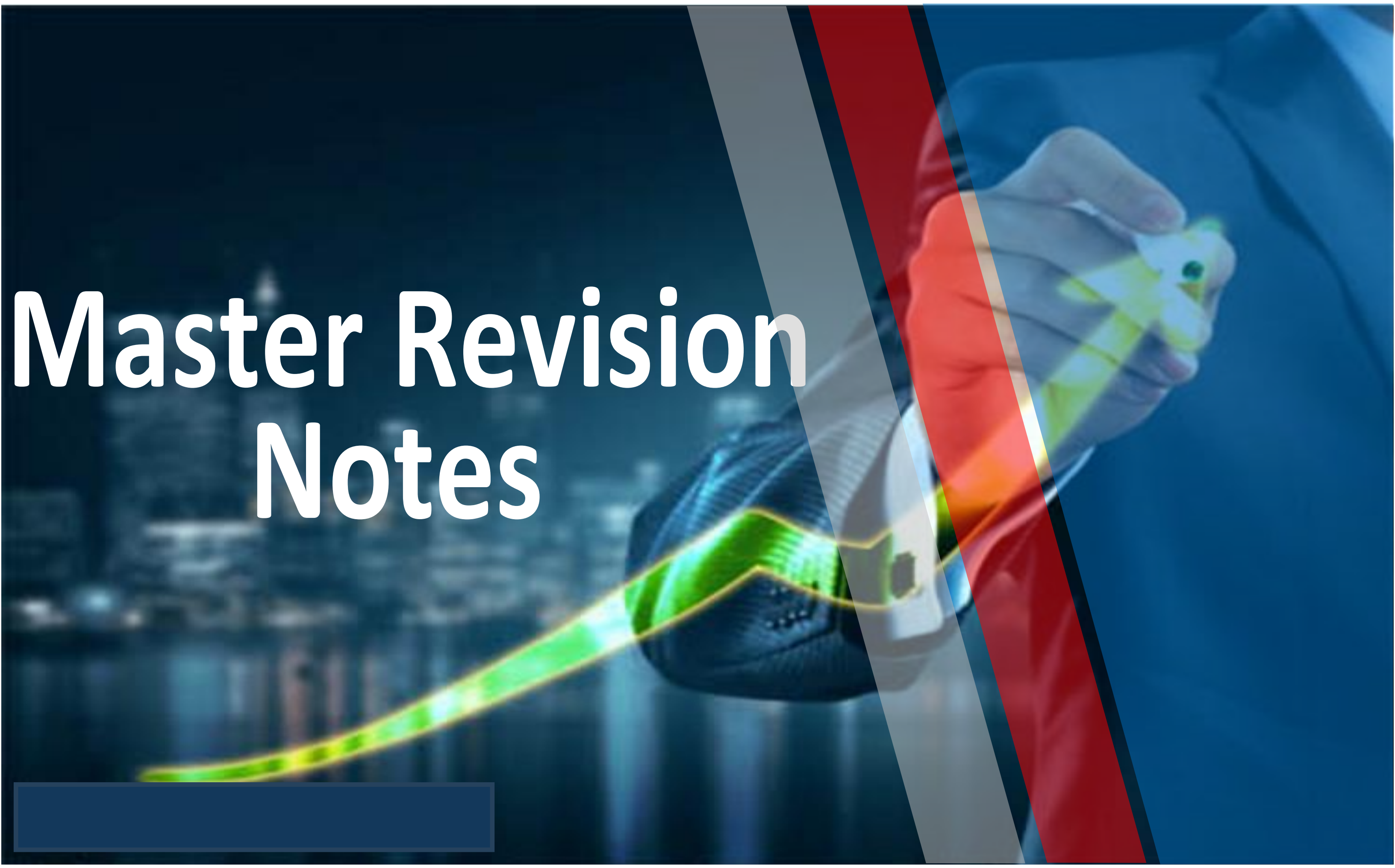
SGC
SAKET GHIRIA CLASSES

Master Revision Notes
FOR CA IPC

STRATEGIC MANAGEMENT



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HARDWORK IN THE RIGHT DIRECTION IS THE ONLY SHORT-CUT TO SUCCESS.

Meaning of Business

Business is a state of being busy by

I. An Individual
II. Group
III. Organisation
IV. Society

in their *regular occupation or profession*.

Note: No condition of "profitability" for Business.

Note: For NGOs, all objectives are there except profitability.

Objectives of Business

Main Objective is profitability but other major objectives:

I. Survival
II. Stability
III. Growth
IV. Efficiency
V. Profitability

Note: Because of this, it is said that Business pursue multiple rather than single objective at a time.

Types of Business

- **For Profit Business** → Main objective is profitability. E.g. Reliance, Airtel, GE etc.
- **Not For Profit Business (NGO's)** → Main objective is to conduct or promote some social or charitable cause. E.g. Gates Foundation etc.

Peter F Drucker's Conclusion about Business

- **First Conclusion** → Business is always created & managed by people.
- **Second Conclusion** → Business cannot be explained in terms of profits only. Profit is short term approach & businesses should consider long term approach like development of wealth, goodwill, social reputation and so on.

Do Business operates in Isolation

Business organizations do not operates in isolation. It functions within a whole gambit of relevant environment called business environment & have to constantly negotiate their way through it. ***The success of a business depends upon how well it interacts with its environment.***

Characteristics of Business Environment

I. Environment is complex
II. Environment is dynamic
III. Environment is multi-faceted
IV. Environment has far reaching impact

Problems in Understanding the Environmental Influences

I. Diversity
II. Uncertainty
III. Complexity

Relationship between the Organisation & its Environment

a. Exchange of information
b. Exchange of Resources
c. Exchange of influence & power

Note: Environment is Diverse, Uncertain & Complex. Hence Managers find it difficult to understand.

Why Environmental Analysis OR Reasons of doing Environmental Analysis

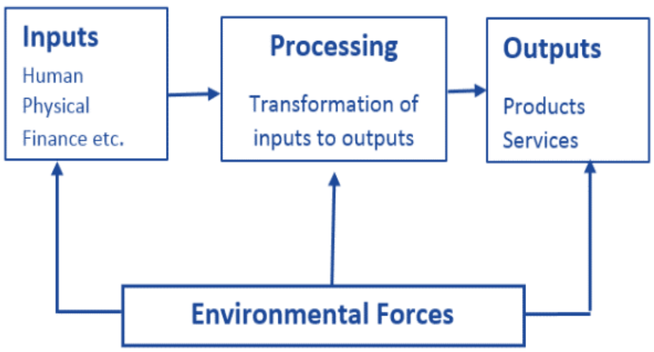
a. Provides understanding of current & potential changes
b. Provides input for strategic decision making.
c. Facilitate strategic thinking

Factors needs to be considered for Environmental Scanning

I. Events
II. Trends
III. Issues
IV. Expectations

Note: Environmental Scanning is important as it helps the entity in identifying Opportunities & Threats.

Function of Business & Environmental Influence



Components of Business Environment

Internal Environment
Consists factors within the immediate periphery of the organisation.
Provides understanding about the ***Strengths & Weaknesses*** of the Organisation.

External Environment
Consists factors outside the organisation.
Provides understanding about the ***Opportunities & Threats*** present in the Environment.

Micro Environmental Factors					
Customers	**Competitors**	**Organisation**	**Market**	**Suppliers**	**Intermediaries**
• Who are our customers? • Benefits they are looking for? • Their buying pattern?	• Who are the competitors? • Their strength's & weaknesses? • Most aggressive & powerful competitors?	• Owners • Directors • Employees	• Cost Structure • Price sensitivity • Life cycle • Technological structure		

Macro Environmental Factors					
Demographic	**Economic**	**Political-Legal**	**Socio-Cultural**	**Technological**	**Global**
• Population Size • Geographic Distribution • Ethnic Mix • Income Distributor	• Nature of economy • Size & growth rate • Interest, inflation • Forex rates • Price of fuel etc. • Per capita income • Credit availability etc.	• Government • Legal • Political	• Social attitude • Family values • Family structure • Education level • Work ethics	• Existing technology • Pace of technological change • In-house vs. outsourced technology • R&D department, its budget, its yield etc.	

The country's largest carmaker Maruti Suzuki India said policy stability and predictability are important to nurture industry ecosystem as business environment is becoming more and more dynamic & uncertain.

Maruti Suzuki India MD and CEO Kenichi Ayukawa said, "The auto industry is a policy sensitive one, and frequent changes in regulation can have far reaching impact on our growth or direction of technology and manufacturing".

Source: The Economic Times

Kenichi Ayukawa,
MD & CEO,
Maruti Suzuki
India Ltd (MSIL)

(Q-1) Assume you are entrepreneur with intense desire to get into business. What type of information relating to macro environment would you need to determine external opportunities & threats?

Answer: Macro environment consists of factors like economic, demographic, technological, global, political, legal and sociocultural elements. For an entrepreneur it is important to identify all those factors that are likely to affect the business. Each of these factors can bring significant opportunities as well cause huge threats for the organisation. For example, a technological innovation in the production process can be opportunity for new entities to enter into the market like e-Commerce, 3D Printing, Drones etc. There may arise significant threats also like adverse demographic trends, falling economy, anti-business policies of government etc. Entrepreneur should carefully monitor the macro environmental factors to identify such opportunities as well as threats so he can make policies accordingly.

Meaning of Globalization

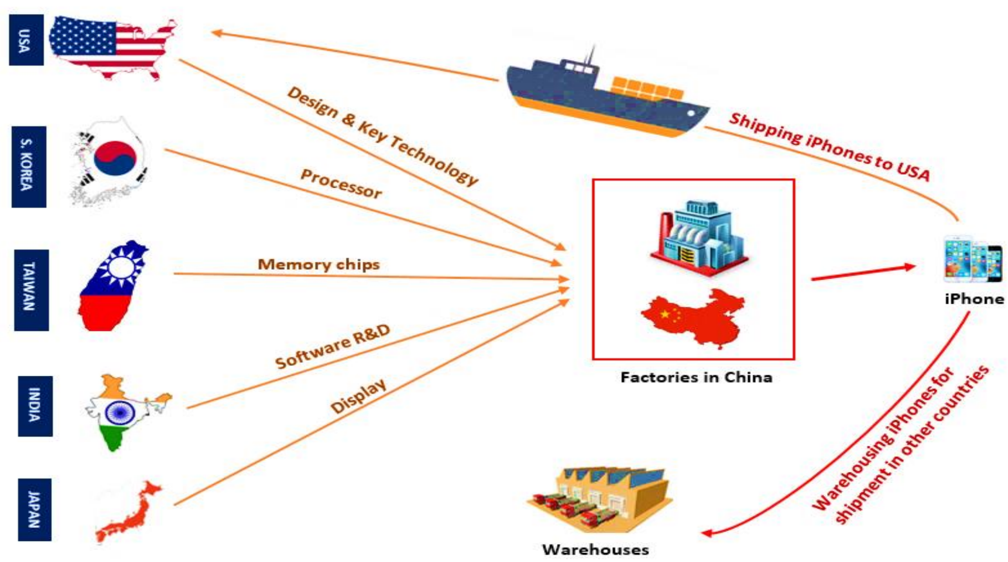
a. ***Generic Meaning*: Process of integration of world into one huge market.**
b. ***For Developing Countries*: Process of integration with the world economy.**
c. ***For Companies*: Work with several R&D, manufacturing & sales locations around the world & compete with foreign players in domestic market.**

Global Company Meaning: **Companies that operates in more than one country where it may have R&D locations, manufacturing location & sales outlet at different countries. Such companies are called Multination (MNC) or a Transnational (TNC) or a Global company.**

Characteristics of Global Company

a. Conglomerate of multiple units located in different parts of the global linked by common ownership.
b. All Units operates on common pool of resources like finance, patents, trade names etc.
c. All Unit's works on some common strategies.

Is Apple Inc. a Global Company?



Why do companies go Global? *OR* Reasons of Going Global

a. Faster travel, communication & transfer of information.
b. Domestic market may not be large enough.
c. Industries like petroleum, mining's etc. has to go global for sourcing raw material.
d. Rapid growth of foreign markets made them very profitable to operate in.
e. Industries where R&D cost are very high, to recover cost, companies have to go global.

Strategic Approaches for Globalization

i. Multi-Domestic
ii. Global
iii. Transnational

When firm adopts any of these strategies, it would have to decide how it would commence international operations. There are four possible ways:

Exports	Licensing or Franchisee	Joint Venture	FDI

How Company enters into a foreign market can have a significant impact on the results. Hence it should be carefully chosen. Like Pepsi chosen FDI route instead of Exports while entering into India.

Manifestation of Globalization

I. Operating anywhere in the world
II. Interlinked & inter-dependent Economies
III. Lowering Trade & Tariff barriers
IV. Increasing trend towards privatization
V. Mobility of Resources
VI. Market side Efficiency
VII. Formation of Regional blocks
VIII. Operating anywhere in the world

PESTLE Analysis

a. Political
b. Economical
c. Social
d. Technological
e. Legal
f. Environmental

PESTLE MARTIX

Political • Overall political stability situation • Current political stability • Political ideologies • Government policies & its consistency • Current & future taxation policies • Regulatory bodies & their norms etc.	**Economic** • Economic situation • Economic size, growth rate • Per capital income, employment rate • Average inflation, unemployment • Policy rate • Foreign exchange rate etc.
Social • Demographic factors • population size, age • Ethnic / religious factors • Customer activities, buying pattern • General lifestyle etc.	**Technological** • Level of technology employment • Role of technology (normal, critical) • Role of change in technology • Technology acquisition or internal R&D • Expenditure on technology, R&D etc.
Legal • Business & corporate law • Factory & employee related law • Competition Act • customer related law • Health & safety related law • Foreign Exchange law • International treaties etc.	**Environmental** • Environmental related law • Environmental related policies • Existing Environmental issues • Possible impact on Environment • Energy, water availability • Waste disposal provision etc.

Strategic Responses to the Environment

Response Approach or Strategy	Efforts from Company	Benefits Associated
Least Resistance or Least Efforts	Least	Least
Proceed with caution	Moderate	Moderate
Dynamic Response	Highest	Highest

Organisation operates in

Monopoly Environment OR **Competitive Environment**

Monopoly Environment → Entity is the sole player or holds majority of market share. There is very little or no competition.

Competitive Environment → There are many players in the market and entity is one of them. There exists competition among them.

Questions will help in understanding Competitive environment

a) Who are the competitors?
b) What are their products & services?
c) What are their market share?
d) What are their financial position?
e) Who are the potential competitors?
f) Which competitor is must aggressive & powerful?

Key Success Factors (KSF) for Competitive Environment or Market Place

a. Cost structure of the market.
b. Price sensitivity of the market.
c. Technological structure of the market.
d. Existing distribution system of market.
e. Life cycle of the market.

Cooperation in Competitive Environment

- In business, there are no permanent friends or enemies.
- Companies operating in Competitive environment may have to cooperate with each other like joint manufacturing facilities, joint R&D and lot of other areas.
- Many times, Companies decides not to unnecessarily compete with each other.
- Sometimes to protect common interest, firms also forms cartels like OPEC.
- Many times, entire Industry collectively responds to unfavourable legislations & policies.

Japanese Kieretsus

- A Kieretsus is a loosely-coupled group of companies operating in related industry.
- These companies are peers & have board managers in common.
- Objective of Kieretsus is to share purchasing, distribution or any other function.
- Kieretsus member companies remain independent.
- Kieretsus is different from conglomerates where all members have common ownership.
- It is also not any kind of associations also.
- It provides major competitive advantage to entity where it can focus on its core business itself.

World's Largest Automakers

4 Months 2017

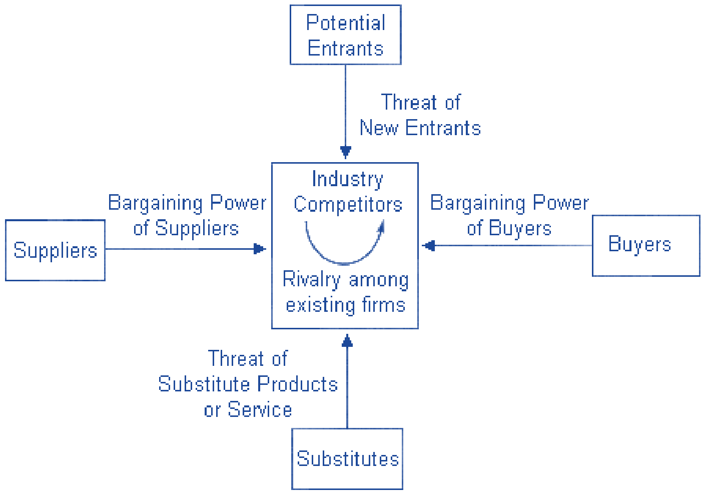
	Apr 2017	YOY	Jan-Apr 2017	YOY	Est. 2017 mln.
TOYOTA	819,092	8.7%	3,526,343	7.8%	10.58
RENAULT NISSAN	813,448	-0.9%	3,471,808	7.4%	10.42
Volkswagen	841,200	-1.4%	3,336,200	-0.7%	10.01

TOYOTA

Porter's Five Forces Model of Competitive Analysis

State of competition in an industry is a composite of competitive pressures operating in five areas of the overall market:

I. **Threat of new entrants**
II. **Bargaining power of customers**
III. **Bargaining power of suppliers**
IV. **Rivalry among current players**
V. **Threats from substitutes**



(Q-2) Explain five forces model given by Michael Porter in context of an organization that is manufacturing motor cycles in India. (MAY 2016)

Answer: Michael Porter Five forces model holds that the state of competition in an industry is a composite of competitive pressures in five areas. Motor Cycle industry is highly competitive with many manufactures like Bajaj Auto, Hero MotoCorp, Royal Enfield, Yamaha, etc. These are competing for same customers.

a. **Threat of new entrants:** New entrants are powerful source of competition. In the motor cycle industry there is always a probability of entry of new firms.
b. **Bargaining power of customers**: The bargaining power of the buyers influences not only the prices that the producer can charge but can also influence costs and investments. Customers in the motor cycle industry are quite fragmented. While they may not have significant collaborative bargaining power, individually they always try to negotiate to get better rates.
c. **Bargaining power of suppliers:** Suppliers sometimes exercise considerable bargaining power. In motor cycle industry, this bargaining power will be low from suppliers of routine items like nut and bolts but for specialised items like engines the suppliers may exert considerable bargaining power.
d. **Rivalry among current players:** Rivalry among existing players is basically competition. This rivalry is intense in motor cycle industry with strong advertising, promotion schemes, easy finance etc.
e. **Threats from substitutes:** Substitute products are a latent source of competition in an industry. Substitute products offering a price advantage and/or performance improvement to the consumer can drastically alter the competitive character of an industry. Motor cycles compete with scooters, mopeds, cars and other mode of commuting. Tata Nano car was initially targeted as an alternative to motor cycles. Availability of effective public transport can also impact the industry.

Business policy as a Discipline

Origin of Business policy

In 1911, Harvard Business School introduced a course based on interactive case studies to create & enhance the general management capability of students.

Meaning of Business Policy

Business policy is the study of the:

- Functions & responsibilities of management,
- Problems that affect success in enterprise, &
- Decisions that determine direction of organization.

Meaning & Nature of Management

According to Peter F. Drucker, Management is a

- Function
- Discipline
- Task to be done

& Managers

- carry out the function
- practice this discipline
- & discharge these tasks.

- Management makes a company a unified functioning system.
- Management mobilizes & utilizes diverse resources of the Entity.
- Every company needs a sound management system.
- Survival & success of an Entity depends on competence & character of its management.

What is Strategy?

Strategy is defined as a long range blueprint of an organization's

- Desired image
- Direction &
- Destination.

Strategy determines

- What an organization wants to be,
- What it wants to do, &
- Where it wants to go.

Do Strategy replaces Management?

Any organisation to survive & succeed must have a properly crafted strategy. Through proper strategy management can negotiate its way through complex environment. However Strategy is no substitute for sound and responsible management. Strategy can never be perfect & flawless as environmental factors are so dynamic and uncertain that they can make even the best strategy irrelevant. *Hence strategy can never be a replacement of a sound management.*

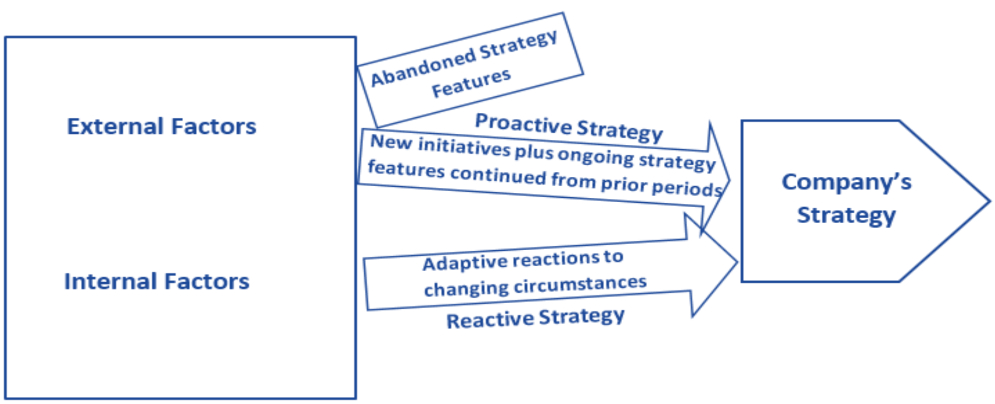
Strategy Making Process

Note: As the Environment is highly dynamic & volatile, we can't predict everything in advanced. There arises the need to take steps as per the changes arises in the Environment. This is called Reactive Strategy.

A company's strategy is a blend (mix) of:

- **Proactive actions or strategies framed by managers.**
- **Needed reactive actions due to unanticipated changes in environment.**

Hence actual strategy is Partly Planned (proactive) & Partly Reactive. It can never be totally proactive or totally reactive. *It is a perfect mix of both.*



(Q-1) "Strategy is partly proactive & partly reactive." Do you agree? Give reasons. ***OR***
Quite often strategies of most business organizations are a combination of planned strategies and reactive strategies. Explain with reasons.

Answer: Yes, strategy is partly proactive and partly reactive. In proactive strategy, organizations will carry the working part of previous strategy & will analyze possible environmental scenarios to create strategy. However no company can forecast both internal and external environment exactly. Everything cannot be planned in advance. There can be significant deviations between what was planned and what actually happens. Strategies need to be adapted or modified in the light of possible environmental changes. Reactive strategy is triggered by the changes in the environment.

Corporate Strategy

It is the growth design of a company. It spells out the strategy for achieving growth. *It is concerned with the choice of businesses, products and markets the entity should engaged into to achieve growth. Corporate strategy has following characteristics:*

- Long-range in nature
- Action oriented
- Flexible and dynamic
- Formulated at top level.
- Ensures right fit between firm and its environment.
- Helps build competitive advantages.

Dynamics of Competitive Strategy

While making strategies in competitive environment, entity should also consider:

- Its Strengths & Weaknesses
- Environmental Opportunities & Threats
- Value of Implementers
- Expectations of Society

Strategic Management

Strategic management refers to the process of

- *forming a strategic vision & mission,*
- *setting objectives*
- *crafting a strategy,*
- *implementing and executing the strategy, &*
- *evaluating the performance.*

Objectives of Strategic Management

Create competitive advantage for the entity & Guide entity successfully through all changes in the environment

Primary Task of Strategic Manager / Role of CEO

- *Defining vision, mission & goals.*
- *Determining what businesses it should be in.*
- *Allocating resource among different businesses.*
- *Formulating and implementing strategies.*
- *Providing leadership.*

Importance of Strategic Management

- *Makes organisation more proactive.*
- *Prepares entity to face the future.*
- *Helps to convert opportunity into its favour.*
- *Acts as a corporate defence mechanism.*
- *Provides framework for business decisions.*
- *Helps in building core competencies.*

(Q-2) What is Corporate Strategy? How would you argue that 'corporate strategy' ensures the correct alignment of the firm with its environment'? What does corporate strategy ensure? Explain.

Answer: Corporate strategy helps an organisation to achieve and sustain success. It is basically concerned with the choice of businesses, products and markets. It is related with the growth of the firm. Corporate strategy in the first place ensures the growth of the firm and its *correct alignment or right fit with the environment*. It also helps to build the relevant competitive advantages. A right fit between the organisation and its external environment is essential for the success of any company. Basically the purpose of corporate strategy is to harness the opportunities available in the environment and countering the threats therein.

(Q-3) 'Organizations sustain superior performance over a long period of time, inspite of rapid changes taking place continually in its environment if they implement strategic management successfully.' Discuss.

Answer: Organizations function in dynamic environment which is continuously changing. Implementation of strategic management is very important for the survival and growth of business organizations. Strategy management helps organizations to sustain superior performance in following manner:

- **It helps organisations to be more proactive instead of reactive.**
- **It prepares the entity to face the future.**
- **Helps to convert opportunity into its favour.**
- **It serves as a corporate defence mechanism.**
- **It provides framework for all the major business decisions.**
- **It helps organisation to build core competencies and competitive advantages.**

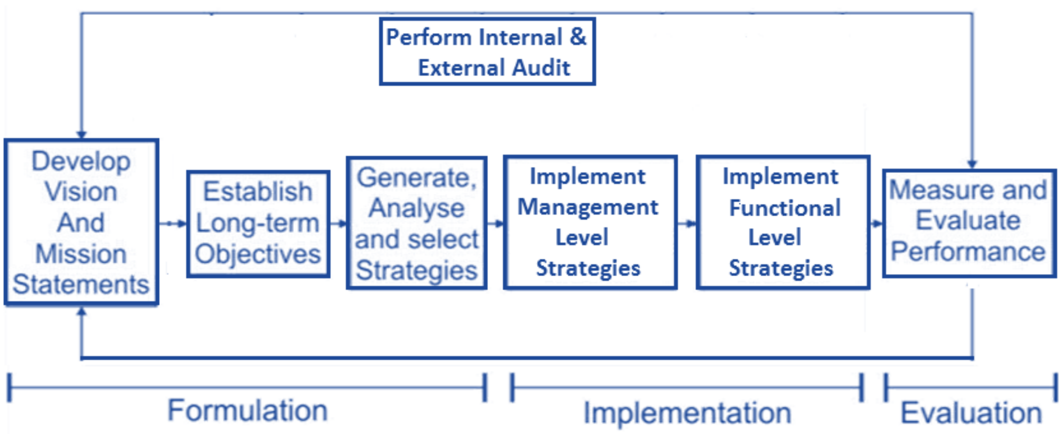
Framework of Strategic Management

a. Stage one - Where are we now? (Beginning)
b. Stage two - Where we want to be? (Ends)
c. Stage three - How might we get there? (Means)
d. Stage four - Which way is best? (Evaluation)
e. Stage five - How can we ensure arrival? (Control)

Strategic Management Model or Stages

a. Develop vision and mission statements.
b. Perform internal & external audit
c. Establish long-term objectives.
d. Generate, evaluate, and select strategies.
e. Implement management level strategies.
f. Implement functional level strategies.
g. Measure and evaluate performance.

The general model of strategic management is *formulation of strategy, implementation of strategy and evaluation of strategy*.



Major Dimensions of Strategic Decisions

- *Strategic issues require top-management decisions.*
- *Strategic issues involve the allocation of large amounts of resources.*
- *Strategic issues have a significant impact on the long term prosperity.*
- *Strategic issues are future oriented.*
- *Strategic issues requires consideration of external environment factors.*

Company's faces lot of issues and some of them are strategic in nature. Strategic decisions are taken to resolve those issues.

Vision or Corporate Vision or Strategic Vision

Vision is a road map of a company's future. It shows what kind of company management is trying to create, what customers it will serve, what technology it will focus etc. THREE ELEMENTS OF VISION:

a. **Coming up with a mission statement.**
b. **Deciding on a long-term course making choices about "Where we are going?"**
c. **Communicating the vision in clear, exciting terms.**

How to Develop Strategic Vision / Points should be considered in developing Vision

a. **Thinking creatively about how to prepare a company for the future.**
b. **Forming a strategic vision is an exercise in intelligent entrepreneurship.**
c. **Many successful organizations need to change direction not in order to survive but in order to maintain their success. So developing vision is not a onetime exercise.**
d. **A well-articulated strategic vision creates an organisation wide commitment.**

A vision is considered as shared when it is made by involving employees. However, 'vision shared' shows imposition of vision from the top management. For success, entity should have shared vision.

Mission & Mission Statement

Mission statement focuses on entities' present business scope – "who we are and what we do". Few reasons why organisation should have a mission:

- *To specify organizational purposes.*
- *To ensure unanimity of purpose.*
- *To develop a basis for allocating organizational resources.*

Differences between Vision & Mission

- Purpose of mission statement is to inform while the purpose of vision statement is to inspire.
- Mission statement tells about the fundamental purpose of entity. Vision statement outlines what the organization wants to be.
- Mission statement talks about present while vision statement deals with future.

Objectives & Goals

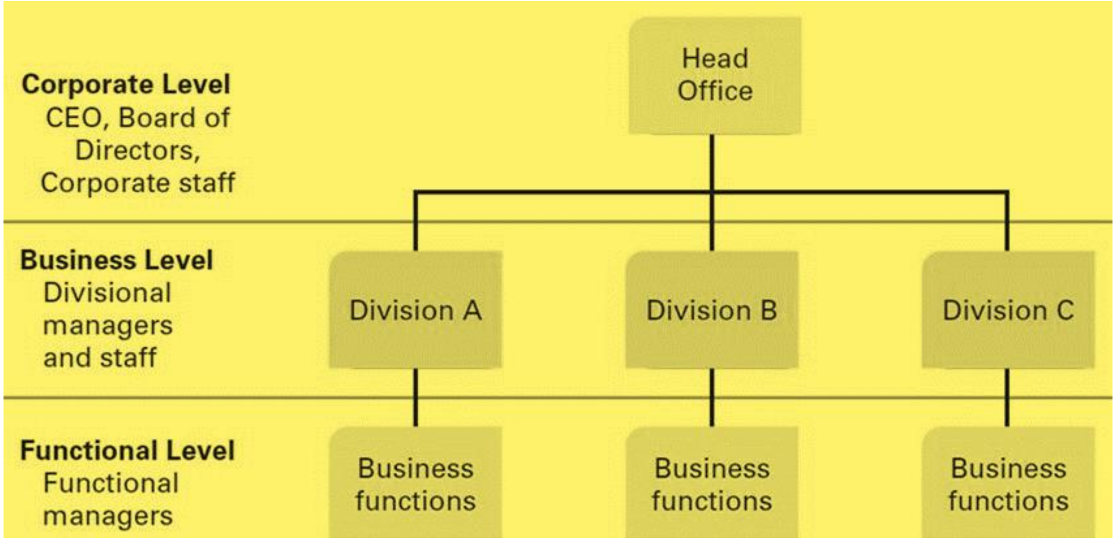
Business organization translates their vision and mission into objectives. Objectives & goals are used interchangeably. Objective must possess following characteristics:

- *Provide standards for performance appraisal.*
- *Should be understandable.*
- *Should be specific.*
- *Should be related to a time frame.*
- *Should be measurable and controllable.*

Strategic Levels in Organisations

In organisations, strategies are formulated at three levels:

a. Corporate or Top Level – Here overall corporate strategies are formulated.
b. Business or Divisional Level – Here strategies that are specific to a particular business or divisional level are formulated.
c. Functional or Operational Level – Drafting strategies for specific business functions or operations like HR, Purchasing, and Marketing etc.

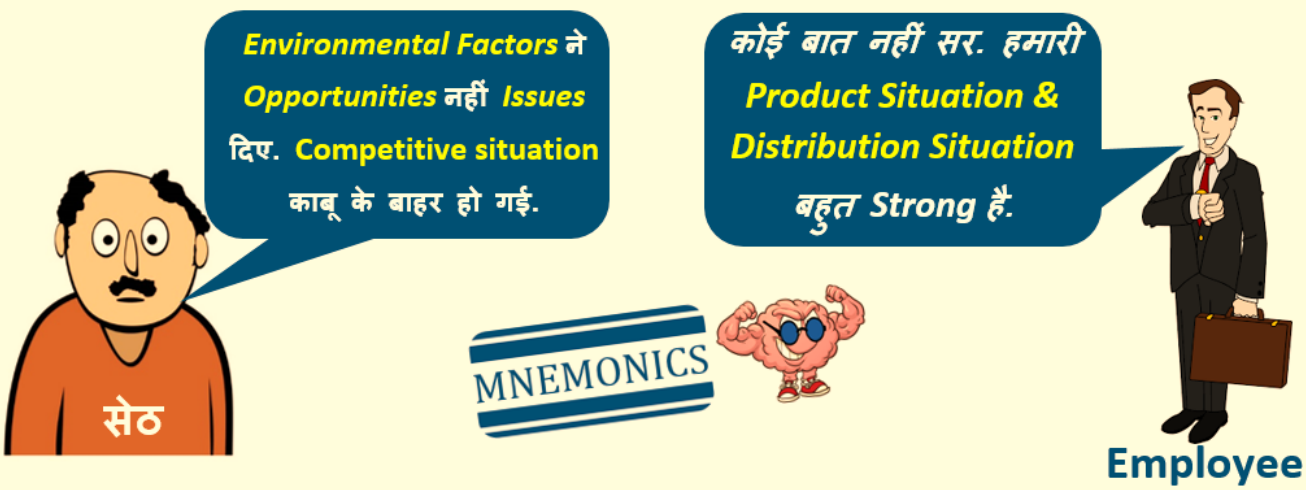


Factors / Elements to be considered for Situational Analysis

- Environmental Factors
- Opportunity & Issue Analysis
- Competitive Situation
- Distribution Situation
- Product Situation

Situational Analysis is important as it helps Entity in understanding its existing situation or position in terms of environmental opportunities or threats, its products & distribution situation, situation or position of competitors etc. This helps Entity in drafting a better strategy.

सेठ और Employee Office में बैठ कर Business की *Situational Analysis* कर रहे थे.



Issues to consider for Strategic Analysis

Strategy evolves over a period of time

Strategy at a particular point of time, is result of a series of steps taken over an extended period of time

Balance

Strategy is concerned with matching potential with opportunities. In reality perfect match may not be possible. Entity has to balance all these factors in a way that will prove beneficial for it.

Risks in Strategic Analysis

Entity has to identify potential risks & assess their consequences. Risks could be external or internal and short term or long term.

Methods of Industry & Competitive Analysis

Major aspects to be considered *are:*

a. Dominant Economic Features of the Industry
b. Nature & Strength of Competition *(By applying Porter's Five Force Model)*
c. Triggers of Changes
d. Identifying Companies in strongest / weakest position *(Through Strategic Group Mapping)*
e. Likely strategic moves of rivals
f. Key factors for competitive success
g. Prospects & financial attractiveness of the industry

A. Dominant Economic Features

Factors determining dominant economic features of any industry *are:*

- ✓ Capital requirements.
- ✓ Ease of entry and exit.
- ✓ Growth rate of the industry.
- ✓ Life cycle of the industry.
- ✓ Number of rivals and their sizes.
- ✓ Number of buyers and their sizes etc.

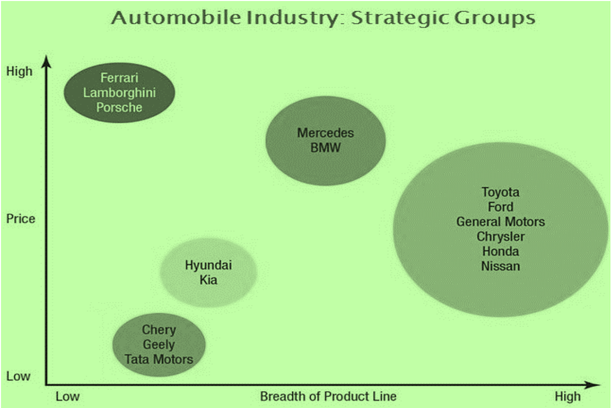
B. Nature & Strength of Competition

- It is very important to have a proper understanding of the competitive pressure in the industry and how strong each competitive force is.
- Competitive pressure varies from industry to industry.
- *Porter's five forces model* is useful in understanding the competitive pressures in a market and assessing how strong and important each one is.

C. Triggers of Change

Industries experiences trends and new developments that produce changes. Entity should be aware of these changes. Most common driving forces of changes are:

f. Internet and e-commerce.
g. Globalization.
h. Product innovation.
i. Marketing innovation.
j. Entry or exit of major firms.
k. Mobilization of resources etc.



D. Identifying Companies in Strongest / Weakest Position (Strategic Group Mapping)

Strategic Group mapping technique is useful for comparing market positions of rival firms. Procedure is:

- First thing is to identify competitive characteristics that differentiate firms like price range, product-line breadth etc.
- Plot firms on a two-variable map using these characteristics.
- Assign firms in strategic group accordingly
- Draw circles around each strategic group.

E. Moves of Rivals

Entity should pay close attention to the moves of rivals so to better understand their strategies.

SWOT Analysis			
Strength	Weakness	Opportunity	Threat
Inherent capability that can be used to gain strategic advantage over the competitors.	Inherent limitation that can cause strategic disadvantage for the entity.	Favourable condition in the environment which enables entity to strengthen its position	Unfavourable condition in the environment which causes a risk For the entity.
• Powerful strategy • Strong balance sheet • Strong R&D, Promotion • Cost advantages	• Weak strategy • Poor balance sheet • Poor R&D, Promotion • Cost disadvantages	• Favourable regulatory changes • Rise in market growth rate • Favourable shift in forex rates • Favourable change in foreign govt. policies	• Adverse regulatory changes • Fall in market growth rate • Adverse shift in forex rates • Adverse change in foreign govt. policies

(Q-1) To which industries the following development offers opportunities and threats? . . .
Number of nuclear families, where husband & wife both are working, is fast increasing. **(NOV 2010)**

Answer: An opportunity is a favourable condition in the organisation's environment which enables it to strengthen its position while threat is an unfavourable condition in the organisation's environment which causes a risk for, or damage to, the organisation's position. Today, there is growth of nuclear families that is away from the joint family system. Such developments bring opportunities to different businesses such as food outlets, fast to cook items etc. They also acts as threat to traditional raw food suppliers.

(Q-2) To which industries following developments offer opportunities and threats? (NOV 2014)
"Increasing trend in India to organize IPL type of tournaments in other sports also."

Answer: An opportunity is a favourable condition & threat is an unfavourable condition in the organisation's environment. The given case is an opportunity for Stadiums, Sports Industry, Manufactures of sports items, Media Industry – Sports channels / television, advertisers. It is also threat to entertainment industry as competitors will be fighting for same viewers and other Event Management industry like circus, concerts etc.

(Q-3) To which industries the following environmental changes will offer opportunities and pose threats (name any two industries in each case).

a. Significant reduction in domestic air-fares spanning over a long period.
b. Cut in interest rates by banks.

Answer: (a) Opportunities would be for tourism, hotel industry etc. Threats would be for airlines industry as profits will fall & Inflight catering as they would face pressure to reduce cost.

(b) Opportunities would be for capital intensive infrastructure & real estate as demand for property on loan will increase. Threats would be for banking industry facing reduction in saving and investments & financial services industry in the area of managing funds such as pension funds, mutual funds etc.

TOWS Matrix

Helps in systematically identify relationships between strength, weaknesses, opportunities or threats and selecting strategies accordingly. *TOWS is an extension of SWOT but not its replacement*. Through TOWS matrix *four strategic choices can be identified*:

i. SO (Maxi-Maxi): Entity has strength & environment has opportunity. Strengths can be used to capitalize opportunities.
ii. ST (Maxi-Mini): Entity has strength & environment has threat. Entity should minimize threats through its strengths.
iii. WO (Mini-Maxi): Entity has weakness & environment has opportunity. Weakness must be minimize to exploit opportunities.
iv. WT (Mini-Mini): Entity has weakness & environment has threat. Entity should minimizing weakness so to counter threat.

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

Portfolio Analysis

Portfolio Analysis can be defined as a set of techniques that help strategists in taking strategic decisions with regard to individual products or businesses in a firm's portfolio. Three important concepts that needs proper understanding for Portfolio Analysis are:

Strategic Business Unit (SBU)

SBU is a Single business or group of related businesses that is of strategic importance. It can also be a company division, product line, or even a single product. *Characteristics of SBUs are:*

- Can be planned for separately than rest of the company.
- Has its own set of competitors.
- Has a manager responsible for its planning and profit.

Experience Curve

Experience or learning curve explains efficiency increases as production increases & thus costs decline as cumulative production Increases. Hence larger firms would have lower unit costs as compared to smaller companies, thereby gaining a competitive cost advantage.

Product Life Cycle

It is an S-shaped curve which exhibits the relationship of sales with respect of time. It states that there are for four successive stages in product life cycle namely:

- First stage is Introduction Stage.
- Second phase is Growth Stage.
- Third phase is Maturity Stage.
- Last phase is Decline Stage.

Methods or Tools of Portfolio Analysis

A. BCG Growth-Share Matrix
B. Ansoff's Product Market Growth Matrix
C. ADL Matrix
D. GE Model

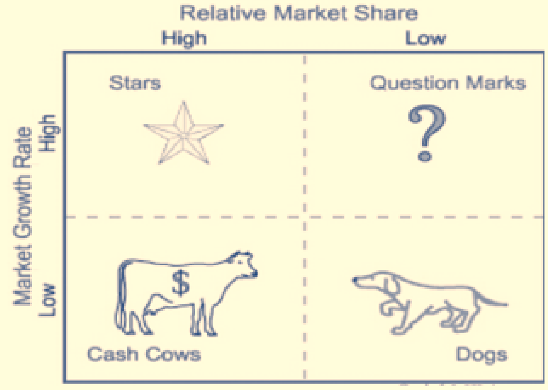
BCG Growth-Share Matrix

Company classifies its different businesses or products on a two-dimensional matrix where:

- Vertical axis represents market growth rate.
- Horizontal axis represents relative market share.

Products can be classified into:

a. Star - High market share products in high growth rate market.
b. Question Mark or Wild Cat - Low market share products in high growth rate market.
c. Cash cow - High market share products in low growth rate market.
d. Dog - Low market share products in low growth rate market.



After company has classified its different products or businesses into Star, Question Mark, Cash Cow or Dog, now it has to take strategic decision regarding:

Build	Hold
Harvest	Divest

Limitations of BCG Matrix

- *Can be difficult, time-consuming, and costly*
- *Measuring market share & growth rate can be difficult.*
- *Provide little advice for future planning.*
- *May cause unwise expansion.*
- *May cause giving up on established units too quickly.*

(Q-4) What does 'question marks' in BCG Growth-share matrix signify? What strategic options are open to a business firm which has some 'question marks' in the portfolio of its businesses?

Answer: In BCG growth-share matrix, Question Marks, also called problem children or wildcats, are low market share businesses in high-growth markets. They require a lot of cash to hold their share. Question marks if left unattended are capable of becoming cash traps. Strategic options with question mark businesses could be build. Company can incur huge amount and can turn the question mark businesses into star. The company may also decide to divest them as these businesses needs huge investment. Company should never let these businesses into hold option otherwise they may become dead investments for the company.

Ansoff's Product Market Growth Matrix

Through this matrix entity can plan for its growth using both exiting & new products in both existing & new market.

- ***Market Penetration** - Selling existing products in existing markets.*
- ***Market Development**: Selling existing products into new markets.*
- ***Product Development**: Company introduces modified or new products into existing markets.*
- ***Diversification**: Company sells new products in new markets. It is a strategy by starting up or acquiring businesses outside the company's current products and markets.*

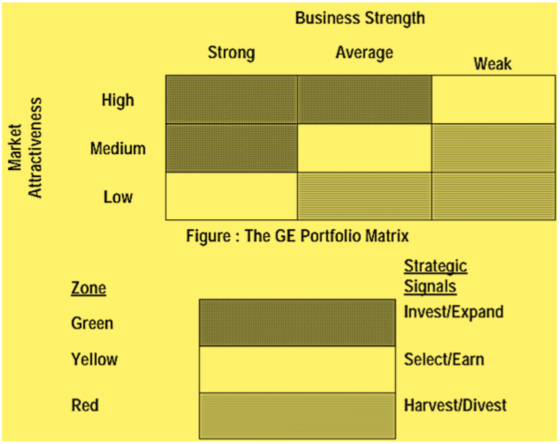
ADL Matrix

It is a portfolio analysis method that uses life cycle approach with two dimensional matrix based on stage of industry maturity and firm's competitive position in industry. Competitive position is a measure of business strengths. It may be dominant, strong, favourable, tenable & weak.

COMPETITIVE POSITION	STAGE OF INDUSTRY MATURITY / LIFE CYCLE			
	Embryonic	Growth	Mature	Ageing
Dominant	Fast Grow Act Offensively	Fast Growth Act Offensively	Defend Position Act Offensively	Defend Position Harvest
Strong	Differentiate Fast Grow	Differentiate Attack Small Firm	Defend Position Grow With Industry	Harvest Divest
Favourable	Differentiate Fast grow	Differentiate Defend	Find Niche Hold Niche	Harvest Divest
Tenable	Differentiate Grow with Industry	Turnaround Grow with industry	Turnaround Retrench	Withdraw Divest
Weak	Find niche Grow with industry	Turnaround Withdraw	Withdraw Divest	Withdraw Divest

General Electric Model

Developed by General Electric (GE) with consulting firm McKinsey & Company, this model is also known as *Business Planning Matrix, GE Nine-Cell Matrix or GE Model. This* model has been inspired from traffic control lights where green is used for go, yellow for caution, and red for stop. This model uses two factors where vertical axis indicates market attractiveness and the horizontal axis shows the strength of the entity in the industry.



(Q-5) H Ltd. is a multi-product company. It deals in four products. Classify the following products as per BCG Growth Share Matrix:

a. **Product A once have majority market share but now it reduced significantly and fallen below 5%. One of reasons is that the industry in which the product competes is itself in the verge of collapse.**
b. **Product B has a market share ranging between 5-7% but the industry in which it competes is growing rapidly.**
c. **Product C is earning major money for the company and enjoys market share over 60%. However the growth rate of the industry in which it competes is stagnant from last so many years.**
d. **Product D now enjoys majority market share & operates in high growth industry. The industry is expected to be in growth phase in the near future. (CA IPC, 6 MARKS)**

(Q-6) In the context of Ansoff's Product-Market Growth Matrix, identify with reasons, the type of growth strategies followed in the following cases:

a. **Nano car of Tata Motors seen great success in India. Company now taken it into other South Asian Countries like Nepal, Myanmar, and Pakistan etc.**
b. **Nivea Ltd. is concerned about falling demand of its once popular cream for men. Company appointed a popular cricketer to advertise it.**
c. **Bajaj Automobile's, big two wheeler manufacturer of the country is considering to enter into four wheeler vehicle segment to capitalize on the rising demand of car in India.**
d. **Bharat Publications has released the updated edition of Indirect Taxation Book for CA Inter & CA Final Students.**
e. **GSP Ltd. has entered into an agreement with the doctors of the City to recommend their patients a kind of health tonic manufactured by GSP. (CA IPC, 5 MARKS)**

(Q-7) In the context of Ansoff's Product-Market Growth Matrix, identify with reasons, the type of growth strategies followed in the following cases: (4 MARKS, NOV 2014)

a. **A leading producer of tooth paste, advises its customers to brush teeth twice a day to keep breath fresh.**
b. **A business giant in hotel industry decides to enter into dairy business.**
c. **One of India's premier utility vehicles manufacturing company ventures to foray into foreign markets.**
d. **A renowned auto manufacturing company launches ungeared scooters in the market.**

Planning

Planning is a basic Managerial Function which deals with what is needed to be done in future. Planning can be of two types:

Operational Planning

Deals with the matter of *Operational Nature*.

Strategic Planning

Deals with the matter of *Strategic Nature*. Focuses on three main questions:

- What are we doing?
- For whom do we do it?
- How to improve & excel?

Strategic Planning can be:

- Top-Down
- Bottom-Up

There are two approaches for strategic planning - top down or bottom up. Top down is a centralized approach where head office determines objectives and strategies. In Bottom up approach, all individual departments are involved & head office does not impose objectives. Here all levels of the organisation participates in the planning task. *Due to the participation of all, bottom-up planning works out more successful but it is more time consuming.*

Uncertainty

Uncertainty means where outcome is not sure i.e. uncertain. *Business Environment is full of Uncertainty.* Uncertainty can be:

Normal Uncertainty

Uncertainties other than Strategic Uncertainty.

Strategic Uncertainty

Uncertainties that has some strategic implications for the entity. External environment may lead many strategic uncertainties. To manage them properly, we use *Scenario Analysis*.

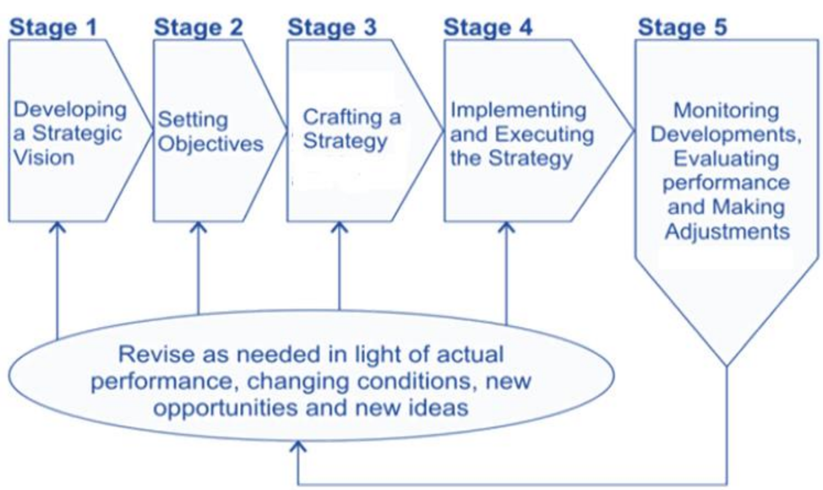
Strategic Uncertainty & Strategic Planning

During Strategic Planning, Entity should consider the impact of strategic Uncertainties. The impact of a strategic uncertainty will depend on the importance of the impacted SBU to the firm. Now, company should make policies considering the strategic uncertainties & the relative importance of the SBU for the Company. *(Note: Read more about SBUs in Chapter No. 3)*

Corporate Strategy Formulation Implementation Process

It is a five step managerial process:

a) Developing a Strategic Vision
b) Setting objectives
(Both short term & long term)
c) Crafting strategy
d) Implementing & executing strategy
e) Monitoring developments, evaluating performance & making adjustments.



Setting Objectives (Step 2nd)

Managers should establish both short term & long term objectives.

Short-Term

Targets to be achieve within a short period say 1 to 2 years.

Long-Term

Targets expected to take longer duration. *Long-term objectives are established in seven areas.* These are:

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

Implementing & executing strategy (Step 4th)

Strategy execution includes following principle or main aspects:

- Staffing the organization
- Developing budgets to provide resources
- Pushing for continuous improvement
- Motivating people to achieve targets
- Tying rewards directly to performance
- Creating a suitable work climate

Don't confuse *Corporate Strategy Formulation Implementation Process* with *Strategic Management Model / Stages* of Chapter 2nd.

Crafting Strategy (Step 3rd)

To craft strategy, entity should consider following factors:

i. Own strength & weakness
ii. Competitor's strength, weakness & strategies
iii. Market & customer's needs

Strategic Alternatives

Strategic Alternatives deals with the alternate course of action available to a company which it can pursue. There are following four major strategic alternative theories:

Glueck & Jauch Generic Strategic Alternative

- Stability Strategy
- Expansion Strategy
- Retrenchment Strategy
- Combination Strategy

Michael Porter's Generic Strategies

- Cost Leadership
- Differentiation
- Focus

Best Cost Provider Strategy

- Overall Low Cost
- Broad Differentiation
- Best Cost Provider
- Focused Low Cost
- Focused Differentiation

Grand / Directional Strategies

- Stability Strategy
- Expansion Strategy
- Retrenchment Strategy
- Combination Strategy

Glueck & Jauch Generic Strategic Alternative

According to W.F. Glueck & L.R. Jauch, there are four generic ways in which strategic alternatives can be considered. These are Stability, Expansion, Retrenchment & Combinations.

Stability

Entity works with existing business without going for major expansion. Here Entity:

- Works in chosen business
- Pursues tested policies
- Consolidate position already achieved
- Optimize return on investment already committed

Expansion

This strategy requires redefining business by expanding the scope of existing business. *Expansion may be achieved through*:

- Diversification
- Mergers & Acquisition

Retrenchment

This strategy focuses on divesting a major product, business, division, product line or entire company. *Retrenchment ranges from a turnaround strategy to complete liquidation of the entity.*

Combination

It refer to a *mix of different strategies* like stability; expansion, diversification or retrenchment to suit entity's needs. For instance for one division, entity may adopt stability, for another division, it may go with expansion.

Best-Cost Provider Strategy

This strategy is a further development of Porter's generic strategies. Here Entity works for reducing cost & up scaling differentiating features at the same time thereby providing best value to customer. Here There are five generic strategies as follows:

Overall Low Cost Strategy

Firm tries to be the overall low-cost provider that appeals to a broad range of customers

Broad Differentiation Strategy

Company tries to differentiate its product or services from rivals' for broad range of buyers.

Best Cost Provider Strategy

Firm simultaneously managing costs down and up scaling features so to provide best value to the customers for the price they pay.

Focused Low Cost Strategy

Entity focuses on a narrow buyer segment and outcompeting rivals on the basis of lower cost.

Focused Differentiation Strategy

Entity focuses on a narrow buyer segment and outcompeting rivals on the basis differentiating feature & attributes.

Michael Porter's Generic Strategies

According to Michael Porter, strategies allow organizations to gain competitive advantage from three different bases: Cost Leadership, Differentiation & Focus. Porter calls these generic strategies.

Cost Leadership

It means lowest cost of operation in the industry. Cost leadership is driven by efficiency, size, scale, experience etc. This strategy is useful when price-sensitive buyers are there who do not care about brand differences. *Cost Leadership Strategy needs:*

- Sustained capital investment
- Intense supervision of labour
- Low-cost distribution system
- Tight cost control
- Detailed Cost Reports

Differentiation

Entity develops products or services with unique features different from competitors. This strategy should be pursued after proper study of buyers' needs. Differentiating features can be superior service, design, product performance, ease of use etc. *For Differentiation, Entity needs:*

- Strong marketing abilities
- Product engineering
- Strong innovation & research
- Strong coordination among R&D & other functions

Risks with Differentiation Strategy

- Differentiating features may not be valued by customers. E.g. Blackberry.
- Differentiating features may be quickly copied by competitors. E.g. Apple iPhone

Focus

Entity concentrates its resources on entering or expanding in a *narrow market or industry segment*, particular group of customers, geographic area, or on particular product-line segments. Main argument behind Focus Strategy is Entity can serve the narrow market better than competitors who serve a broader market

Risks with Focus Strategy

- Focused Market Segment may not be large enough to justify operation.
- Competitors may identify & copy successful Focus Strategy.

Grand / Directional Strategies

Also called master or business strategies, are intended to provide basic direction for strategic actions. There are four main categories of grand strategies namely Stability, Expansion, Retrenchment & Combination.

Stability

Entity works with existing business without going for major expansion. Here Entity:

- Works in chosen business
- Pursues tested policies
- Consolidate position already achieved
- Optimize return on investment already incurred

Stability Strategy is adopted because:

- It is less risky, involves less changes
- Environment is relatively stable
- Expansion is not desired currently

Expansion

It is concerned with business expansion and growth. It is the opposite of stability strategy.

Expansion is achieved through:

Intensification

- Market penetration
- Market development
- Product development

Diversification

- Vertically Integrated
- Horizontally Integrated
- Concentric
- Conglomerate

Expansion Strategy is adopted because:

- Prospects of growth are good
- Expansion is necessary to counter rivals
- Economics of scale is expected

Retrenchment

This strategy focuses on divesting a major product, business, division, product line or entire company.

Types of Retrenchment Strategy:

- Turnaround
- Divestment
- Liquidation

Retrenchment Strategy is adopted because:

- Management no longer wishes to remain in business either partly or wholly.
- Environment is highly unstable.
- Company wants to reallocate resources from unprofitable to profitable businesses.

Combination

It refer to a ***mix of different strategies*** like stability; expansion, diversification or retrenchment to suit entity's needs. For instance for one division, entity may adopt stability, for another division, it may go with expansion.

Combination Strategy is adopted because:

- Organization is large and faces complex environment.
- Organization is composed of different businesses, each of which requiring a different response.

Expansion Strategy (Part of Directional Strategy)

Expansion Strategy is concerned with business expansion and growth. It is the opposite of stability strategy. Expansion is achieved through Intensification and Diversification.

Intensification Strategy **According to Igor Ansoff, there are *three kinds of Intensification Strategy*. These are:**	**Diversification Strategy** **Here Entity enter into a new market or industry which the business is not currently in, with a new product for that new market. *There are four types of diversification:***
• **Market Penetration** The most common expansion strategy is market penetration or concentration on current business. Here Company sells existing products in the existing market.	• **Vertically Integrated Diversification** Firms engages in businesses that are related to the existing business of the firm. The firm remains vertically within the same process sequence moves either forward (forward linkage) or backward (backward linkage) in the chain and makes it their new products.
• **Market Development** It consists of marketing present products to customers in new markets.	• **Horizontally Integrated Diversification** The acquisition of additional business activities at the same level of the value chain is referred to as horizontal integration.
• **Product Development** It involves modification of existing products that can be marketed to current customers through establish channels.	• **Concentric Diversification** Company develops new products or services that is closely related to its core business to enter one or more new markets.
	• **Conglomerate Diversification** Also known as unrelated diversification, Entity enters into new business that is not related to the existing business of the Entity.

Mergers and Acquisitions

In Merger two or more companies come together & a new entity is created. In Acquisition, one financially strong organization takes over other organization and controls its business operations.

Horizontal Merger

Horizontal mergers are combinations of firms engaged in the same industry. It is a merger with a direct competitor. E.g. Vodafone India & Idea.

Vertical Merger

Merger of two organizations operating in same industry but at different stages of production or distribution system. E.g. Cell Phone Maker acquires a chip maker.

Co-Generic Merger

Here merging organizations are associated in some way or the other. It offers great opportunities to businesses to diversify. E.g. Automobile Company & Auto Insurance Company.

Conglomerate Merger

Here merging organizations are unrelated to each other. There are no important common factors between the organizations. E.g. Automobile Company with a FMCG Company.

Turnaround Strategy

Retrenchment may be done either internally or externally. For internal retrenchment to take place, emphasis is on improving internal efficiency, known as turnaround strategy. Through turnaround strategy, organisation focus on ways to reverse the process of decline.

Signs that calls for Turnaround:

- Continuous negative cash flow
- Negative profits
- Declining market share
- Low employee morale
- Uncompetitive products or services
- Mismanagement etc

Action Plan in Turnaround Strategy:

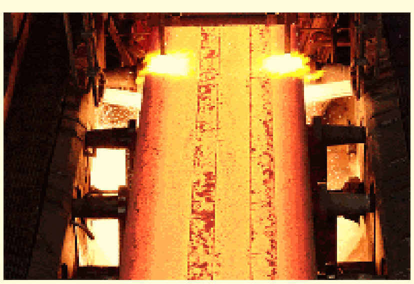
a. Stage One – Assessment of current problems
b. Stage Two – Develop an action plan
c. Stage Three – Implementing the action plan
d. Stage Four – Restructuring the business
e. Stage Five – Returning to normal

Ten Element Set contributing in Turnaround

- Changes in top management
- Initiate credibility-building actions
- Neutralising external pressures
- Better Controls
- Identifying quick payoff activities
- Quick cost reductions
- Revenue generation
- Non-core Asset liquidation
- Mobilization of the resources
- Better coordination

SAIL charts out turnaround strategy for revival

By *Rakhi Majumdar*, ET Bureau | Aug 16, 2017, 12.54 AM IST



The state-run company is planning to set an operating profit target for the next two to three years and has vowed to work towards optimising manpower utilisation, etc.

KOLKATA: Steel Authority of India BSE 1.98 % (SAIL BSE 1.98 %) is charting a turnaround strategy in the face of widening losses.

The state-run company is planning to set an operating profit target for the next two to three years and has vowed to work towards optimising manpower utilisation, exploring ways to increase net sales realisation and reduce procurement costs, and improving branding and distribution efforts. The efforts come after it posted yet another quarter of net losses, which swelled to Rs 801crore in the three months through June from Rs 535 crore a year earlier. SAIL reported a loss of Rs 2,833 crore for the year ended March 31, 2017.

Divestment Strategy

It involves sale or liquidation of a portion of business, or a major division. Divestment is a part of restructuring plan and is adopted when a turnaround has been attempted but has proved to be unsuccessful. The option of a turnaround may even be ignored if it is obvious that divestment is the only answer. Reasons of Divestment:

- Business acquired cannot be integrated within the company.
- Persistent negative cash flows from a particular business or unit.
- Business unit needs huge investment to survive.
- Better investment alternatives are available.

GE signs deals of $157 bln as part of GE Capital divestment

1 MIN READ

Jan 7 (Reuters) - U.S. conglomerate General Electric Co said it signed $157 billion in transactions in 2015 as part of its efforts to divest most of its finance business, GE Capital.

The company also said it has closed transactions of $104 billion, more than half of the target set while announcing its plans to reduce the financing business to less than 10 percent of its total earnings.

Deal of the decade – Vodafone's divestment of Verizon Wireless

10 June 2014

Vodafone's recent $130-billion divestment of its Verizon Wireless stake is the third-largest corporate transaction ever. At Finance Director Europe's latest Breakfast Briefing, FDE award-winner Andy Halford, Vodafone's outgoing CFO, gave a keynote speech on the strategic background to the deal, and where the firm plans to go from here.

Liquidation Strategy

A retrenchment strategy considered most extreme is liquidation strategy, which involves closing down a firm and selling its assets. It is considered as the last resort because it leads to serious consequences such as loss of employment, termination of opportunities and gives a sense of failure.

(Q-1) Michael E. Porter has suggested three generic strategies. Briefly explain them. What is the basic objective to follow a generic strategy? In what situations can the three strategies be used? Identify the type of strategy used in the following examples:

a. Dell Computer has decided to rely exclusively on direct marketing.
b. "Our basic strategy was to charge a price so low that microcomputer makers couldn't do the software internally for that cheaply."
c. 'NDTV', a TV Channel has identified a profitable audience niche in the electronic media. It has further exploited that niche through the addition of new channels like 'NDTV' Profit and 'Image'. (10 MARKS, MAY 2010)

(Q-2) Identify with reasons the type of growth strategies followed in the following cases:

a. A leading producer of confectionery products advertising the new uses of its product 'Chokoo Mix' aggressively.
b. A company in publishing industry deciding to revise college text books.
c. A renowned company in textile industry starting to manufacture PFY and PSF, critical raw materials for textiles.
d. A business giant in auto manufacturing enters into edible oils, hotels, financial services and dairy businesses. (NOV 2015, 4 MARKS)

(Q-3) Identify the type of merger in the following cases: (CA IPC, 5 MARKS)

f. Cola soft drinks Ltd. merged with Campa soft drinks Ltd. & formed Campacola.
g. Z Ltd. making stationary merged with a FMCG Company.
h. Prius Automobiles merged with Bridgestone Tyres Ltd.
i. HP Laptops Ltd. merged with Wacom Digital Pad Ltd.
j. Lenovo Cell phone maker merged with microchip manufacturer.

(Q-4) Identify the type of grand or directional strategy in the following cases: (CA IPC, 6 MARKS)

a. Company is trying to consolidate its current market position.
b. B ltd. has decided to shut down its consumer goods division.
c. City Ltd. has decided to expand its FMCG Division and to make the necessary finance available, it decided to sell out its kid's garments division.
d. Y Ltd. has decided to introduce its gaming consoles in other Asian countries.
e. Office Ltd. has launched the updated version of its word processing software.
f. E Ltd. has decided not to enter into any new market for the next 2 years.

(Q-5) Identify the type of Retrenchment Strategies followed in following cases:

a. M Ltd. completely shuts down its business.
b. N Ltd. sold one of its major product line.
c. O Ltd. is trying to improve its Division A by improving its internal efficiency.

Strategy in any organisation is formulated at three levels. ***Corporate Level, Business Level & Functional Level.*** (Refer C-2 of SM for more details.)

Functional Strategy

a. Marketing Strategy
b. Financial Strategy
c. Production Strategy
d. Logistics Strategy
e. R&D Strategy
f. HR Strategy

Needs or Importance of Functional Strategies

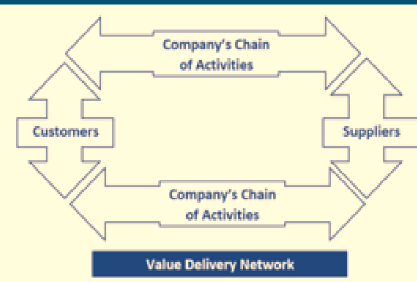
- *Makes corporate level strategies practically feasible at the functional level.*
- *Facilitate flow of strategic decisions to the different parts of an organization.*
- *Act as basis for controlling activities in the different functional areas of business.*
- *Time spent by functional managers in decision-making is reduced.*
- *Bringing harmony and coordination.*
- *Similar situations occurring in different functional areas are handled in a 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

- Analyzing 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*

Product (1st 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

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

- Market Penetration (e.g. Reliance Jio)
- Market Skimming (e.g. Apple iPhone)

Marketing Mix

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

4 P's of Marketing Mix:
- Product
- Price
- Place
- Promotion

Expended Marketing Mix:
- People
- Physical Evidence
- Process

Price (2nd 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.

Place (3rd 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 purchases it.

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

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

Promotion (4th 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.

Personal selling

Face-to-face interaction of sales force with prospective customers and provides a high degree of personal attention to them. *This method is:*

- Very effective in influencing buyers
- Very costly

Advertisement

Non-personal, highly flexible and dynamic promotional tool. Several media available for advertising like newspapers, radio, television, internet etc. The company should choose appropriate media as per its needs. *Advertisement involves cost as company has to pay for advertisement.*

Publicity

Non-personal form of promotion similar to advertising. *However, no payments are made to the media for publicity as in case of advertising.* Organizations seek to promote product without payment. E.g. Press Conference, Media release etc.

Sales Promotion

It includes *all activities undertaken to promote the business that are not classified as personal selling, advertising or publicity.* Activities like discounts, contests, money refunds, exhibitions and fairs constitute sales promotion.

Basis	Advertising	Publicity
Meaning	Advertising is a non-personal, highly flexible & dynamic promotional method. It is a paid form of communicating the message.	Publicity is communication of a product, brand or business by placing information about it in the media without paying for the time or media space directly.
Methods	The media for advertising are several like newspapers, magazines, radio, television and internet. Choice of appropriate media is important.	Basic tools for publicity are press releases, press conferences, reports, and internet releases.

Marketing Planning

Marketing planning involves deciding on marketing strategies. Detailed marketing plan is needed for each business, product, or brand. *Marketing plan may contain:*

- a. Executive Summary
- b. Current Marketing Situations
- c. Threats And Opportunity Analysis (SWOT)
- d. Objectives, Goals & Issues
- e. Marketing Strategy
- f. Marketing Budget
- g. Control Aspects

(Q-1) Write short note on Publicity and Sales Promotion.

Answer: Publicity and Sales promotion are adopted by organizations. Publicity is a non-personal form of promotion similar to advertising. However, no payments are made to the media as in case of advertising. Organizations skilfully seek to promote themselves and their product without payment. Publicity is communication of a product, brand or business by placing information about it in the media without paying for the same. Thus it is way of reaching customers with negligible cost. Basic tools for publicity are press releases, press conferences, reports, stories, and internet releases. Sales promotion, on the other hand, includes all activities that are undertaken to promote the business but are not specifically included under personal selling, advertising or publicity. Activities like discounts, contests, money refunds, instalments, kiosks, exhibitions and fairs constitute sales promotion. All these are meant to give a boost to the sales. Sales promotion done periodically may help in getting a larger market share to an organization.

Marketing Strategy Techniques

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

Financial Strategy

Finance is one of the most crucial & important resource for any business. Entity must have proper financial strategies in place. Financial strategies are formulated in following major areas:

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
Securities Premium	xxx
Retained Earnings	xxx
Total	xxx

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

SECOND – Future Profit Approach

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

THIRD – Market Based Approach

Approach 1

Worth of the Business = *Market Price of similar company*

Approach 2

Worth of the Business = (*PE* Ratio* × *Average net income of past five years*)

*PE Ratio = MPS / EPS

Approach 3

Worth of the Business = (*Number of shares outstanding* × *Market price per share*) + *Premium Amount*

(Q-2) Successful implementation of any project needs additional funds. What are the different sources of raising funds and their impact on the financial strategy which you as a Financial Manager will consider? ***OR***

'Determining an appropriate mix of debt and equity in a firm's capital structure can be vital to successful strategy implementation'. Discuss. (CA IPC, 6 MARKS)

Answer: Successful strategy implementation often requires additional capital. Two basic sources of capital are *debt and equity*. Determining an appropriate mix of debt and equity in a firm's capital structure can be vital to successful strategy implementation. If ordinary stock is issued to finance strategy implementation; ownership and control are diluted. This can be a serious concern in today's business environment of hostile takeovers, mergers, and acquisitions. Strategies related to sources of funds are important since they determine how financial resources will be made available for the implementation of strategies. Organizations have a range of alternatives regarding sources of funds. While one company may rely on external borrowings, another choose internal financing. Different companies might have different capital structure and it will depend upon the internal needs & requirements of the company.

Production Strategy

It is related to the production system & operational planning and control of the Entity.

Production System

It deals with ***capacity, location and layout of the factory***, ***product design***, ***degree of automation*** etc. These factors are long-term in nature & impacts the capacity of the organisation.

Operational Planning & Control

It deals with the efficient utilization of resources & in what manner the day-to day operations are managed. It focuses on ***aggregate production planning; materials supply; inventory, cost, and quality management*** etc.

Logistics Strategy

Management of logistics is a process which *integrates the flow of supplies into, through and out of an organization, transportation, warehousing, material handling, order fulfillment etc*. It involves *raising and finding solutions to the following questions*:

- Which sources of raw materials & components are available?
- How many manufacturing locations are there?
- What products are being made at each location?
- What modes of transportation should be used?
- What is the nature of distribution facilities?
- Should Entity own the transport vehicles?
- Should the entity own the warehouses?

Advantages of Logistics Management

- Cost savings in multiple areas.
- Reduced inventory holding requirements.
- Improved delivery time.
- Improved customer satisfaction.
- Competitive advantage to the company.

Supply Chain Management (SCM) is an extension of Logistics Management. Hence SCM replaced Logistics Management in most of the companies.

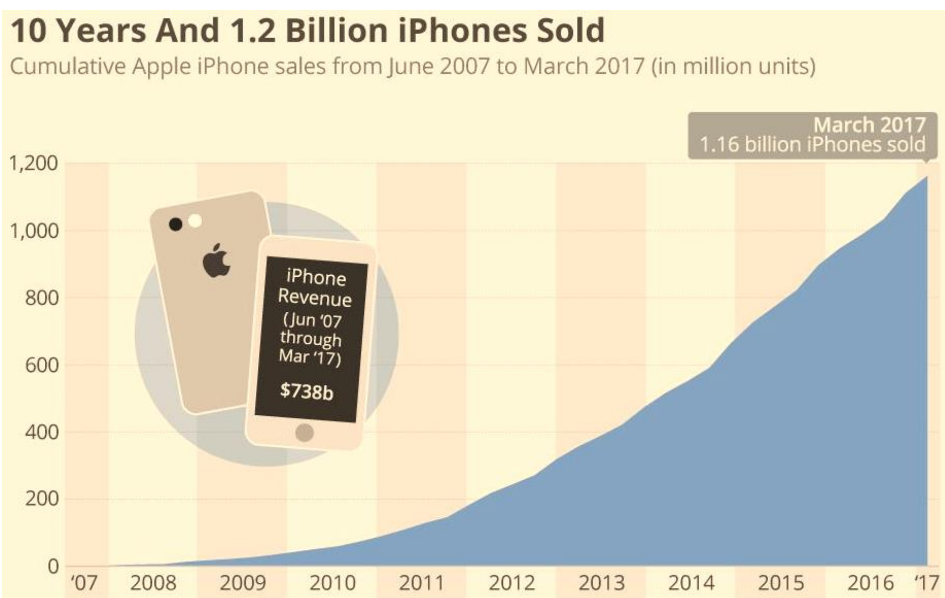
Supply Chain & Supply Chain Management (SCM)

Supply Chain refers to the *linkages between suppliers, manufacturers and customers*. It involve all activities like sourcing of material, conversion, and its distribution to the customers. On the other hand, SCM is defined as the *process of planning, implementing, and controlling the supply chain operations*.

Supply chain & SCM are two different things. SCM is the process of Planning, Implementing & Controlling the Supply Chain Operations.

Implementing SCM involves

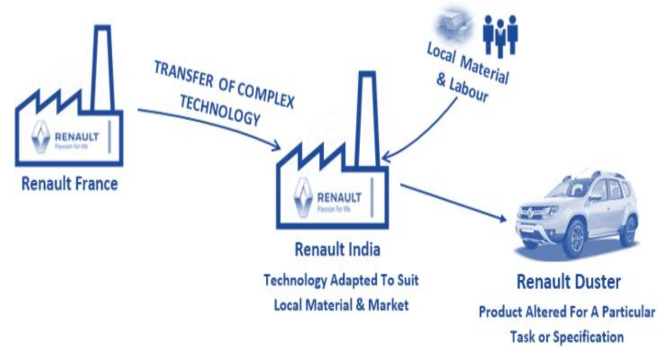
- Product development
- Procurement
- Manufacturing
- Physical distribution
- Outsourcing
- Customer service
- Performance measurement



Research and Development (R & D)

R&D is one of the most crucial aspect of today's global business and companies must give special attention to it. *R&D personals play very significant role in:*

- **Transferring complex technology.**
- **Adapting processes to local raw materials, markets.**
- **Altering products to particular tastes & specifications.**



R&D Policies & Strategy Implementation

- Performs needed research
- Making company technological leaders or innovative follower
- Develop processes as per the needs
- Spend the amount on R&D as per the needs
- Perform R&D within or sub-contract it
- Use researchers as per the requirement

R&D In-house vs. Out-sourcing

Case	Technological Change	Market Growth	Course of Action
I.	Slow	Slow / Moderate	Company can choose between in-house R&D or may decide to acquire the necessary technology.
II.	Fast	Slow	Major investment in in-house R&D is not feasible so it is better to go with other players of the industry.
III.	Slow	Fast	In-house R&D is preferred option since technology is changing slowly but as the market growth rate is quick.
IV.	Fast	Fast	In this case in-house R&D option is not feasible hence best way is that company should acquire a specialist technology firm which will develop technology on behalf of the company.

Major R&D Approaches		
Technology Leaders	**Technology Imitator / Innovative Imitator**	**Lower End Technology Followers**
Firms who develops new technologies & take a lead in R&D. It involves high risk & high reward.	These firms do not take lead in R&D but imitates successful products & services based on new technologies.	Low cost producers who mass produce products. These firms are not required to make high R&D investments but needs high investment in plant and machineries.

Toyota weighs M&A for auto tech

Jun. 14, 2017

- "The auto industry is undergoing big changes, and issues and ideas which we may have thought were far off in the future could affect us tomorrow," President Akio Toyoda said at Toyota's (NYSE:TM) annual shareholders meeting.
- The company is now considering M&A to procure new automotive technologies, like self-driving cars and electric vehicles, conceding it may have focused too much on preserving the status quo until now.

Human Resource Strategy

Human resources are now viewed as a source of great competitive advantage for the company. Hence Human Resource Strategy plays a very crucial role.

Employee competence and performance is influenced:

- **Recruitment and selection**
- **Training**
- **Appraisal of performance**
- **Compensation**

Strategic Role of HR Manager

- **Providing purposeful direction**
- **Creating competitive atmosphere**
- **Diversion of workforce**
- **Empowerment of human resources**
- **Building core competency**
- **Development of works ethics**

(Q-3) Identify the functional strategies in the following cases:

a. **D Ltd. is evaluating its net worth.**
b. **Champion Ltd. wants to be a technological leader in its field.**
c. **Astat Ltd. is giving huge importance to the employee selection practices.**
d. **Yin Ltd. is considering whether to increase its R&D budget or keep it intact.**
e. **Oppo Ltd. is planning to introduce automation in its factories.**
f. **P Ltd. is deciding what price it should charge for its newly introduced product.**
g. **F Ltd. is preparing the projected financial statements for bank loan.**
h. **W Ltd. is evaluating whether it should go for personal selling or advertising.**
i. **V Ltd. is trying to build an integrated inbound & outbound logistics system.**
j. **Q Ltd. is trying to develop technology internally.**

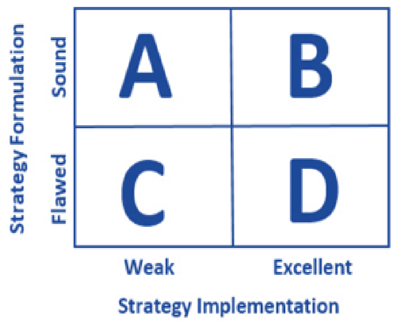
Many times a company formulates an excellent strategy but at the time of its implementation, company is not able to implement it properly. This is the major cause of non-attainment of strategic goals. ***To implement the strategy successfully, Entity needs:***

- **Supportive Organisational Structure**
- **Supportive Culture**
- **Supportive Leadership**

Strategy Formulation & Implementation

Strategy implementation deals with putting strategy into place. Company will be successful only when strategy formulation is sound & implementation is excellent. ***Various combination of strategy formulation and implementation could be:***

- ***Square A*** is the situation where a company has formulated a sound strategy, but unable to implement it successfully.
- ***Square B*** is the ideal situation where a company designed a sound and has been successful in implementing it.
- ***Square C*** is the situation where company don't have a sound strategy and they are bad at implementation also.
- ***Square D*** is the situation where strategy formulation is flawed, but company is excellent in implementation.



In order to survive & succeed, Entity have to be in Square B where it must formulate & implement strategy successfully.

Strategy Formulation	Strategy Implementation
Process of formulation of suitable strategies.	Process of putting strategies into action.
It focuses on effectiveness.	It focuses on efficiency.
It is primarily an intellectual process.	It is primarily an operational process.
It requires sound knowledge & analytical skills.	It requires motivation and leadership skills
Requires coordination among a few individuals	Needs organisation wide coordination.

Linkage Between Strategy Formulation & Implementation

Both formulation & implementation tasks are part of strategic management. Strategy formulation and implementation processes are interlinked. ***Two types of linkages exist between these two.***

Forward Linkage	Backward Linkage
Company formulates new strategy it will pursue in future. With formulation of new strategies, many changes have to be effected like organizational structure, leadership or culture etc might need changes. In this way, formulation of strategies has forward linkages with their implementation.	Lot of times, companies finds it extremely difficult to implement a new strategy as it might require different organisational structure, leadership, culture etc. Hence it is seen that organizations adopt those strategies which can be implemented with the help of present structure and resources.

Efficiency, Effectiveness & Strategy

Effeciency & Effectiveness are different. *Efficiency* is relationship between inputs & outputs while *Effectiveness* is concerned with Entity's capability to attain its goals & competitive position. While efficiency is internal, effectiveness highlights link between organization & its environment. *To be successful, Entity must be both efficient & effective.*

Organization in cell 1 thrives. Organization in cell 2 or 4 is doomed, unless it builds some strategic direction. The point to note is cell 2 is a worse place than is cell 3 as in cell 3, entity is effective but efficiency is missing.

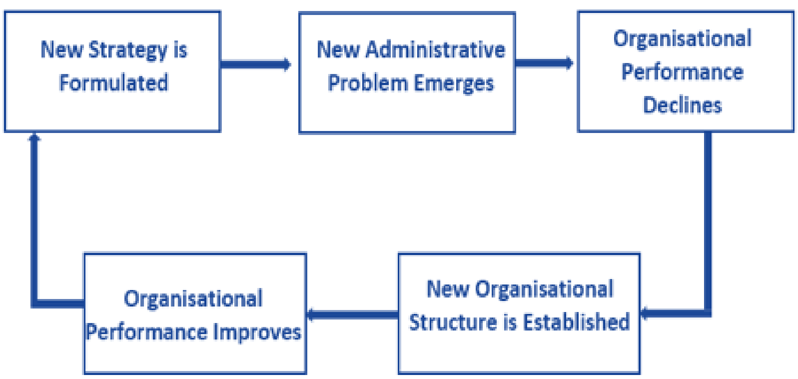
	Effective	Ineffective
Efficient	Thrive 1	Die Slowly 2
Inefficient	Survive 3	Die Quickly 4

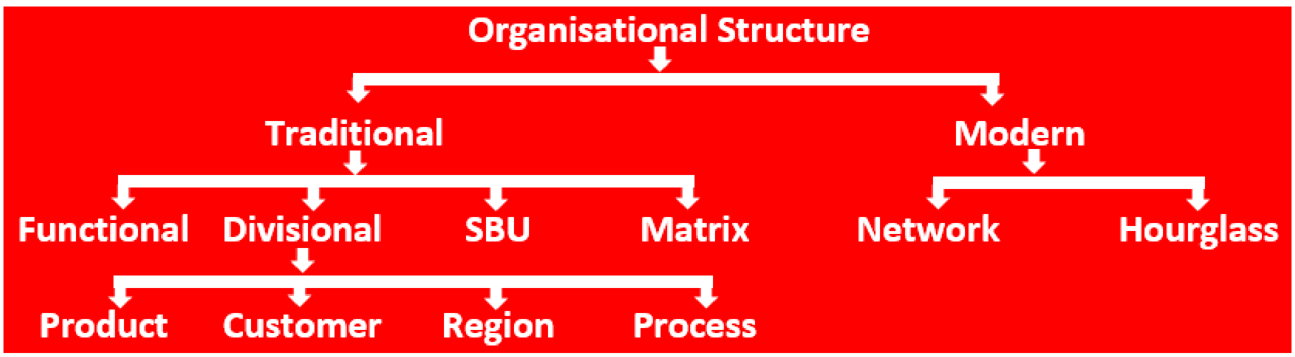
Organisational Structure & Strategy Implementation

Organizational or corporate structure is the company's formal configuration of its intended roles, procedures, authority, and decision-making processes. Corporate structure must be compatible or fit with the company's strategy. Changes in strategy may require changes in organizational structure as:

- ***Structure largely dictates how objectives and policies will be established***
- ***Structure dictates how resources will be allocated***

Structure should be designed to assist in successful strategy implementation, therefore, follows strategy. A. D. Chandler found a particular structure sequence to be repeated as organizations change strategy over time. Numerous forces affects entity but no company should change its structure in response to all forces. However, when a firm changes its strategy, the existing organizational structure may become ineffective.





There are seven types of Traditional organizational structures: *Functional, Divisional by Geographic Area, Divisional by Product, Divisional by Customer, Divisional by Process, Strategic Business Unit (SBU), and Matrix Structure. Also there are Modern Structures too.* Entity should adopt the structure which suits its corporate strategy best. *A competitive advantage is created when there is a proper match between strategy and structure. Ineffective strategy/structure matches may result in complete failure.*

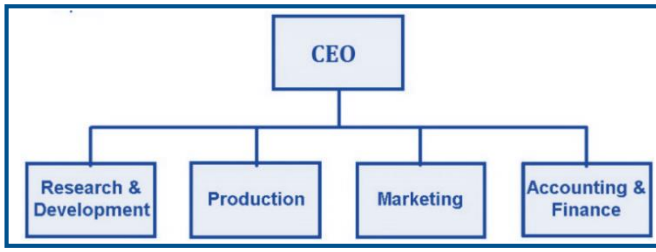
If there arises any mismatch between the corporate strategy & the organisational structure, there are two options:

- Change the strategy

  OR

- Change the structure

Traditional Organisational Structure



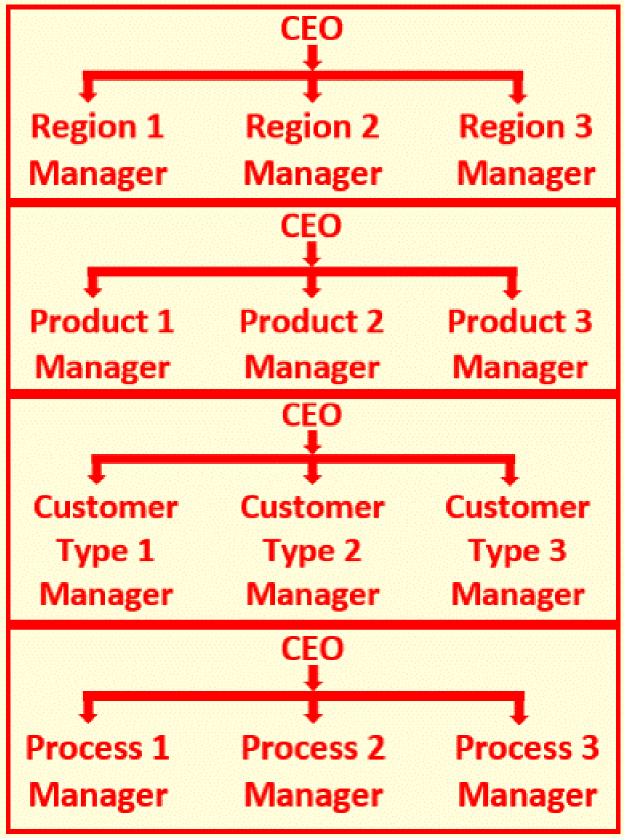
A. Functional Structure

- Most widely used organisational structure.
- Known for simplicity and low cost.
- Functional structure is based on business function, such as production, marketing, finance, accounting, R&D etc.
- Disadvantages is that it keeps authority at the top, reduces career development opportunities, & thus may lead to low employee morale.
- Most large companies abandoned functional structure & adopted more advanced structures.

B. Divisional Structure

As organization grows, it becomes difficult managing different products and services in different markets. In such situation, divisional structure proves very effective. Divisional structure can be organized in following ways:

- By Geographic Area: This is appropriate when entity focuses on different geographic areas.
- By Product or Service: This is useful when entity focuses on different products or services.
- By Customer: Useful when entity wants to keep & expand relationship with few major customers.
- By Process: Useful when entity wants to control its critical processes properly.



Advantages

- Clear accountabilities
- Better opportunities for middle level
- Builds competitive atmosphere
- Easy to add new products or services

Disadvantages

- Costly to build, operate & maintain
- May be difficult to understand

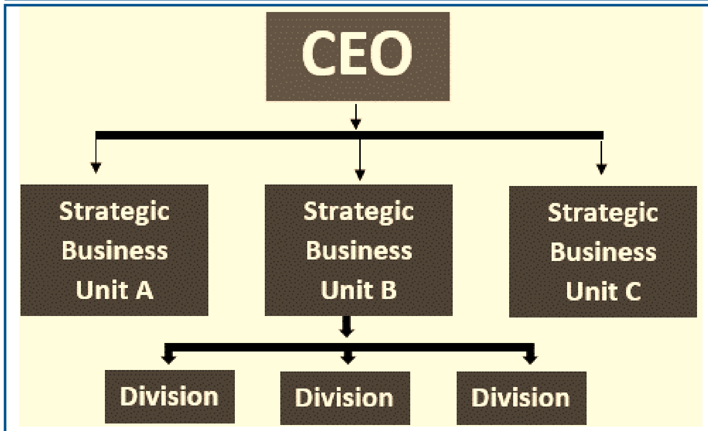
Divisional Structure is costly because:

- Each division needs functional specialists.
- Each division needs qualified divisional heads
- There exists some duplication of staff, facilities etc.

HARDWORK IN THE RIGHT DIRECTION IS THE ONLY SHORT-CUT TO SUCCESS.

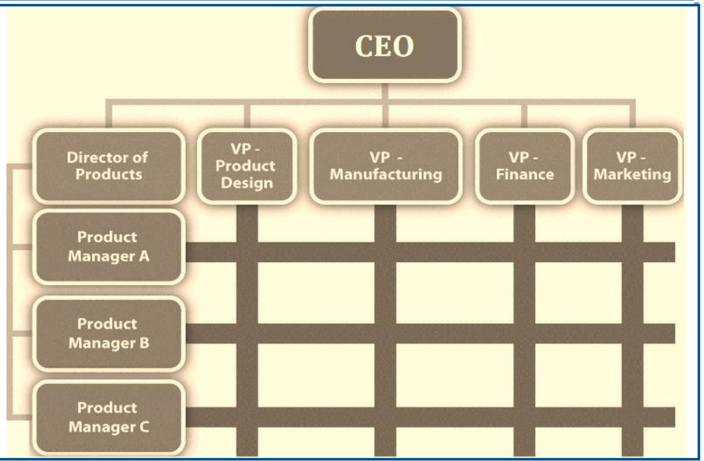
C. Strategic Business Unit Structure

- SBU structure group's similar divisions into different SBUs.
- SBU Manager is appointed for each SBU who reports directly to the CEO.
- By such delegation, top executives (CEO) is responsible for overall corporate strategy.
- A SBU structure consists *of at least three levels*, with a corporate headquarters at the top, SBU groups at the second level, and divisions within each SBU at the third level.
- Biggest advantage of SBU structure is that it facilitates better management of divisions.
- In SBU structure, entity can group related divisions in SBUs through which it becomes very easy to manage them.
- Disadvantage of an SBU structure is that it requires an additional layer of management, due to which corporate structure becomes lengthy & cost increases.



D. Matrix Structure

- Matrix structure is appropriate when organizations conclude that neither functional nor divisional forms are suitable for them.
- This structure is very useful when external environment is complex and changeable.
- Here employees have two superiors, a product or project manager and a functional manager.
- So in matrix structure, there is a *violation of Unity of Command Principle*.
- This structure is most complex as here there is both vertical and horizontal flows of authority.
- Matrix structure to be effective, entity needs clear understanding of roles & responsibilities.
- Issues with matrix structure is that it produce conflicts of duties & authority.
- For development of matrix structure *Davis and Lawrence*, proposed three distinct phases:
  - Cross-functional task forces
  - Product/brand management
  - Mature matrix



Newer Forms of Organisational Structures

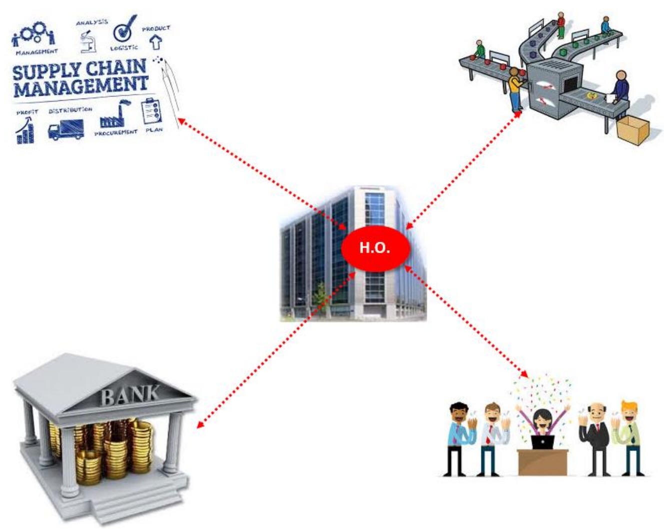
As companies are getting more & more sophisticated and environment is becoming more & more dynamic, there emerged lot of newer form of organisational structure. Some of them are:

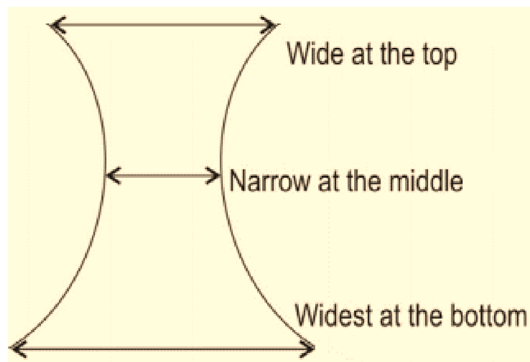
Network Structure

- Today companies operating in unstable environment eliminates most of the in house functions & sub-contract or outsource them.
- Entity organized in this manner is called a virtual organizations where it is a series of independent firms or units linked together by computers.
- The organisational structure of such Entities are known as Network Structure.
- It is more useful when environment is unstable & is expected to remain so.
- Instead of having salaried employees, it may have contracted based workforce.
- The organization is, in effect, only a shell, connected electronically to its divisions.
- Companies like Nike, Reebok, and Puma etc. use the network structure.

Hourglass Structure

- In recent year's information technology have significantly altered functioning of entities.
- The role played by middle management is diminishing as the tasks performed by them are increasingly being replaced by the technological tools.
- Hourglass organization structure consists of three layers namely top, middle and bottom. The structure has a short and narrow middle-management level as the task being performed by them are now automated & being performed by technological tools.
- Hourglass structure has obvious benefit of reduced costs. It also helps in enhancing responsiveness by simplifying decision making.





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

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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

Attributes of Strategic Business Unit (SBU)

Most corporations organise their businesses into SBUs. SBU is a grouping of related businesses or products where entity groups its businesses into a few distinct business units. It has following special characters or attributes:

- **The task of SBU formation begins with analyzing & segregating the businesses or products and then regrouping them into a few, well defined, distinct business units.**
- **Unrelated products or businesses if could not be assigned to any group, are separated and created as a separate SBU.**
- **Making SBU helps firm in strategic planning as it allows better command & control.**
- **SBU can be planned for independently from the rest of the organization.**
- **SBUs have its own set of competitors.**
- **SBUs have a manager who responsible for strategic planning and profit performance.**

Value Chain Analysis

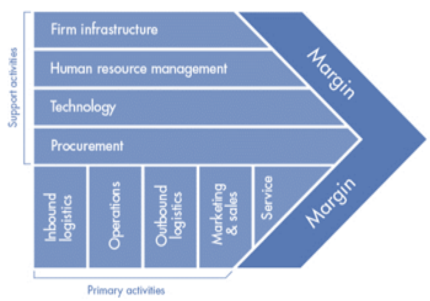
Value Chain is a set of activities that an organisation performs to deliver a valuable product or service to the market. *This concept was first developed by Michal Porter. Value Chain Analysis is a model consisting value chain activities separated in primary & support activities.*

Primary Activities

- Inbound Logistics
- Operations
- Outbound Logistics
- Marketing & Sales
- Service

Support Activities

- Procurement
- Technology Development
- HR Management
- Firm Infrastructure



Value chain analysis is of great importance as through this Entity gets a better idea about all the critical activities needed to deliver a valuable product or service in market.

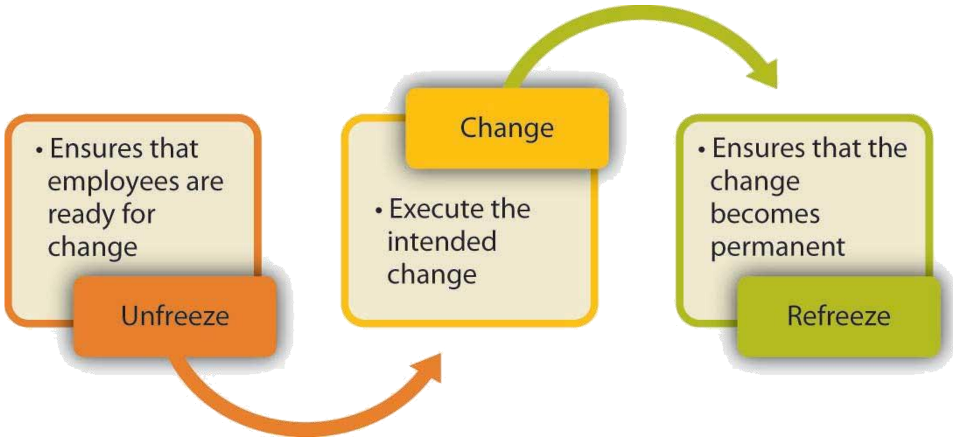
Core Competence & Linkage Management

- **Every organisation have some strength which provides it competitive advantage against its rivals. These are known as the *core competences*. These competences are not shared by the competitors.**
- **But nevertheless over time these competencies may be imitated by competitors.**
- ***Core competences are likely to be more robust and difficult to imitate if they relate organization's value chain and also supply and distribution chains.***
- **It is the management of these linkages which provides 'leverage' and levels of performance which are difficult to match.**
- **Entity should ensure that its core competences becomes more robust over time and to done it, the best way is to link it with both the primary and support activities of the value chain.**

Strategic Leadership & Approaches to Leadership	
Strategic leadership is the ability of influencing others to make decisions that enhance prospects for the organization's long-term success. On the other hand, managerial leadership is generally concerned with short-term, day-to-day activities. *Two basic approaches to leadership are*:	
Transformational Leadership Style	**Transactional Leadership Style**
Transformational leadership style use charisma and enthusiasm to inspire people so that they can do more by expanding their abilities. This kind of leadership is generally used in: • Turbulent environments, • Initial phase of Business • Poorly performing organizations	Also known as Traditional Leadership Style, here current situations are tried to be improved without going for any major or dynamic change. This leadership style may be *appropriate in:* • *Settled environment,* • *Growing or mature industries,* • Well performing organizations

Strategic Change		
Business Environment is very dynamic, changes in environmental forces may require Entity to modify their existing strategies or make new strategies. Strategic change is a complex process and it involves a corporate strategy to be focused on new markets, products, services and new ways of doing business.		
Steps to initiate Strategic Change		
Step 1: Recognize the need for change	**Step 2: Create a shared vision to manage change**	**Step 3: Institutionalize the change**
First Entity has to understand if there is any need to modify existing strategies or not. Entity must continuously scan environment to identify any change occurring. This help in identifying possible changes occurring which might require Entity to change existing strategies	Objectives & vision of individuals & organization should be similar. Entity has to convince all those concerned that the change in business culture is essential. Top management must create a shared vision for the change.	Creating & sustaining a different attitude towards change is essential. Change process must be regularly monitored and reviewed. Any deviation must be corrected on timely basis. This will help in making change permanent.

Kurt Lewin Change Process		
To make changes lasting, Kurt Lewin proposed three phases of the change process. These are:		
Step 1: Unfreezing	**Step 2: Changing**	**Step 3: Refreezing**
• Lewin said that the changes should not come as a surprise. • Sudden & unannounced change would be destructive. • Everyone must be aware of the necessity for change. • Unfreezing is process of breaking old attitudes & behaviour, so that they start with a clean slate.	Once unfreezing process finished, behaviour patterns need to be redefined. *H.C. Kellman has proposed three stages for* reassigning new patterns of behaviour. These are: • Compliance • Identification • Internalization	• New behaviour must replace former behaviour completely. • To make new behaviour permanent, it must be continuously reinforced so that this new acquired behaviour does not diminish. • This is called Refreezing.



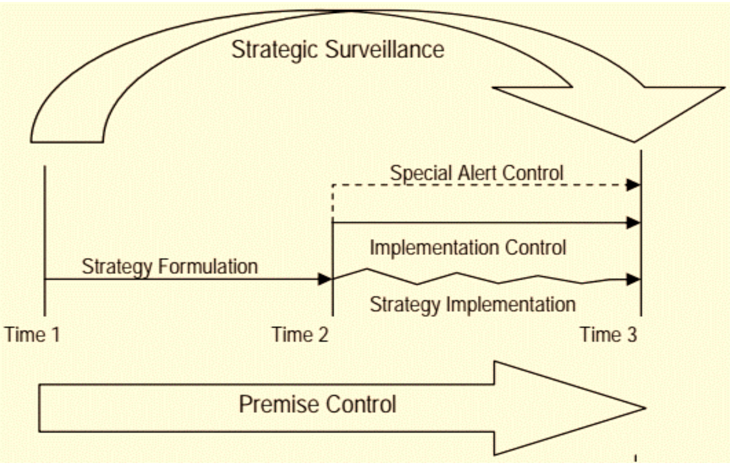
Control & Strategic Control

Control is one of the important functions of management. The control function involves monitoring the activity and measuring results against pre-established standards, analyzing and correcting deviations as necessary. *Primarily there are three types of organizational control namely:*

A. **Operational Control**: It deals with individual tasks or transactions like stock control, production control etc.
B. **Management Control**: When compared with operational, management control is more inclusive and more aggregative, and may include complete department, division or even entire organisation.
C. **Strategic Controls**: Strategic control focuses on the dual questions of whether:
   a. The strategy is being implemented as planned; and
   b. The results produced by strategy are those intended.

There are four types of strategic control:

Premises Control	Strategic Surveillance	Special Alert Control	Implementation Control
Strategy is formed on certain assumptions or premises. Over a period of time these premises may not remain valid. Premise control is a tool for systematic and continuous monitoring of environment to verify the validity of the premises on which the strategy has been built.	General monitoring of various sources of information to uncover unanticipated info having a bearing on organizational strategy. It involves Reading newspapers, magazines, meetings, conferences, discussions etc.	At times unexpected events may force entity to reconsider its strategy like sudden changes in government, natural calamities, terror attacks, unexpected merger or acquisition by competitor etc. Organizations forms *crisis management teams* to handle the situation.	Managers implement strategy by converting major plans into actions. Implementation control is directed towards assessing the need for changes in the overall strategy in light of unfolding events during implementation phase. Two forms of implementation control are: • Monitoring strategic thrust • Milestone review



Strategy - Supportive Corporate Culture

Every organisation has a unique *organizational or corporate culture*. *Corporate culture refers to a company's values, beliefs, principles, ways of operating etc.* Corporate culture of one organisation can differ significantly from the corporate culture of another one. Every organisation has a strategy. *Whatever may be strategy, its culture is either an important contributor or obstacle to successful strategy execution.* When culture is supportive of strategy, it becomes a valuable contributor but when culture is in conflict, it becomes obstacle.

Strategy-Culture Conflict

No matter how sound the strategy be, a culture that does not support that strategy, company might not achieve the desired objectives. **So to achieve strategy successfully, organisation must ensure a proper fit between strategy and its cultures. As far as possible, entity should adopt a strategy that is compatible with its culture but if there arises any mismatch between culture and strategy, organisation can ratify this either by making changes in its strategy so to suit the culture or by gradually making changes in its culture so to make it compatible with the strategies. It is important to note that the entity must not develop a practice of always changing its strategy because of its culture otherwise it may miss some great business opportunities.**

How to Make Changes in Culture

Changing a company's culture to align it with strategy is very tough. For changes in unsupportive culture:

- **First, Manager have to diagnose which part of present culture are strategy supportive & which are not.**
- **Managers have to talk to all concerned parties about those aspects of culture to be changed.**
- **Talk has to be followed by visible, aggressive actions by management to modify the culture.**
- **Culture-changing actions include:**
    - ❖ **Revising policies and procedures that will help drive cultural change,**
    - ❖ **Rewarding the desired cultural behaviour,**
    - ❖ **Praising and recognizing people who display the new cultural,**
    - ❖ **Recruiting and hiring new managers and employees who have the desired cultural values,**
    - ❖ **Replacing key executives who are strongly associated with the old culture etc.**

Business Process Reengineering

BPR is the fundamental rethinking and radical redesign of processes to achieve dramatic improvement.

Processes needed Redesign

Processes relating to:

a. Development & delivery of products
b. Customers
c. Management activities

Role of IT in BPR

a. Compression of time
b. Overcoming geography barriers
c. Improved research capability
d. Increased efficiency
e. Increases effectiveness
f. Improved products & services

Steps in BPR

a. Determining objectives of BPR
b. Identify customers & their needs
c. Study the existing process
d. Formulate redesign process plan
e. Implement the redesign

Central thrust of BPR / BPR vs. Other

- BPR *works on radical thinking.*
- BPR *recognizes the potential of IT.*
- BPR may *require massive organizational change.*

Problems in BPR

Reengineering is radical improvement in business process. Only few companies are able to go for BPR. It disturbs established structures and causes serious resistance from organisation.

Benchmarking

It is an approach of setting goals & measuring performance based on best industry practices. It measures company's performance against those of its competitors or other acknowledged leaders in the industry.

Areas of Benchmarking

a. HR management
b. Manufacturing and other costs
c. Product development
d. Product distribution
e. Customer services
f. Plant utilization levels etc.

Benchmarking Process

a. Identifying need for benchmarking
b. Understanding existing processes
c. Identify best processes
d. Compare own processes with others
e. Prepare report
f. Evaluation

Total Quality Management (TQM)

TQM is a structured approach that seeks to improve the quality of products and services through ongoing refinements in processes. TQM can be applied to both manufacturing and service entities.

Principles guiding TQM

a. Management commitment
b. Focus on customers
c. Prevention rather than detection
d. Universal quality responsibility
e. Continuous improvement & learning
f. Employee involvement
g. Inventory reduction
h. Training

TQM vs. Others

a. Strategic Planning & Management
b. Relationships with Customers & Suppliers
c. Organizational Structure
d. Organizational Chang
e. Teamwork
f. Motivation:

Six Sigma & Management

Six Sigma seeks to improve the quality of process outputs by identifying and removing the causes of defect.

Focus area of Six Sigma

- *Improving customer satisfaction*
- *Improving quality*
- *Reducing wastage*
- *Reducing cycle time*
- *Reducing defects*

Six Sigma vs. Others

- *Six Sigma is customer focused.*
- *Produces higher return compared to others.*
- *Changes how management operates.*

Six Themes / Elements of Six Sigma

a. Theme one - genuine focus on the customer.
b. Theme two - data & fact-driven management.
c. Theme three - processes are where the action is.
d. Theme four - proactive management.
e. Theme five – boundary-less collaboration.
f. Theme six - drive for perfection.

Six Sigma Methodology

DMAIC

a. Define
b. Measure
c. Analyze
d. Improve
e. Control

DMADV

a. Define
b. Measure
c. Analyze
d. Design
e. Verify

imagination at work

innovation products & services our company news investor re

Citizenship
Research & Development
Worldwide Activities
Leadership
Governance
Our Culture
Our History

What Is Six Sigma?

Globalization and instant access to information, products and services continue to change the way our customers conduct business.

Today's competitive environment leaves no room for error. We must delight our customers and relentlessly look for new ways to exceed their expectations. This is why Six Sigma Quality has become a part of our culture.

First, What is Six Sigma?
First, what it is not. It is not a secret society, a slogan or a cliche. Six Sigma is a highly disciplined process that helps us focus on developing and delivering near-perfect products and services.

Why "Sigma"? The word is a statistical term that measures how far a given process deviates from perfection. The central idea behind Six Sigma is that if you can measure how many "defects" you have in a process, you can systematically figure out how to eliminate them and get as close to "zero defects" as possible. To achieve Six Sigma Quality, a process must produce no more than 3.4 defects per million opportunities. An "opportunity" is defined as a chance for nonconformance, or not meeting the required specifications. This means we need to be nearly flawless in executing our key processes.

DMAIC	DMADV
DMAIC process is made of Define, Measure, Analyze, Improve and Control.	DMADV process is made of Define, Measure, Analyze, Design and Verify.
The emphasis of DMAIC is more on correcting existing processes and reducing variations from existing processes.	DMADV is useful when entity is creating a new process and it want to optimize that process so it would be defect free.
DMAIC is 'Corrective' in nature.	DMADV is 'Preventive' in nature.
DMAIC focuses on few CTQ Areas.	DMADV focuses on all CTQ Areas

GM is one of the world's leading automakers, but recently its reputation severely dented following the recall of more than 25 Lakhs cars, which have linked to 13 deaths and 54 crashes. It was discovered that ignition switch issue resulted in deaths and recalls. GM is turning to advanced Six Sigma to ensure similar incidents are avoided in the future. Up until now, GM used Six Sigma mainly for engineering operations but the plan is to now implement Six Sigma in the entire organisation including supply chain management, product development etc.

Strategies for Internet Economy

Internet is the massive global system that connects computer networks around the world together. The impact of the Internet and e-commerce is profound. *E-Commerce is a commerce done through internet. Strategy-shaping characteristics of E-Commerce Environment:*

- Internet created huge opportunities for the companies.
- Internet is an economical means of delivering customer service.
- Capital for profitable e-commerce businesses is readily available.
- Entry barriers are low.
- Companies from anywhere can compete in global markets.
- Buyers gain bargaining power due to increased competition.
- Easier to find suppliers & collaborate with them.

Internet has completely changed the business landscape. It created both opportunities & threats. Entity must consider the impact due to internet & related technologies properly.

Strategic Management in Non-Profit & Government Organization

Strategic-management process is being used by non-profit & Govt. organizations also. With proper strategic management, non-profit entities becomes more competitive.

Educational Institutions

- *Attract & retail best faculties.*
- *Attract bright students.*
- *Create better employment opportunities*
- *Serve society through R&D.*

Medical Organizations

- Attract and retain best doctors.
- Develop better medicines, equipment.
- Provide better health care services.

Governmental Agencies and Departments

- Better compete with the private sector.
- Provide better incentives to employees.
- Become an asset for the nation.

(Q-1) Do you agree with the statement that "Strategic Management concepts are of no use to Government organizations and Medical organizations"? Explain with reasons. (PM NOV 2016)

Answer: Business organization can be classified as commercial or non-commercial. A commercial organization has profit as its main aim. We can find many organizations around us, which do not have any commercial objective of making profits. The strategic-management process is being used effectively by countless non-profit medical organisations & governmental organizations. Many non-profit and governmental organizations outperform private firms on innovation & productivity due to strategic management. These organisations are totally dependent on outside financing. Especially for these organizations, strategic management provides an excellent vehicle for developing and justifying requests for needed financial support.