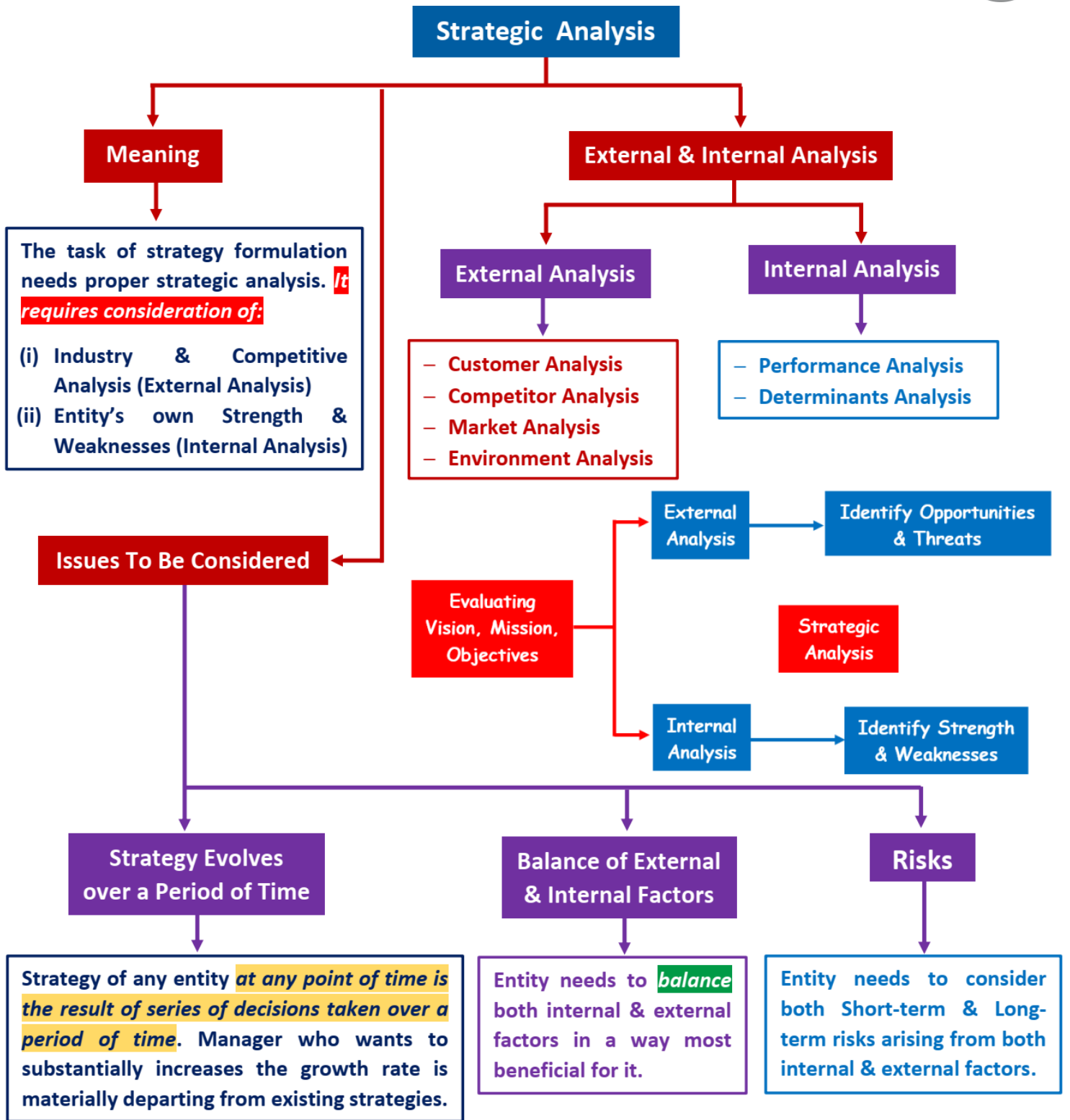
Derived its name from Arthur D. Little, it uses two factor model namely competitive position of the firm & life cycle of the Industry. Various strategic options are:

COMPETITIVE POSITION	STAGE OF INDUSTRY MATURITY / LIFE CYCLE			
	Embryonic	Growth	Mature	Ageing
<b>Dominant</b>	Fast Grow Act Offensively	Fast Growth Act Offensively	Defend Position Cost Leadership	Defend Position Withdraw
<b>Strong</b>	Differentiate Fast Grow	Differentiate Fast Grow	Defend Position Cost Leadership	Find & Hold Niche Harvest
<b>Favourable</b>	Differentiate Grow with industry	Differentiate Grow with industry	Differentiate Find & Hold Niche	Harvest Turnaround
<b>Tenable</b>	Grow with Industry Differentiate	Grow with Industry Differentiate	Defend position Find & Hold Niche	Harvest Divest
<b>Weak</b>	Differentiate Grow with industry	Differentiate Find & Hold Niche	Harvest Divest	Harvest Divest



### SWOT Analysis of Zomato





- Different level of Strategies**
- Corporate level strategy
  - Business level strategy
  - Functional level strategy
  - Global strategy

**Author's Note** - Every entity must have proper understanding of its own strength and weaknesses as well as what opportunities and threats are being offered by the environment in which it operates. The complete and proper understanding of it acts as a foundation for other activities. SWOT analysis helps entity in obtaining this understanding. In crafting its strategies, entity needs to balance both of its internal as well as external factors in a way which will prove most beneficial to it.



**Globalization**

**Meaning**

- Generic Meaning** - Process of integration of world into one huge market.
- Developing Countries** - Process of integration with world economy.
- Companies** - Operate with several R&D center, manufacturing facilities & sales location and compete with foreign players in domestic market.

**Characteristics**

- Conglomerate of multiple units located in different parts linked by common ownership
- Operates on common pool of resources like Money, Trade Name, Patent etc.
- Works on some common Strategies.

**Why Company Go Global?**

- Faster Trade, Communication & Transfer of information
- Domestic market not large enough
- Rapid growth of foreign market
- Sourcing of raw material, labour etc.
- Petroleum, Mining like industries
- High tech & entertainment industry
- Establish international strategic alliances, JV etc.

**Strategic Approaches of Globalization**

- Multi-Domestic Approach
- Global Approach
- Transnational Approach

**MNC & TNC**

An organization which has gone global is called **Multi-National or Trans-National Enterprises**. *There are few differences between them:*

**Super-National Enterprises**

World Wide enterprises mainly Non-Political international bodies like INF, WTO World Bank etc. operates as International Business Service Providers & brings world economy closer.

MNC	TNC
MNC are based in home country & have world-wide subsidiary companies.	TNC do have subsidiary companies but linked to other companies through some other mode like agreement, association etc.
It has centralized system of management	They do not follow centralized system of management
Faces barrier in decision making.	Do not face barrier in decision making.



CD China Daily

**Volkswagen eyes more cooperation opportunities in China ...**

In 2022, FAW Group achieved vehicle sales of 3.2 million units, with operating revenue hitting 630 billion yuan and profits topping 49 billion...



ET The Economic Times

**India a bright spot for Suzuki despite global slowdown**

India remains a bright spot for Japan's Suzuki Motor Corp (SMC) with subsidiary Maruti Suzuki expected to grow in strong double digits in...



CA INTER

# EIS-SM

## Regular Batch

### Key Features

- For May 23 & Nov 23 Attempt
- Full Course (68 Lectures, 190 Hours)
- 100% Syllabus Coverage with Conceptual Clarity
- Instant Query Support & Doubt Resolution

1.5 Views 6 Months



₹ 6400



₹ 6000

2 Views 9 Months



₹ 7200



₹ 6800

Lectures Play on Laptop & Android Devices

Most Preferred EIS-SM Class All Over India

Highest Past Result All Over India

For Booking & More Info

 [www.saketghiria.com](http://www.saketghiria.com)

 9910674854, 9911404430



CA Saket Ghiria

## Planning

Planning is a basic managerial function which determines what is needed to be done in future.  
*Planning can be of following two types:*

### Operational Planning

Made by middle & lower level management which are generally short term to medium term in nature.

### Strategic Planning

Made by Top or Corporate Level Management. It involves:

- Determining objectives of firm
- Resources required to obtain these objectives
- Policies for acquisition, use & disposition of resources

## Uncertainty

Uncertainty is the situation where the future outcome is not superior i.e. what will happen in the future is not known.

### Types

#### Normal Uncertainty

Other than Strategic Uncertainties.

#### Strategic Uncertainties

Uncertainties that **has some strategic implications for the entity**. Entity should consider all strategic uncertainties. Entity **uses Scenario Analysis** to manage such uncertainties.

### Strategic Uncertainty & Strategic Planning

During strategic planning, entity should **consider the impact of strategic uncertainties**. The impact of strategic uncertainties will depend upon the importance of SBU or Division which are subject to the strategic uncertainty. The bigger the division, the bigger the impact of strategic uncertainty on the entity.

## Strategic Decision Making

Decision Making is a managerial process of selecting best course of action out of several alternatives available. *Strategic Decisions have following major dimensions:*



- Requires Top-Management involvement
- Involves commitment of organizational resources
- Needs consideration of factors of external environment
- Significant impact on long-term prosperity of firm
- Future oriented
- Have multifunctional or Multi-Business consequences



**Strategic Intent**

**Meaning**

It refers to what an organization strives for i.e. the ultimate reason of existence of the entity. The purpose which the entity ultimately wishes to accomplish.

**Relation with Strategic Management**

Strategic Management is the process of formulation, implementation, evaluation & control of strategies so to realize the organization's strategic intent.

**Components/Elements**



**Vision or Strategic Vision**

**Meaning**

Road map of company's future providing specifics about:

- Technology & customer focus
- Geography & product market
- Capabilities
- Kind of company management is trying to create

**Three Elements**

- Coming up with mission statement
- Using mission statement about where we are going
- Communicating vision in clear, exciting terms.

**How to Develop**

- Think creatively about how to prepare company for future
- Forming strategic vision is the exercise of intelligent entrepreneurship
- Well-articulated vision creates enthusiasm in organization
- Vision statement should clearly state direction in which organization is headed

**Examples of Vision**

**ICAI:** World's becomes leading accounting body, a regulator and developer of trusted & independent professionals with world class competencies in accounting, assurance, taxation, finance and business advisory services.

**Reliance Industries:** Through sustainable measures, create value for the nation, enhance quality of life across the entire socio-economic spectrum and help spearhead India as a global leader in the domains where we operate.





**Mission**

It focuses on **entity's present business scope who we are, where we are now & what we do here**. It describes organization's present Capabilities, Customers Focus, Technology etc.

**Why Mission Needed?**

- Specify organization purpose
- Ensure unanimity of purpose
- Develop basis for allocating organizational resources
- Provide basis for motivating use of organizational resources
- Establish general tone of organization

**Points in writing Mission**

- Unique to the organization for which it developed
- Mission statement should give organization its own special identify
- Company's business is defined by what needs it is targeting, technologies & capabilities it uses, activities it performs.

**What is Our Mission & What Business are we in?**

As per Peter Drucker, every organization **must ask an important question "what business are we in"**. Following questions are important:

- What business are we in?
- Do we understand our business correctly?
- Whom do we intend to server?
- What brings us to this particular business?
- What would be the nature of business in future?

**Vision vs. Mission**

- Purpose of Mission Statement is to inform while vision is to inspire.
- Mission Statement tells about the fundamentals purpose of entity while vision tells about where entity wants to be.
- Mission Statement talks about present while vision tells about future.

**Objectives & Goals**

**Meaning**

Entity translates Vision & Mission into Objectives & Goals. They are used interchangeably. They act as yard stick for measuring organization's performance. Objectives can be:

- Short-Term Objectives – Upto 1 Year
- Long-Term Objectives – 2 to 5 Years

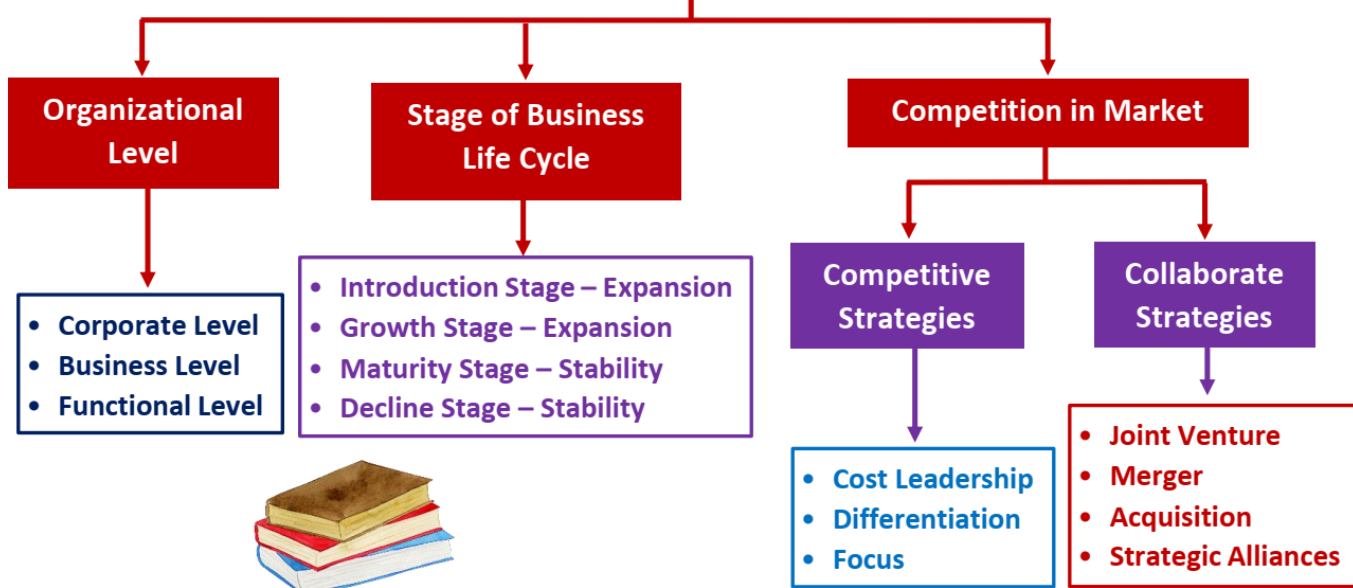
**Characteristics**

- Understandable
- Time-bound
- Specific
- Measurable
- Challenging
- Attainable
- Relevant

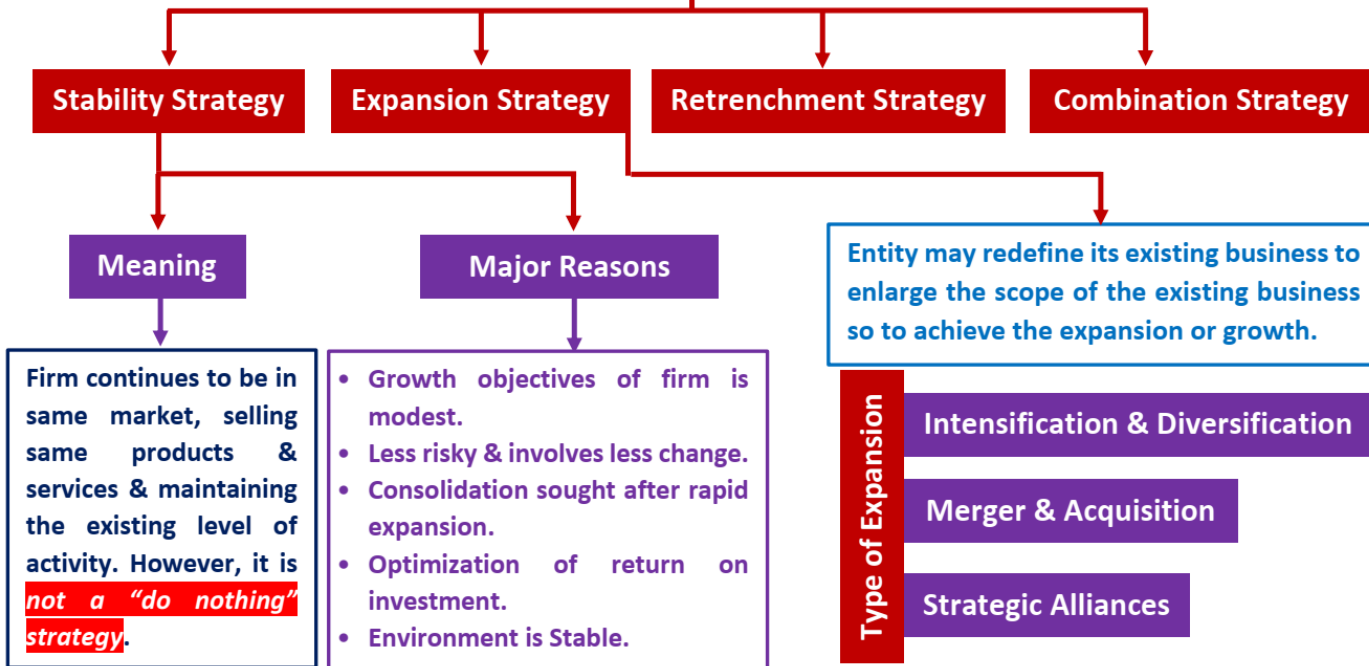
**Areas of Long-Term Objectives**

- Profitably
- Productivity
- Public Responsibility
- Employee Development
- Employee Relations
- Technological Leadership
- Competitive Position

Typologies of Strategies



Corporate Level Strategies  
(William F Glueck & Lawrence R Jauch)



© SAKET GHIRIA CLASSES

Argus Media

India topples Japan to become third-largest auto market

India became the third-largest automobile market in 2022, surpassing Japan as vehicle sales rose on the back of easing semiconductor issues...

RushLane

Scorpio N Spied In Japan - Mahindra Exploring A New Market?

Scorpio N in Japan is likely to be used for benchmarking purposes; could have been imported by one of the Japan-based OEMs.





**A. Intensification & Diversification Strategy**

**Intensification Strategy**

**Diversification Strategy**

According to Igor Ansoff there are **three kinds of Intensification Strategy.**

Entity enters into new market or industry which it is not currently in. **Types are:**

**Market Penetration**

**Market Development**

**Product Development**

Entity tries to *sell existing product in existing market in large quantity*

- Increase product usages
- Increase frequency used
- Increase quantity used
- Find new uses

Entity sells existing product in new markets by expanding in new geographical markets.

Entity makes modification in existing product & creates new but related products

- Add features in product
- Make refinement in product
- Develop new generation product
- Develop new product for same market.

**Vertically Integrated**

Firm engages in business that are *related to its existing business & remains vertically within same process sequence* moving either forward (forward linkage) or backward (backward linkage) in the chain.

**Horizontally Integrated**

The firm engages in the activity which are *at the same level of the value chain.*

**Concentric**

Entity engages into the business which is *related to existing business by Process, Market or Technology.*

**Conglomerate**

Also known as unrelated Diversification, the new business entered into by the entity *does not relate to its existing business by any mean.*

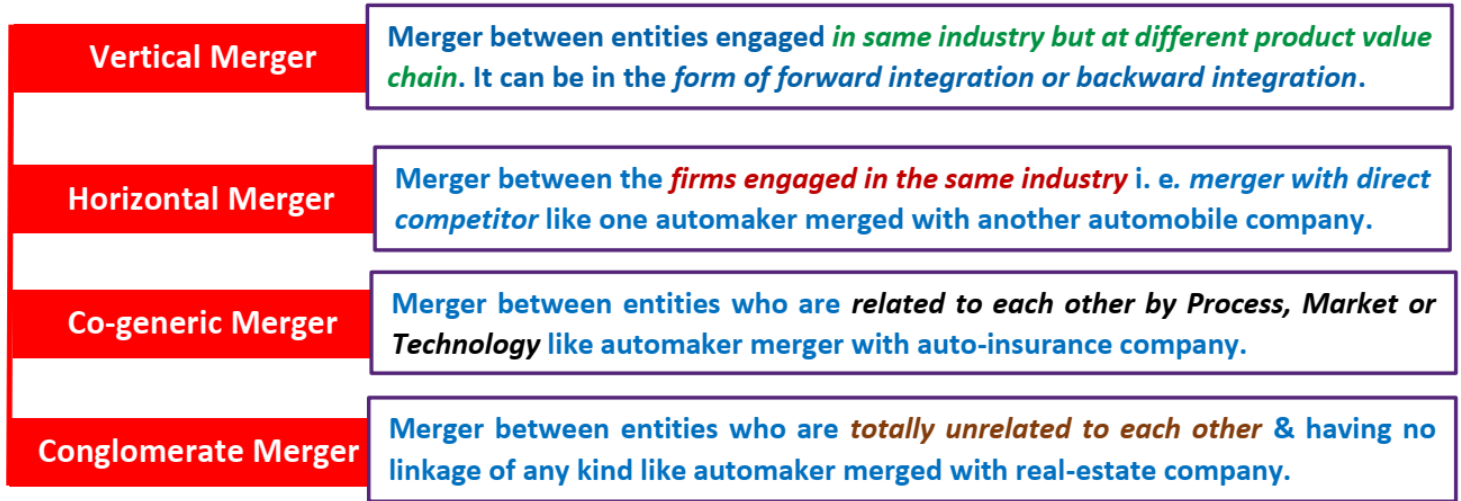
**Divestment Strategy vs. Liquidation Strategy**

Divestment Strategy	Liquidation Strategy
One of the retrenchment strategies where entity sales or liquidates a portion of its business or division.	One of the retrenchment strategies where entity sales or liquidates all of its assets, pays off liabilities & closes down the business completely.
Divestment is usually adopted when turnaround tried but failed or entity thinks divestment is the only feasible option remains.	Liquidation option is chosen when no other option remains as it is the most extreme and unpleasant strategy for any entity.
It is a kind of external retrenchment.	It is a kind of internal retrenchment.

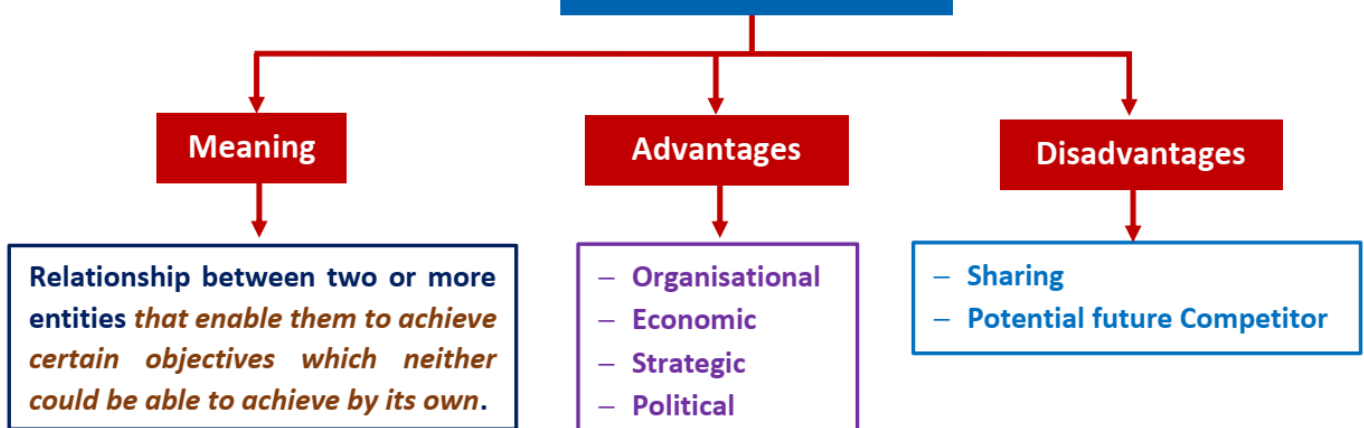


**B. Expansion Through Merger & Acquisition**

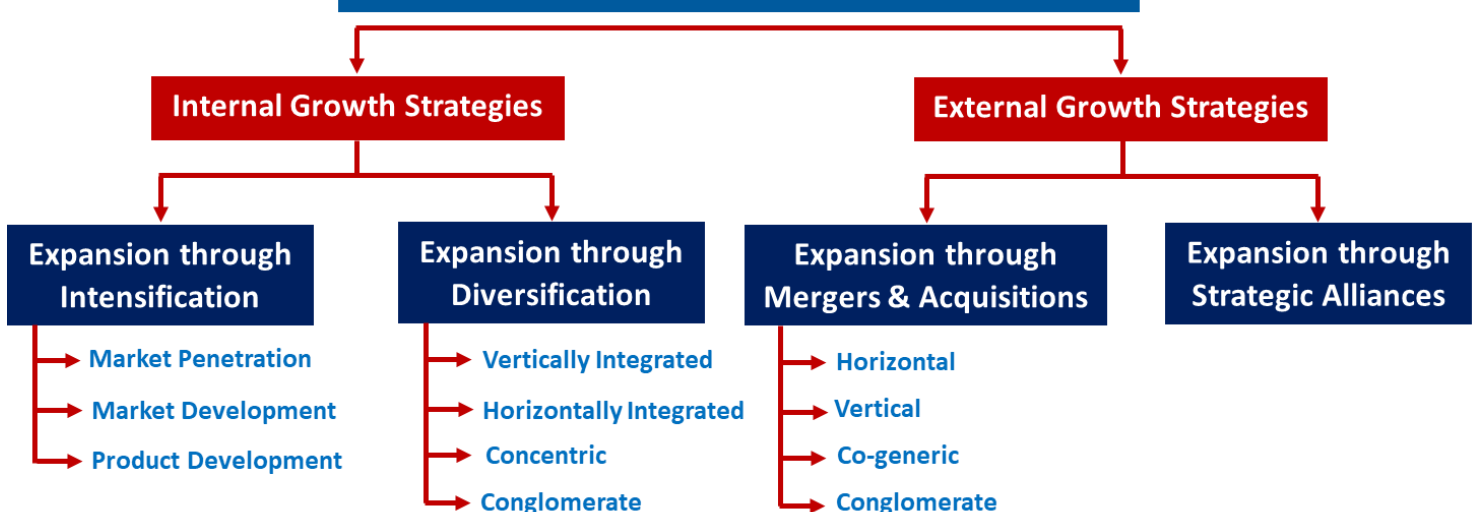
Merger is the process of combining two entities and creation of a new entity. While Acquisition is the takeover of one entity by another powerful entity.



**C. Strategic Alliances**



**Grouping/Classification of Expansion Strategies**





**Retrenchment Strategy**

Strategy Adopted where an organization wants to reduce its sole of activities partly or totally. *Its various types are:*

**Turnaround Strategy**

Internal retrenchment where entity tries to reverse the process of its decline by improving internal efficiency.

**Danger Signals**

- Declining market share
- Mismanagement
- Overstaffing, low employee morale
- Negative profits
- Negative Cash Flow
- Uncompetitive product or service

**Important Element**

- Change in Top Management
- Initial credibility-building actions
- Quick Cost reduction
- Revenue Generation
- Non-core asset liquidation
- Neutralising external pressure
- Identifying quick pay off activities
- Better internal coordination

**Action Plan**

- Stage 1. Assessment of current problem
- Stage 2. Analyse the situation & development plan
- Stage 3. Implement action plan
- Stage 4. Restructuring Business
- Stage 5. Returning to Normal

**Divestment Strategy**

It involves Sale of a portion of business, division or SBU.

**Major Reasons of Divestment strategy**

- Business acquired proves to be mismatch
- Persistent negative cash flow
- Environment is the threatening & highly unstable
- Particular business needs huge investment
- Better investment opportunities available

**Liquidation Strategy**

It involves closing down the entire organization by selling of its assets & paying off the liabilities.

**Major Reasons of Liquidation strategy**

- Management do not want to continue
- Totally hostile environment
- Huge accumulated losses & liabilities
- Government or court order etc.

**Combination Strategy**

**Meaning**

The combination of Stability, Expansion or Retrenchment in some permutation or combination.

**Reasons**

- Organization is large.
- Different business in different industries.

Porter's Five Forces Model

It is a model of estimating the level of competition in any industry. This model states the competition is the composite of five forces operating in any industry.

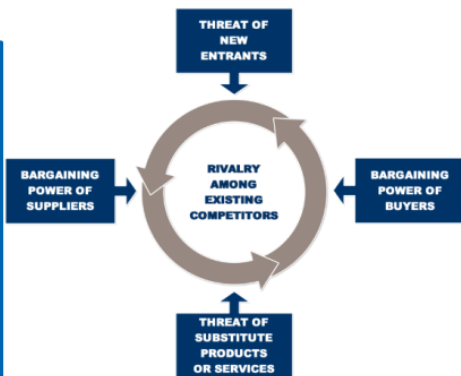
Five Forces of Competition

Competitive pressure associated with

- *threat of new entrants* in market
- companies of other industry win buyers through *substitute products*
- *bargaining power of suppliers*
- *bargaining power of buyers*
- *rivalry of sellers in industry*

Steps Involved

- Identity competitive pressure associated with five forces.
- Evaluate how strong each force.
- Determine whether collective strength of all five forces good enough in earning attractive profit.



1. Threat of New Entrants

Common entry barriers:

- Capital requirement
- Economics of scale
- Product differentiation
- Switching cost
- Brand identity
- Access to distributor channel
- Possibility of aggressive retaliation



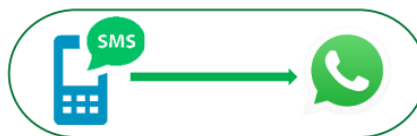
2. Bargaining Power of Suppliers

- Specialized products or services
- Product crucial to buyer
- Substitute not available
- Very high switching cost
- Concentrated supplier



3. Bargaining Power of Buyer

- Buyer have full knowledge
- Big buyers
- Concentrated buyers
- Product not critical
- Insignificant switching cost



5. Rivalry among Existing Players

- Industry has no clean leader
- Numerous competitors
- High Fixed Cost
- Low scope for product Differentiation
- Slow Growth



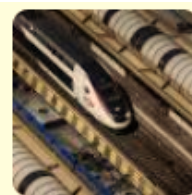
4. Threat from Substitutes

Latent source of competition that can alter the competitive characteristics of the industry. Substitute products **offering price or performance advantages** are big danger for the industry.



Europe wants a high-speed rail network to replace airplanes

Imagine a network of modern, super-fast and comfortable trains hurtling between every major city in the European Union, providing a reliable,...





**Business Level Strategies**

Specifies actions needed to provide value to customers & gain competitive advantage over the competitors.

**Objectives**

- Meeting customer's needs
- Achieving competitive advantage
- Avoiding competitive disadvantage

**Types (Michael Porter's Generic Strategies)**

**Cost-Leadership**

**Differentiation**

**Focus**

**Focused Cost-Leadership**

**Focused Differentiation**

**Cost Leadership**

Through this leadership, entity tries to have the lowest cost of operation, production, procurement, distribution etc. in the industry.

**Advantages & Disadvantages**

**Advantages**

- Rivalry among existing players
- Bargaining power of suppliers
- Bargaining power of buyers
- Threat of new entrants
- Threat from substitutes

**Disadvantages**

- Not sustainable in long-term
- Needs huge sales volume
- Technological break throughs
- Entity minimizes cost on R&D, promotion etc.

**How to achieve it**

- Proper demand forecast
- Optimum resource utilization
- Achieving economics of scale
- Cost control & labour supervision
- Standardization of products & avoiding differentiations etc.

**When useful**

- Large no. of price sensitive buyers
- No concern about unique features, brand
- Few ways to differentiate
- Buyers have significant bargaining power

**Risks**

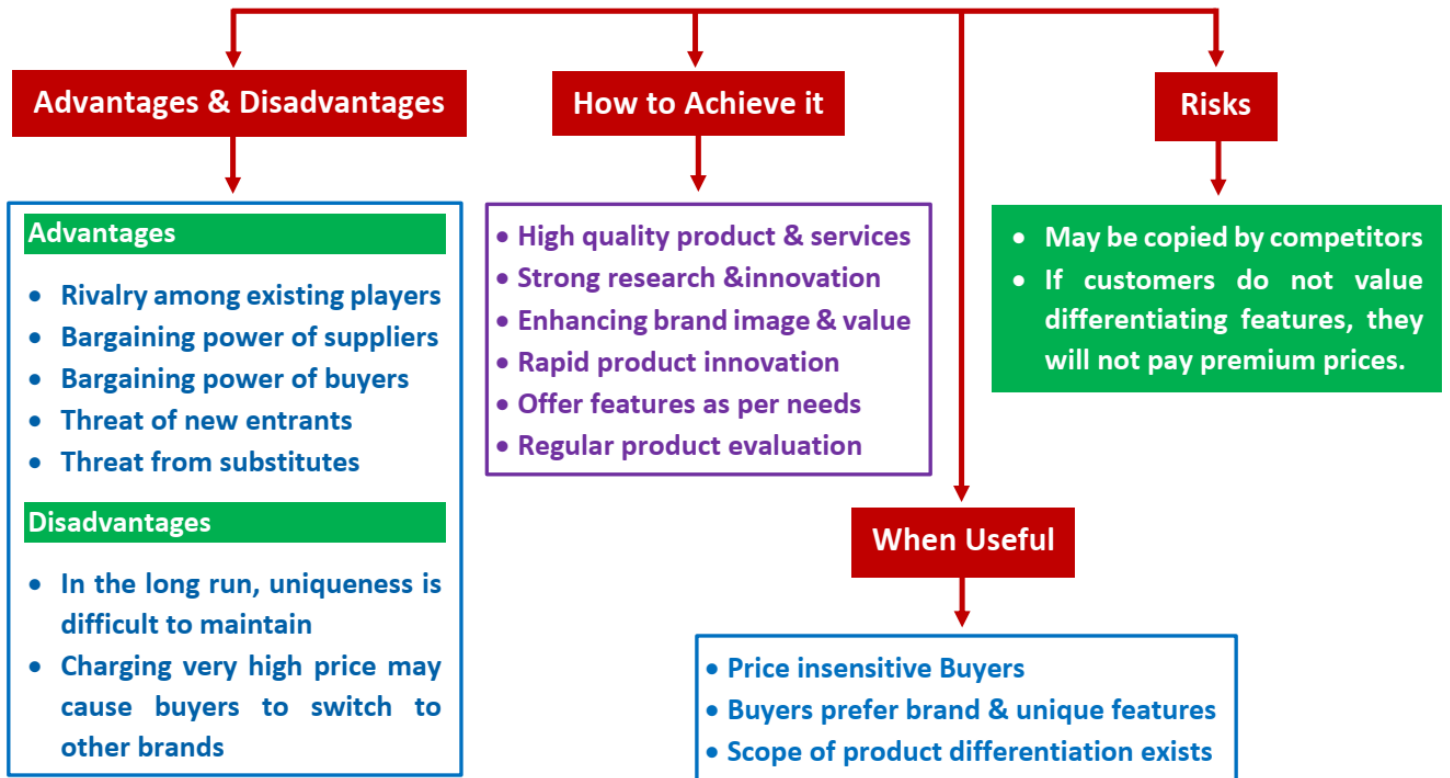
- Competitor may copy it
- Technology breakthroughs
- Change in buyer's preferences





**Differentiation Strategy**

Entity develops product or services having unique features & attributes so to differentiate it from the competitors. Entity can have *differentiation on the basis of Product, Pricing or Organisation.*



© SAKET GHIRIA CLASSES

**Cost Leadership vs. Differentiation Strategy**

Cost Leadership Strategy	Differentiation Strategy
One of the generic strategies specified by Michael Porter.	One of the generic strategies specified by Michael Porter.
Cost leadership strategy means having the lowest cost of operation, production, procurement, storage & distribution in industry.	Entity tries to develop a product or service with unique features or attributes that are different from the competitors.
This strategy is directed towards the price-sensitive buyers.	This strategy is particularly applicable for the buyers who are relatively price insensitive.
Through cost leadership strategy, organisation tries to undercut its competitors through the prices.	Successful differentiation strategy allows firm to charge a premium price for its product and services and to gain customer loyalty.
To achieve cost leadership, entity needs tight cost control, proper supervision, intolerance towards waste, very high efficiency etc.	Differentiation strategy needs strong innovation & research capabilities, rapid product innovations, increase brand image and value etc.



PhoneArena

Global tablet sales are shrinking, but Apple's iPads continue to ...

... selling 22.5 million iPads to post incredible 28.8 percent growth over the same period of 2021 and hold a 49.2 percent market share.







Focus Strategies

Entity targets a Narrow market (Niche) & servers that narrow market better than the competitors.  
*This strategy is most effective when buyers have distractive taste & preferences.*



**Types**

**Focused Cost Leadership** - Entity targets a narrow market & tries to out-performance the competitors based on prices.

**Focused Differentiation** - Entity operates in a narrow market segment & creates product & services *as per specific needs & requirement of customer.*

- How to achieve**
- Selecting Specific Niches
  - Creating Superior Skills
  - Generating high efficiency
  - Developing innovative ways

- Risks Involved**
- Competitors may copy
  - Lack of sufficient profits

- Advantages & Disadvantages**
- Advantages**
- Premium prices can be charged
  - Threat of new entrants are low
- Disadvantages**
- In long run, niche may disappear or taken over by large competitors
  - Cost may not be fully recovered
  - Firm without specific competencies may not pursue it

© SAKET GHIRIA CLASSES

Best Cost Provider Strategy

Emphasizes on providing lower cost & having upscale features & attributes.




- How to achieve**
- (a) Offer similar quality product as competitors but at lower cost *or*
  - (b) Change price similar to competitor but offer more features



Business Insider

### How Walmart keeps its prices so low

Walmart is unabashedly proud of its low-cost merchandise, stating on its website that "Every Day Low Price (EDLP) is the cornerstone of our..."



Functional Strategy

These Strategy helps in implementation of corporate & business level strategies & plays two important roles:

- Provides support to overall business & corporate strategies.
- Specifies how functional managers will work.

Major Functional Strategies

- Marketing Strategy
- Financial Strategy
- Production & Operations Strategy
- R&D Strategy
- HR Strategy

Need of Functional Strategy

- Lay down what is to be done at functional level
- Provide sense of direction to functional staff
- Facilitates implementation of corporate & business level strategy
- Helps in bringing harmony & coordination
- Acts as basis for controlling
- Similar situations handled in consistent manner

Marketing Strategy

Marketing is an activity that creates and sustains relationships among those who are willing and able to buy and sell products or services. Some of the decisions to be made here are:

- Kind of distribution network (own outlets, dealership, etc.)
- Extent of advertisement and its budget.
- Mode of advertisement (print, digital, audio etc.)
- Whether to be a price leader or a price follower?
- Whether to offer a complete or limited warranty?
- Mode of compensating sales people.

While superior marketing is essential, to deliver value to customers, company has to integrate its chain of activities with the chain of activities of customers & suppliers.



Market Segmentation, Market Targeting & Market Positioning

Segment A	Segment B
Segment C	Segment D

Automobile Market

A company may not satisfy all customers in a given market, it must divide or segment the market properly. This is known as Market Segmentation. After segmentation, company should choose the best segment it wants to be. This is known as Market Targeting. Now company should design strategies of serving target market better than competitors. This is known as Market Positioning.



**Marketing Process**

- Analysing market opportunities
- Selecting Target markets
- Developing marketing mix
- Managing marketing efforts

**Expanded Marketing Mix**

Growth of services has a major role for the inclusion of newer elements in marketing mix. A few new Ps are:

- People
- Physical Evidence
- Process

**Marketing Mix**

*Set of controllable marketing variables that the firm blends to produce the response it wants in the target market. It consists:*



**Product (1<sup>st</sup> Marketing Mix Variable)**

Entity should consider following in this regard:

- Proper understanding of product position
- Proper management of product portfolio
- Proper attention to branding & packaging
- Selecting proper advertising tools
- Proper ways to differentiate the products
- Product warranty and after sales services

**Price (2<sup>nd</sup> Marketing Mix Variable)**

Price is the amount customers have to pay to obtain the product. Price plays a very crucial role in the ultimate success or failure of the product. Theoretically, organizations may adopt cost plus pricing, however, in the competitive environment companies have to adopt the price prevailing in the market called as market price.

**New Product Pricing**

While making pricing policy for new product, entity must keep three objectives in mind:

- Making product acceptable to customers.
- Producing a reasonable margin over cost.
- Achieving a market share.

**Methods of New Product Pricing**



**Place (3<sup>rd</sup> Marketing Mix Variable)**

*Here two major issues are addressed:*

- How ownership of goods is transferred.
- How goods are moved from production place to the place where customers will purchase it.

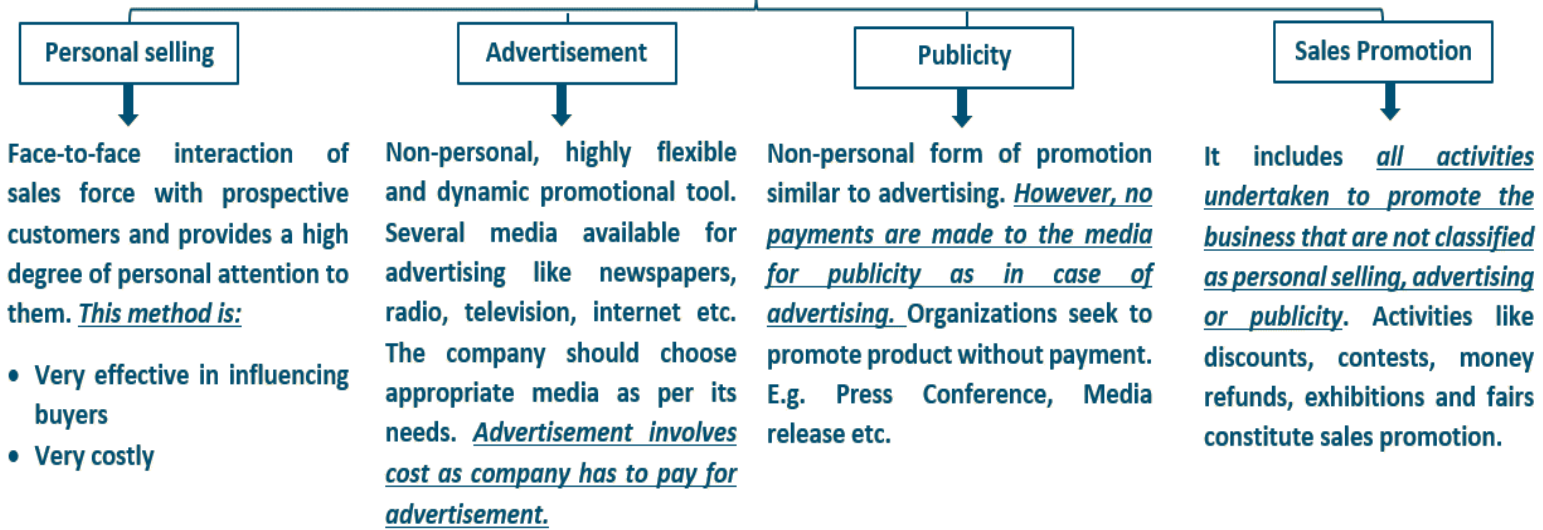
**4 P's of Marketing Mix & its relation with Customers**

Marketers	Customers
Product	Customer Solution
Price	Cost for Customers
Place	Convenience
Promotion	Communication



**Promotion (4<sup>th</sup> Marketing Mix Variable)**

Modern marketing is highly promotion oriented. Promotion stands for all activities that communicates the merits of the product and persuades / influences customer to buy it. There are four promotion methods.



**Marketing Strategy Techniques**

Technique	Explanation
<b>Social</b>	Marketing strategy promoting any social ideas or practice. For examples campaigns like road safety, child education
<b>Augmented</b>	Additional services and benefits built around the actual products or services. E.g. free HD movies or games with a new cellular connection.
<b>Direct</b>	Marketing through advertising media that interact directly with consumers. Like mail, call, promotional letters etc.
<b>Relationship</b>	It focuses on creating & maintaining strong relationships with customers. Frequently used in Airlines Industry, Hotel Industry etc.
<b>Services</b>	Application of marketing techniques for marketing of services.
<b>Person</b>	Activities undertaken to create, maintain or change attitudes towards particular people. E.g. Politicians, Film Stars etc.
<b>Organization</b>	Activities undertaken to create, maintain, or change attitudes towards an organization. E.g. Indian Railways, Delhi Police, ICICI Bank etc.
<b>Place</b>	Activities undertaken to create, maintain, or change attitudes towards particular places. E.g. Incredible India Campaign.
<b>Enlightened</b>	Marketing philosophy that states a company’s marketing should be guided by five principles namely Customer Oriented Marketing, Innovative Marketing, Value Marketing, Sense-Of-Mission Marketing & Societal Marketing.
<b>Differential</b>	Market-coverage strategy in which a firm decides to target several market segments and designs separate marketing strategy for each of them.
<b>Synchro</b>	Marketing strategy that is used to alter the pattern of demand through flexible pricing, promotion etc. so to synchronise demand supply pattern.
<b>Concentrated</b>	Marketing strategy whereby a product is developed and marketed for a very well defined and specific segment of market.
<b>Demarketing</b>	Marketing strategies to reduce demand temporarily or permanently without destroying the demand but only to reduce or shift it.

© SAKET GHIRIA CLASSES



**Production/Operations Strategy**

It relates to **production system**, **operations planning & control**, **logistics management** & **supply chain management**.

**Production System**

It is concerned with capacity, location, layout, automation, vertical integration etc. entity should consider while creating its production system. It is long-term in nature.

**Logistics Management**

It is concerned with

- Aggregate production planning
- Materials supply
- Inventory's cost & quality management
- Maintenance of plant & equipment

**It focuses on how efficiently day to day operations are carried out.**

**Operations Planning & Control**

**Meaning**

**Process which integrates the flow of supplies into, through & out of an organization, transportation, warehousing, material handling, order fulfillment etc.**

**Important Questions needs to be addressed**

- Which sources of raw material available?
- How many manufacturing locations are there?
- What products produced at each location?
- What made of transactions be used?
- What is the nature of distribution facility?
- Should entity own its own transport vehicles?
- What is nature of material handling equipment?

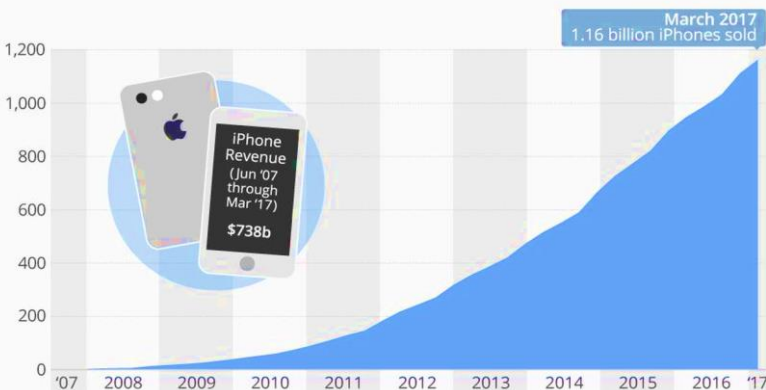
**Advantages**

- Cost savings
- Reduced inventory
- Improved delivery time
- Customer satisfaction
- Competitive advantage

**Magic of Supply Chain Management – Over Billion iPhone Sold**

**10 Years And 1.2 Billion iPhones Sold**

Cumulative Apple iPhone sales from June 2007 to March 2017 (in million units)



**Major Strategic Decision/Concerns related to HR Management**

- a) Disruption of social & political structure
- b) Failure to match individual aptitudes with implementation tasks
- c) Inadequate top management support for implementation activities



Supply Chain Management (SCM)

Supply chain refers to linkages between the supply, manufacture & customer & includes all activities like sourcing raw material, conversion into finished goods & logistics management.

Supply Chain Management is the process of **planning, implementing & controlling** the supply chain operations.

Logistics vs. Supply Chain Management

SCM is an extension of logistics management and **emphasis on delivering right product at the right time to the right customer at the right place & with right price**. SCM is the **tool of business transformation** and focus on to reduce cost & enhance customer services.

Implementing SCM

- (a) Product development
- (b) Procurement
- (c) Manufacturing
- (d) Physical distribution
- (e) Outsourcing
- (f) Customer Service
- (g) Performance Measurement

Financial Strategy

Finance is one of the most crucial & important resource for any business. Entity must have proper financial strategies in place. **Financial strategies involves several areas of financial management and plays very important role in strategy execution as follows :**

Acquiring Needed Capital / Sources of Funds

Two basic sources of capital are **debt and equity**. Both these sources have their own merit & demerit. Entity must have an optimal mix of debt and equity in its capital structure as per its needs.

Projected Financial Statements / Budgets

Projected financial statement shows the results of various strategic alternatives. Various types of Budgets are cash budgets, sales budgets, profit budgets, factory budgets, R&D budgets etc.

Management / Usages of Funds

Acquired funds will serve no purpose if not managed or used properly. If plans and policies are not clear, the usage of funds is inefficient, leading to less than an optimum utilization of resources.

Evaluating the Worth of a Business

Entity might have to evaluate its worth for many reasons like for mergers, acquisitions and other diversification strategies etc. All various methods for determining a business's worth can be grouped into **three main approaches**:

FIRST Net Worth Approach

Worth of Business (₹)	
Paid up Equity Share Capital	xxx
Additional Paid up Capital	xxx
Retained Earnings	xxx
Total	xxx
Goodwill & Asset Adjustment	xxx
Worth of Business	xxx

SECOND Future Profit Approach

Worth of Business (₹)  
Current Annual Profit of the Company × 5

Worth of Business (₹)	
Total Assets	xxx
Outside Liabilities	xxx
Total	xxx

Approach 2

$$\text{Worth of the Business} = \left( \frac{\text{PE Ratio}}{\text{PE Ratio}} \times \text{Average net income of past five years} \right)$$

\*PE Ratio = MPS / EPS

Approach 1

$$\text{Worth of the Business} = \text{Market Price of similar company}$$

THIRD Market Based Approach

Approach 3

$$\text{Worth of the Business} = \left( \text{Number of shares outstanding} \times \text{Market price per share} \right) + \text{Premium Amount}$$



Research & Development Strategy

In today's global world, it is very important for the organization to have proper R&D mechanism. Whether it wants to pursue Differentiation, Cost Leadership, Market Expansion or any other strategy, it needs effective R&D department. **R&D personals plays very significant role in:**

- Transferring complex technology
- Adapting processes to local raw material, market
- Altering products to particular tastes & specifications

R&D Policies & Strategy Implementation

- Perform needed research
- Be leader or follower in R&D
- Develop robotics or manual processes
- Spend needed money on R&D
- Perform R&D internally or outsource it
- Use researches as per requirements

Major R&D Approaches

- (a) **Technology Leader** – Firms who develop new technologies & takes a lead in R&D. it *involves high risk & high reward*.
- (b) **Technology Imitator** – Do not take lead in R&D but imitates successful product & services based on new technologies.
- (c) **Low Cost Technology Follower** – Firms who mass produce products using low cost technology. Such firms need high investment in plant & machinery.

R&D In-house vs. Outsourcing

Case	Technological Change	Market Growth	Course of Action
(i)	Slow	Slow/Moderate	Preferred option is In-house R&D.
(ii)	Fast	Slow	Major investment in in-house R&D not feasible & go with other players of the industry.
(iii)	Slow	Fast	In hours R&D is preferred option.
(iv)	Fast	Fast	Entity should acquire a specialist technology firm to develop R&D.

Some of the Acquisitions by Alphabet Inc. (Google)

**Android** - Google acquired Android for **\$50 million in 2005**. As mobile operating system wasn't a strong point of Google and there were happening rapid development in this area, Google acquired Android for its mobile computing business which now powers over 80% of mobile devices and is one of the highest revenue earning division of Google.



**YouTube** - Google acquired YouTube in 2006 for \$1.65 Billion. Before acquiring YouTube, Google had tried hard in video streaming service through Google Videos, but it could not innovate much in the video streaming space hence it finally bought YouTube.



**NestLab** - In the year 2014, Google acquired NestLab for \$3.2 Billion for the rapidly growing Internet of Things (IoT).

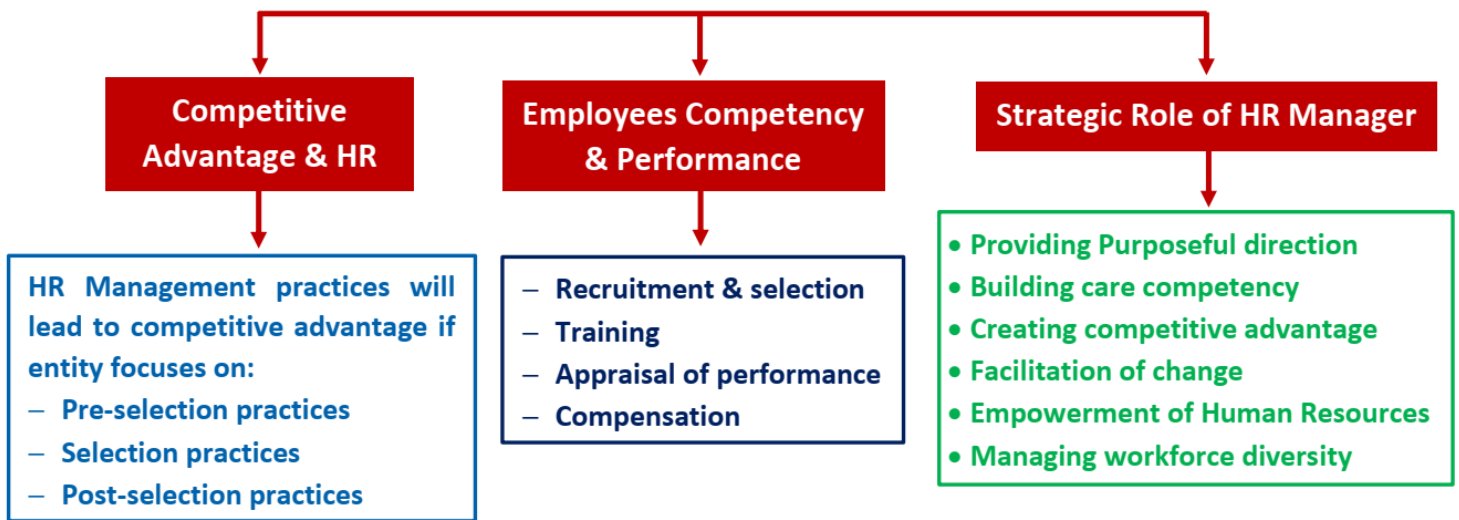




Human Resource Strategy

Human Resource are now viewed as a source of great competitive advantage for the company as Human Resource Plays a critical role in the successful execution of the strategies. **During implementation, HR problems can arise due to following reasons:**

- Disruption of social & political structures
- Inadequate top managements support
- Individuals aptitudes don't match with implementation tasks



India Today

Google India employee says company's layoffs were not performance-based, those with highest ratings were fired

A Google India employee wrote on LinkedIn that the company's layoffs were not based on performance as those with recent promotions and...



Mint

Laid off Google employees team up to form new company

But, a former senior manager at Google, has a different story to share. After getting fired Henry Kirk established his own company with six...



Outlook India

TCS Not Considering Layoffs, Hiring Impacted Employees From Start-Ups

Tata Consultancy Services (TCS) is not considering any layoffs as it believes in grooming talent for longer careers once it hires an...





## Strategic Implementation

Many times, strategy of the organization fails due to poor implementation. Only those companies are able to achieve their strategic objectives *who are able to formulate a sound strategy & able to implement it successfully*. **Successful implementation of strategy needs:**

- Supportive organizational structure / corporate structure
- Supportive organizational behavior / corporate culture
- Supportive organizational leadership

### Meaning of Strategy Implementation

Managerial exercise of *putting the strategy into action*. It is the process of translating the strategy formulated into actual actions.

### Strategy Formulation & Implementation Matrix

Strategy Formulation	Sound	A Improve Implementation	B Ideal Situation
	Flowed	C Improve both Formulation & Implementation	D Improve Formulation
		Weak	Excellent

**Strategy Implementation**

### Efficiency, Effectiveness & Strategy

Efficiency is internal which represents *relationship between input & output*. It can be measured & quantified. But effectiveness is external & implies *how effectively entity can interact with its external environment* to achieve the objectives.

### Linkages between Strategy Formulation & Strategy Implementation

**Forward Linkage** - Entity formulates a new strategy and accordingly *makes changes in its structure, culture & leadership* to implement the strategy.

**Backward Linkage** - Entity *adopts those strategies* which can be implemented with existing culture, structure & leadership.

Strategy Formulation	Effective	1. Thrive	2. Survive
	Ineffective	3. Die Slowly	4. Die Quickly
		Efficient	Inefficient

**Strategy Implementation**

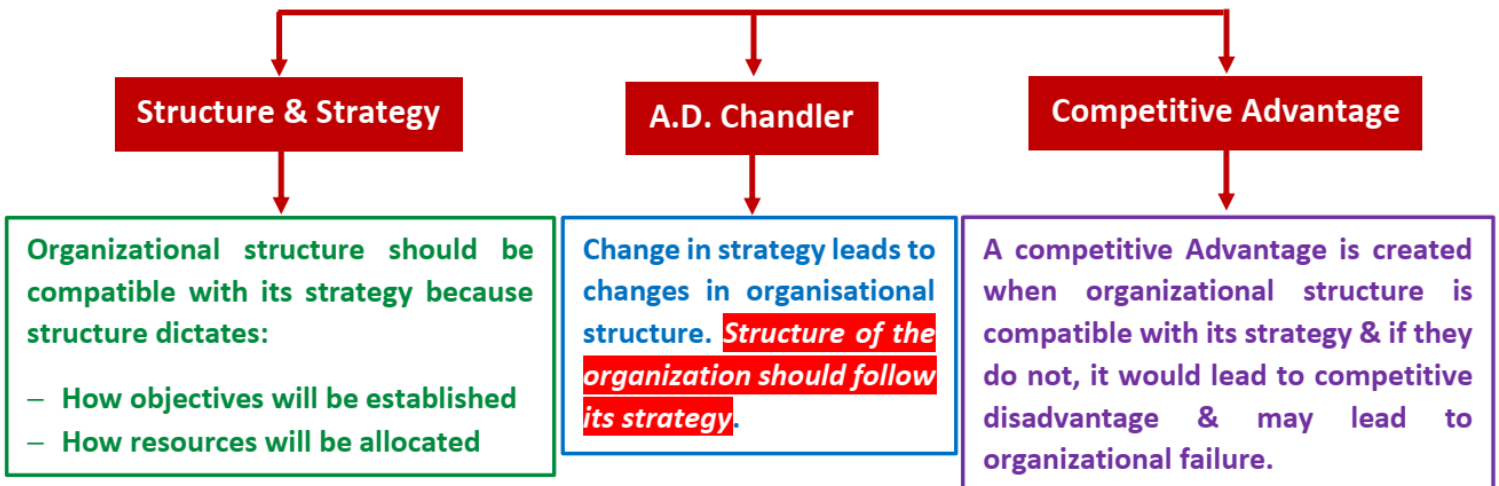
### Strategy Formulation vs. Implementation

Strategy Formulation	Strategy Implementation
Focuses on effectiveness.	Focuses on efficiency.
Intellectual process.	Operational process.
Requires conceptual intuitive and analytical skills.	Requires motivation and leadership skills.
Requires coordination among the executives at the top level.	Requires coordination among the executives at the middle and lower levels.



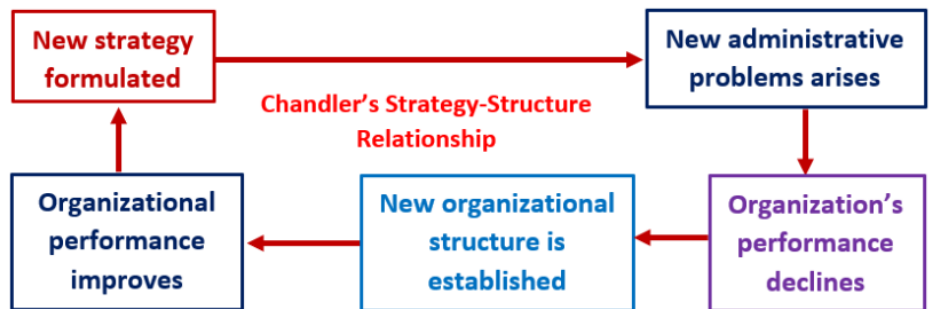
Organizational Structure

Company's formal configuration of its intended rules, producers, authority & decision-making process.



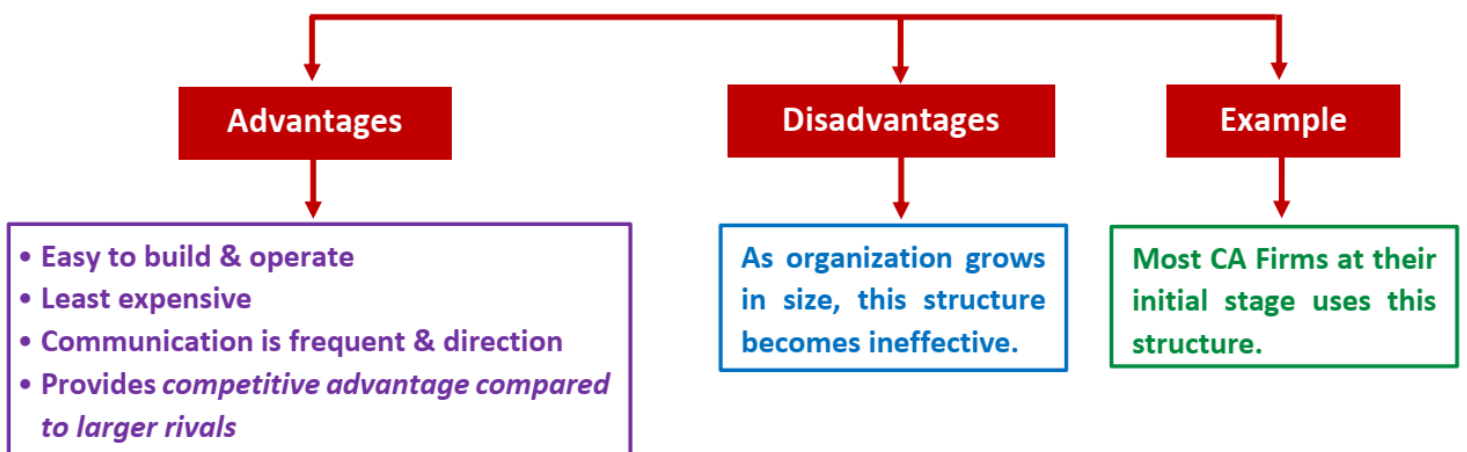
Types of Organizational Structure

- (a) Simple Structure
- (b) Functional Structure
- (c) Divisional Structure
- (d) Multi-Divisional Structure
- (e) SBU Structure
- (f) Matrix Structure
- (g) Network Structure
- (h) Hour-Glass Structure



Simple Structure

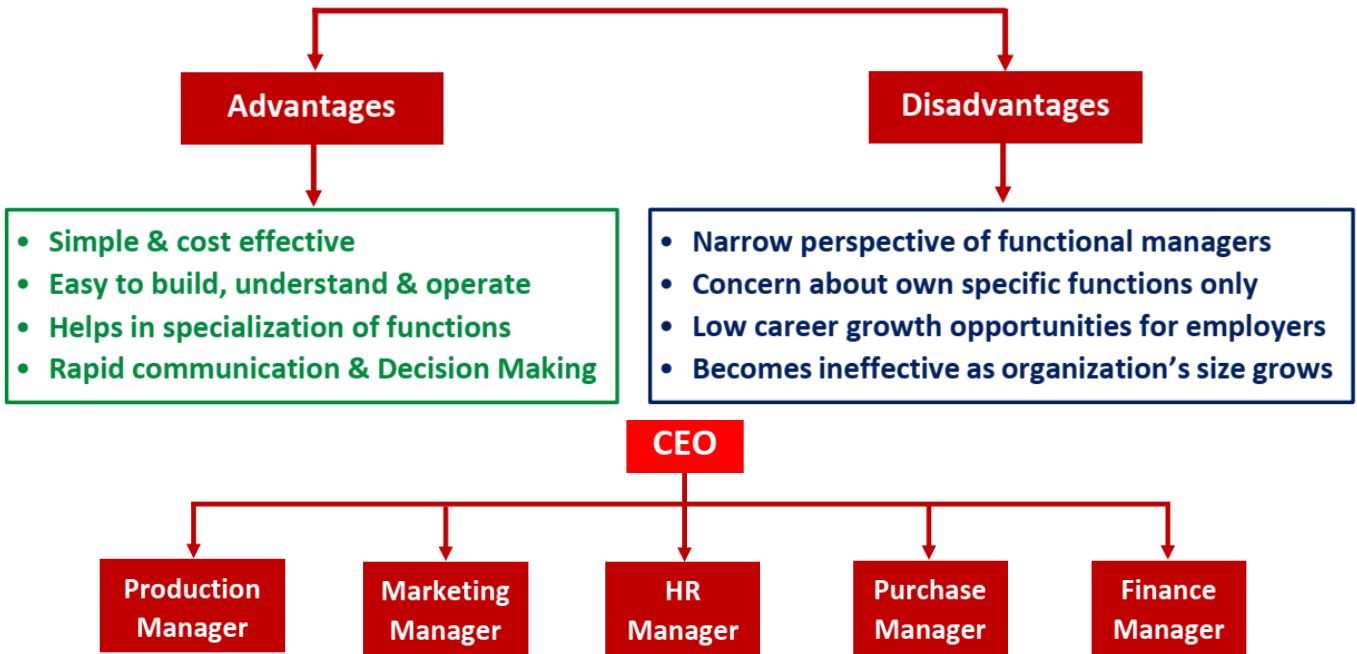
In this Structure, the owner, manager involves himself in all activities & taken all the decisions by himself. This is suitable for small companies having single product or operating in single market. Suitable for Focused Cost-Leadership or Focused-Differentiations.





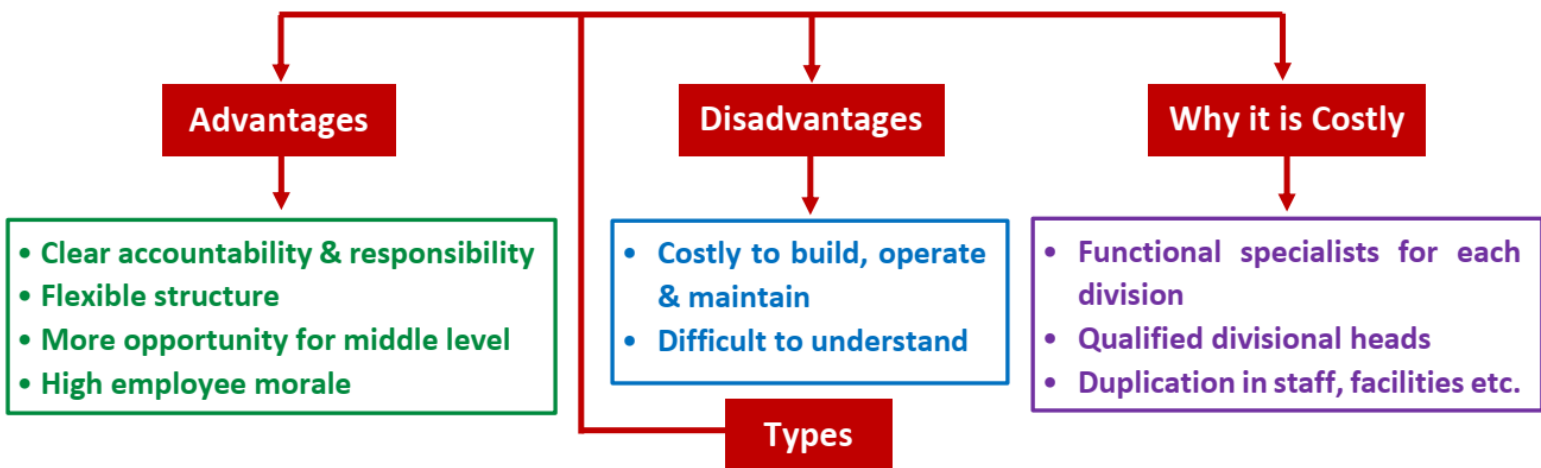
**Functional Structure**

Organization is **structured on the basis of major functions performed** like Production, Marketing, Finance, HR, Purchase etc.



**Divisional Structure**

Organization is **structured on the basis of divisions on the basis of Product, Geographical Area, Customer or Process.**



- **By Product** – Organization is structured on the basic of major product or services it deals in.
- **By Geographical Area** – Organization is structured on the basic of major geographical areas it operates it.
- **By Customer** – Organization is structured on the basic of major customer it deals with.
- **By Process** – Organization is structured on the basic of major processes it performs.



### Multi-Divisional (M-Form) Structure

Separate semi-autonomous divisions are created for each business of the organization & each division have its own functional hierarchy & a divisional manager having full control over the management of division.

#### Advantages

- Better performance monitoring
- Improved resource allocation
- Better comparison of divisions.
- Encourages managers of poorly performing divisions.

#### Disadvantages

- Costly to build, operate & maintain
- Difficult to understand.
- Duplications exists.

#### From M-Form to SBU Structure

As each division uses different strategy & managed differently, managing organization become very difficult. Then entity started *grouping divisions on territorial basis*. It was not strategically correct approach them concept of SBU Structure emerged.

CEO

Division 1  
Manager

Division 2  
Manager

Division 3  
Manager

### SBU Structure

Grouping of related businesses in an SBU so that they can be taken for similar strategic planning & each division in one SBU will receive same strategic treatment. *It has three layers of management:*

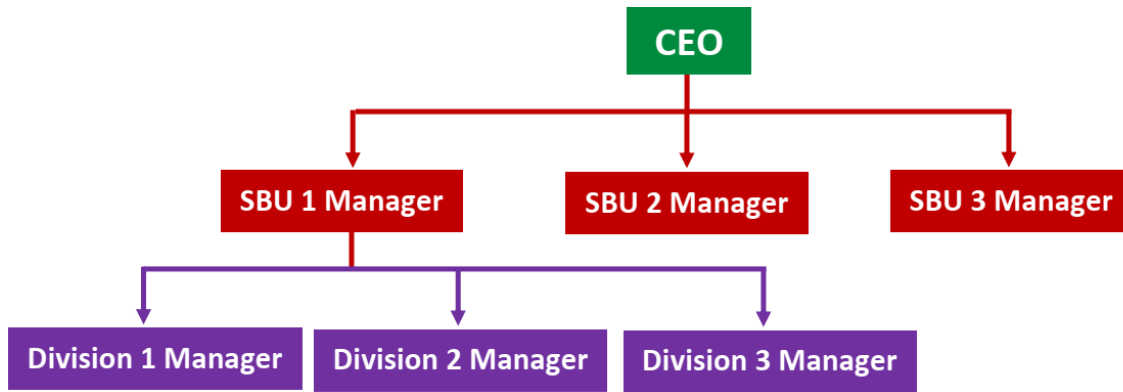
- Top/Corporate Layer Managed by CEO.
- SBU Layer Managed by SBU Manager.
- Divisional Layer Managed by Divisional Manager.

#### How to Create SBU

- On the basis of *similar technology, product or service*.
- On the basis of *servicing in similar market* even if technology, product or service are different.
- On the basis of *other skills or capabilities* like marketing, distribution etc.

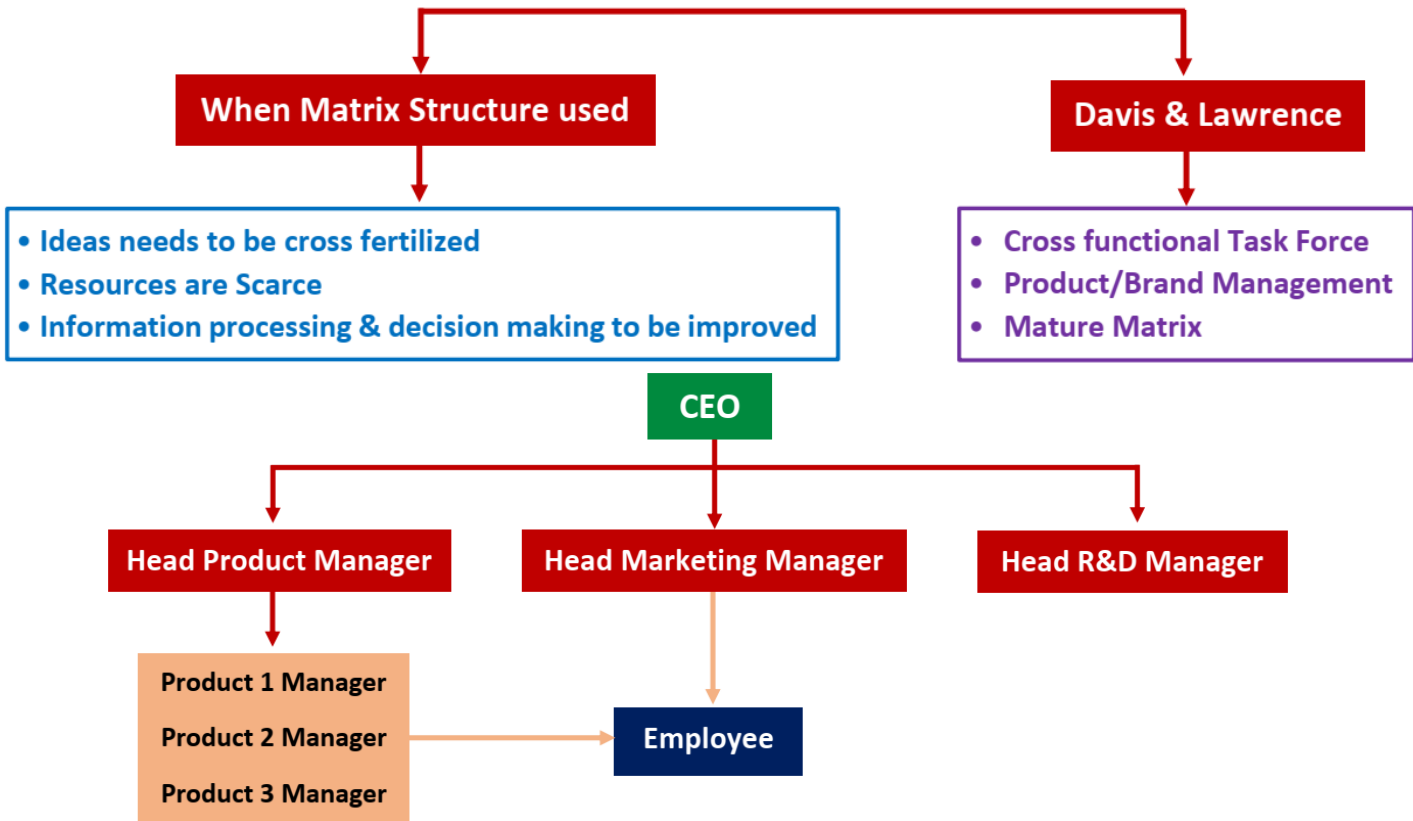
#### Features or attributes or Benefits

- Scientific method of grouping divisions.
- Divisions not related be treated a separate SBU.
- Huge improvement over territorial grouping.
- Each SBU headed by a manager responsible for it.
- SBU may have competition different from others.
- SBU may have different mission & objective.
- Different SBU's will have different strategies.



**Matrix Structure**

In this structure, both product or divisional manager involves at the same level of organizational structure to *deliver exact product or service in market*. Here there is *both horizontal & vertical flow of authority* at the same level. Here there is *violation of unity of command principle* as employees have two superiors.



© SAKET GHIRIA CLASSES

<https://www.automotiveworld.com> > News Releases

**Toyota to update its organization structure ... - Automotive World**

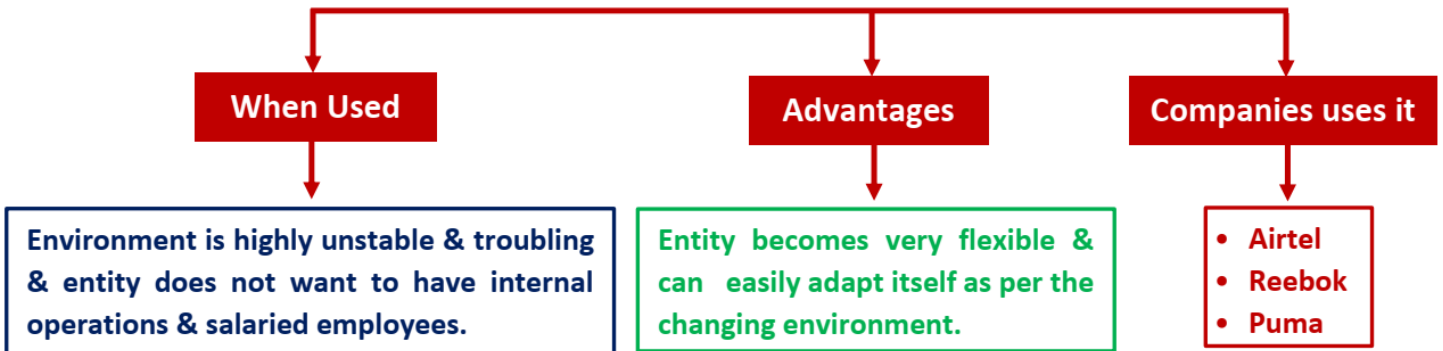
01-Mar-2017 — Toyota Motor Corporation (TMC) intends to alter its organization structure in April to further accelerate decision-making, strengthen management ...





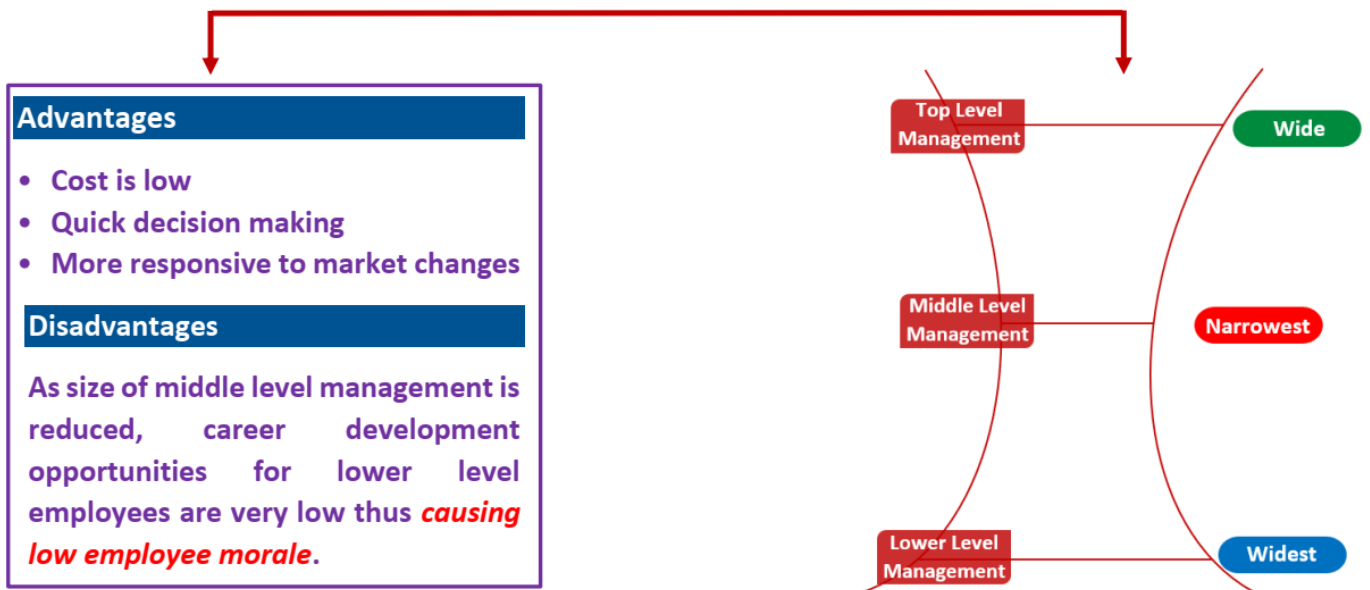
### Network Structure

Structure where entity has *outsourced most of its functions to other entities* & are connected with them through Computer & Network.



### Hour-Glass Structure

As role played by middle level managers are reducing due to IT, such companies have widest bottom, narrowest middle & wide top level.



#### Mid-level employees in Indian IT sector facing an uncertain future

By Neha Alawadhi & Jochelle Mendonca, ET Bureau | Updated: Mar 07, 2017, 12:49 PM IST | [Post a Comment](#)

NEW DELHI | BENGALURU: Middle-level employees in the Indian IT sector are facing an uncertain future even as the industry gears up to adapt itself to the changes brought about by automation and newer technologies.

The nearly 1.4 million mid-rung employees, who typically have 8-12 years of experience and earn Rs 12-18 lakh, are now at the centre of reskill and restructuring conversations happening across the sector.



The nearly 1.4 million mid-rung employees, who typically have 8-12 years of experience and earn Rs 12-18 lakh, are now at the centre of reskill and restructuring conversations happening



Strategic Leadership

Leadership is the ability of influencing people (workforce) to achieve their goals & objectives.



Transactional Leadership	Transformational Leadership
Formalized approach of leadership.	Informalized approach of leadership.
Suitable for: <ul style="list-style-type: none"> <li>• Matured organisations</li> <li>• Organisations performing well</li> <li>• Organisations working in stable environment</li> </ul>	Suitable for: <ul style="list-style-type: none"> <li>• Organisations in their initial stage</li> <li>• Poor performing organisations</li> <li>• Organisations facing unstable environment</li> </ul>
Appropriate when the organization wants to continue the existing system without going for any major change.	Appropriate when the organization wants to adopt some major changes.

Review Question

Mukesh Lal, located in Mumbai, Maharashtra, is owner of a popular brand of ready to eat snack 'Trendy'. Rajeev, his son after completing Chartered Accountancy started assisting his father in running of business. The approaches followed by father and son in management were very different. While Mukesh Lal preferred to use authority and having a formal system of defining goals and motivation with explicit rewards and punishments, Rajeev believed in involving employees and generating enthusiasm to inspire people to deliver in the organization. Identify the leadership style of Mukesh Lal and Rajeev.



Strategy Supportive Culture

It refers to an *organizational value, beliefs, principles, way of operation & internal work environment.*

Corporate Culture & Corporate Strategy

Corporate culture very significant impact on the execution of strategy of the organization.

- (i) **Culture as Strength** – If culture is compatible with the strategy, it will act as a contribution in successful execution of strategy.
- (ii) **Culture as weakness** – If culture is not compatible with the strategy, it will act as an obstacle in the successful execution of strategy & this situation is called strategy-culture conflict.

Strategy-Culture Conflict

In the event of strategy-culture conflict, *entity has two options:*

Option 1

Make change in strategy & *draft a new strategy* which is compatible with the culture.

Option 2

Gradually make changes in culture so that it becomes compatible with strategy. To make changes in culture:

- (a) Managers to identify those areas of present culture not supportive to strategy.
- (b) After identify those areas managers have to talk about such areas with all concerned persons.
- (c) Then managers should:
  - Revise policy in such a way that rewards desired culture.
  - Praise & recognize people who have desired culture.
  - Replace employees strongly associated with old culture.
  - Hire employees having desired cultural values.

Entrepreneurship & Intrapreneurship

Entrepreneurship

Entrepreneurship is the *capacity & willingness to recognize business opportunity, develop, organize & manage a business venture along with its risk to make profit.* **Entrepreneurship is the person who:**

- Initiate a new concept
- Recognize & utilize opportunity
- Arrange & coordinate resources
- Faces risks & uncertainties
- Establish start-up company
- Responsible for the profit or loss

Intrapreneur

Intrapreneur is the *employee of the organization who promotes innovation within the organization.*

Intrapreneurship is basically entrepreneur who operates within the boundaries of the organization.

Today almost all the organization appoints intrapreneur to develop new product & services so to gain competitive edge in the market.



Issues in Strategy Implementation

Issues

- Programme Implementation
- Project Implementation
- Procedural Implementation
- Structural Implementation
- Leadership Implementation
- Behavioural Implementation

Other Aspects

Strategy implementation requires *shift of responsibilities from the strategists to the divisional & functional managers*. This shift may lead to implementation problems hence it is *very important to involve the divisional & functional managers in the strategy formulation process*.

Strategic Change

When organization focuses on new product, markets, customers or strategies, existing approaches and strategies may have to be modified. *This is done through the process of strategic change.*

Steps Involved

- Recognize the need of change
- Create a shared vision to manage change
- Institutionalize the change



Kurt Lewin Change Process

- (a) Unfreezing the situation
- (b) Changing to new situation
  - Compliance
  - Identification
  - Internalization
- (c) Refreezing

Business Process Reengineering (BPR)

A **Business process** is set of co-ordinate & standardized flow of activities which transcends functional or departmental boundaries & achieves some business objectives.

An organisation is the sum of many business processes. It is important for the entity to *identify all the core processes* i.e. processes which are extremely critical for the success & survival of the entity. Like in FMCG sector, marketing is a core process.



Meaning & Elements

Processes Needs Redesign

BPR is the fundamental rethinking & radical redesign of business processes to achieve dramatic improvement in performance. **Its elements are:**

- Fundamental rethinking
- Radical redesign
- Dramatic improvement

Processes Related to

- Development & delivery of product
- Interface with customers
- Management Activities

Need of BPR

BPR Implementation Process

- Process subject to many unplanned decisions
- Process become time consuming, costly, inefficient
- Need of business turnaround
- Individual departments focused on own performance only
- Take advantages of emerging technologies

- Determining objectives
- Identify customers & determine their needs
- Study the existing processes
- Formulate a redesign process plan
- Implement the re-designed process

Role of IT in BPR

BPR vs. Others

- Compression of Time
- Overcoming geographic restrictions
- Better restructuring of relationship
- Increased efficiency & productivity
- Increased effectiveness
- Improved products & services

- Works on fundamental rethinking & discontinuous thinking
- Recognises & uses the potential of IT
- Views organization from cross-functional perspective.
- May require massive organisation restructuring

Problems in BPR

Central Trust

- Involves radical changes
- Disturbs established structures
- Needs massive time & efforts
- Objective setting is difficult



The central thrust (focus areas) of BPR is the **reduction of total cycle time of a business process** by eliminating the unnecessary steps.

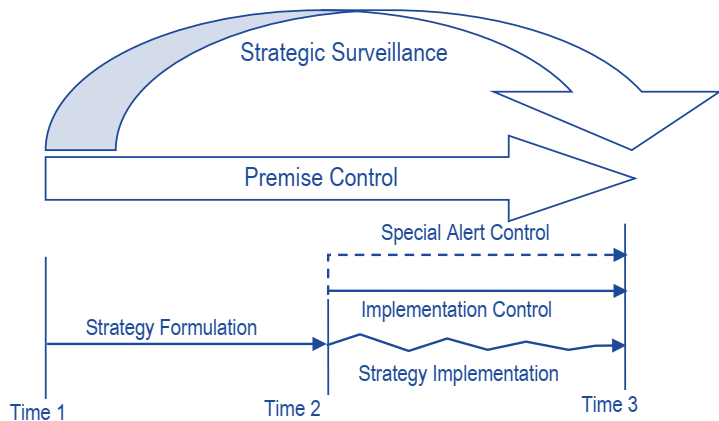
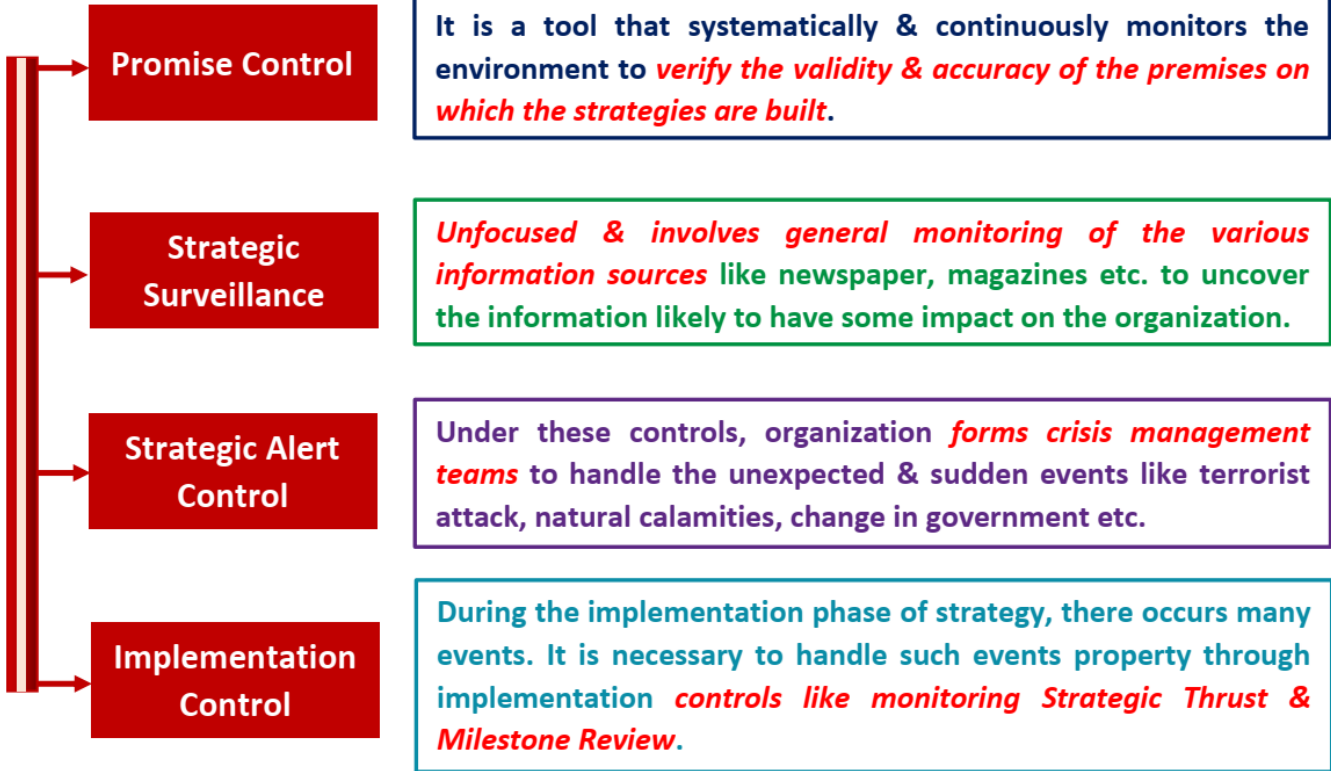


**Strategic Control**

It focuses on *following two questions*:

- (i) Whether strategy is implemented as planned &
- (ii) Whether results produced by strategy are those intended.

**It is of the following types:**



© SAKET GHIRIA CLASSES

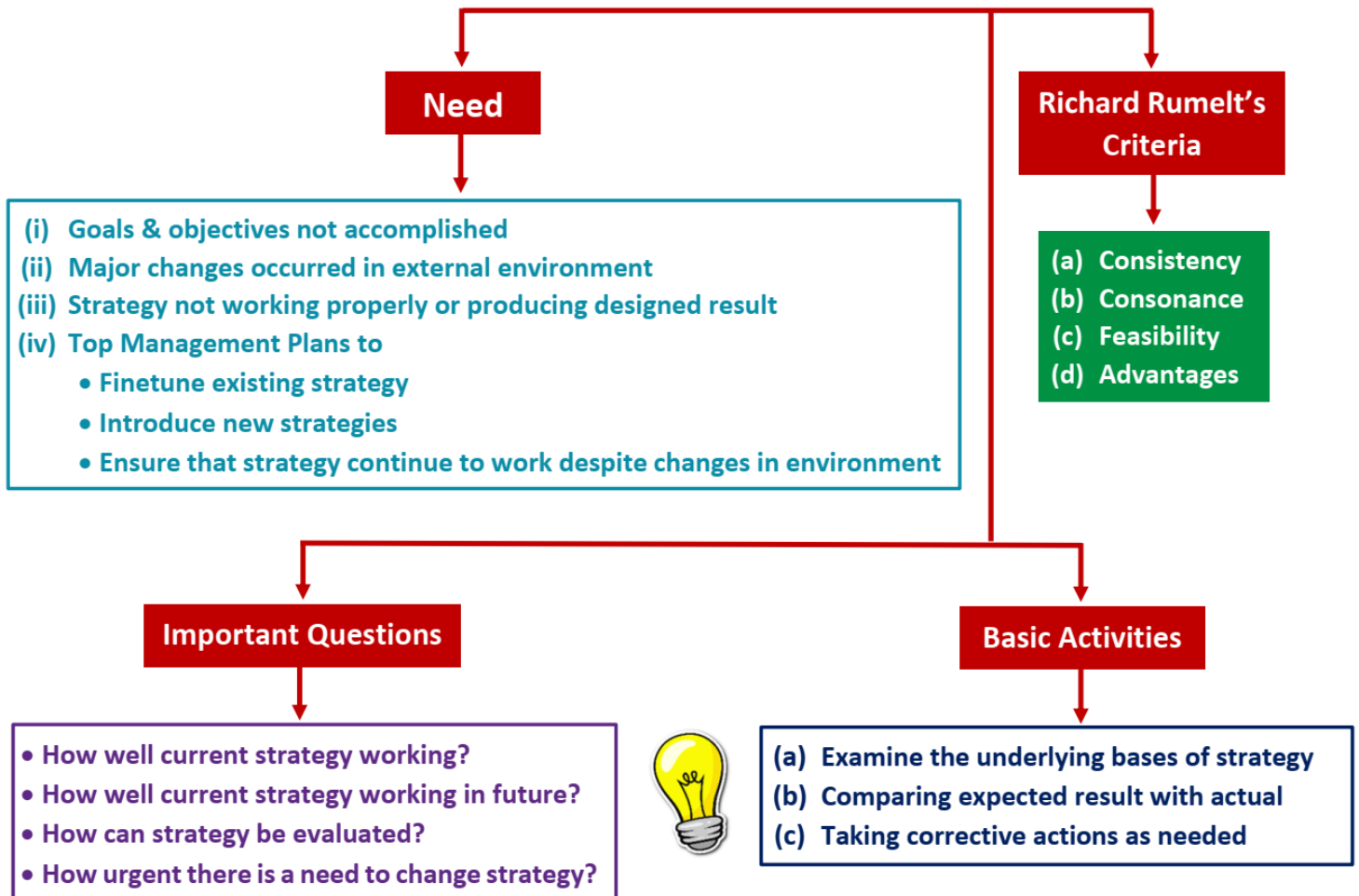
**Review Question**

Swift Ltd and Quick Ltd are two companies that are in the business of light industrial machines. While Swift is the market leader the sales of Quick has been falling. During the last five years the market share of quick reduced from third to sixth position. As an immediate corrective measure top management of Quick decided to emulate the successful standards of Swift Ltd and set them as their own yardsticks. With the help of standards, they intended to compare, measure and judge their performance. What is the strategic tool Quick Ltd is adopting? Identify it.



**Strategic Audit**

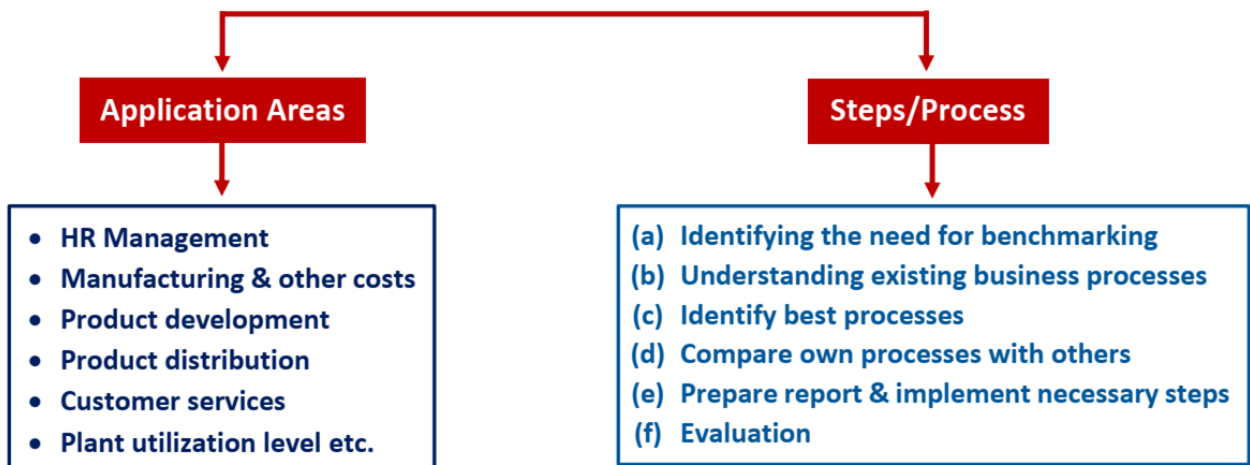
**Strategic Audit** is an examination & evaluation of areas affected by the operations of strategic management process within the organization. It helps to better understand the existing strategies & identify whether there is any need to make a change in the existing strategies.



© SAKET GHIRIA CLASSES

**Benchmarking**

Benchmarking is a process of setting goals & measuring performance based on best practices (i.e. benchmarking). Many companies around the world including Xerox uses benchmarking.



# Be Better Prepared for the Exams

## Join us for Guaranteed Result



*CA Saket Ghiria*

CA. SAKET GHIRIA is a first class graduate of commerce from University of Delhi & Chartered Accountant by profession. He possess vast academic & practical experience in various field including Corporate Taxation, International Taxation, ERP, CBS, XBRL System etc. He is an active author in leading finance related websites on various topics like Economy, Government Policies, Business Strategy, Finance, Taxation etc. He is the Visiting faculty of The Institute of Chartered Accountant of India. He is also the Member of Research Groups of ICAI.

Lectures Available in



Connect with us



Subscribe



Join Now



Follow Us



Published & Distributed by:

# SAKET GHIRIA CLASSES

1/9, Third Floor Main Vikas Marg, Laxmi Nagar, Delhi-110092

[www.saketghiria.com](http://www.saketghiria.com)

9910674854, 9911404430