CHAPTER 1.

INTRODUCTION TO STRATEGIC MANAGEMENT

1. **Meaning & Nature of Strategic Management**

   Term 'management' is used in 2 senses, such as –

   a) It is used with reference to a key group in an organization in-charge of its affairs

   b) Also used with reference to a set of interrelated functions & processes carried out by management of an org. these functions include Planning, Organization, Directing, Staffing & Control

2. **Concept of Strategy**

   a) **Igor H. Ansoff:**

      Common thread among organization's activities & product-markets that defines essential nature of business that organization has or planned to be in future

   b) **William F. Glueck:**

      A unified, comprehensive and integrated plan designed to assure that basic objective of enterprise are achieved

   c) In large organization, strategies are formulated at: the corporate, divisional, & functional levels

   d) Strategy is partly proactive & partly reactive

      i) Proactive actions on part of manager to improve co's market position & financial performance &

      ii) Reaction to unanticipated development & fresh market conditions in dynamic business environment.

      A company uses both proactive & reactive strategies to cope uncertain business environment. strategy is planned strategy whereas reactive strategy is adaptive reaction to changing circumstances

3. **Strategic Management Improvement & Limitations**

   a) **Objective of Strategic Management**

      i) To create competitive advantage

      ii) To guide co. successfully through all changes in environment

      'Strategic management' refers to managerial process of developing a strategic vision, setting objective, crafting a strategy, implementing & evaluating strategy, & finally initialing corrective adjustments were deemed appropriate.

   b) **Benefits of Strategic Management**

      i) Helps management to define realistic objective & goals which are in line with vision of co.

      ii) Helps organizations to be proactive instead of reactive in shaping its future.

      iii) Provides framework for all major decisions

      iv) It provides better guidance to entire org. on crucial point

      v) SM seeks to prepare organization to face the future 7 act as pathfinder to various business opportunities

      vi) Serves as a corporate defense mechanism against mistakes & pitfalls

      vii) Helps to enhance longevity of the business

      viii) Helps org. to take a clear stand in related industry & makes sure that it is not just surviving on luck

      ix) Helps org. to develop certain core competencies & competitive advantages

4. **Limitations of Strategic Management**

a) Environment is highly complex & turbulent. It is difficult ti understand complex environment & exactly pinpoint how it will shape-up in future
b) SM is a time-consuming process
c) It is a costly process
d) In a competitive scenario, where all organizations are trying to move strategically, it is difficult to clearly estimate competitive responses to a firm's strategies

Strategic Intent

Strategic Management is defined as a dynamic process of formulation, implementation, evaluation, & control of strategies to realize organization's strategic intent Strategic intent refers to purposes of what the organization strives for senior managers must define "what they want to do" and "why they want to do".

VISION:

a) **Meaning**
   i) Top management's views about co's direction & product customer market- technology focus constitute strategic vision for co.
   ii) Strategic vision thus points out a particular direction, charts a strategic path to be followed in future, & moulding organisational identity.
   iii) A clearly articulated strategic vision communicates management's aspirations to stakeholders & helps steer energies of company personnel in a common direction
b) **Essential of a strategic vision**
   i) Entrepreneurial challenge in developing a strategic vision is to think creatively about how to prepare a company for the future.
   ii) Forming a strategic vision is an exercise in intelligent entrepreneurship.
   iii) well-articulated strategic vision creates enthusiasm among members of organization
   iv) best-worded vision statement clearly illuminates the direction in which organization is headed

MISSION:

a) **Meaning**
   A mission is an answer to basic question 'what business are we in & what we do'
b) Why an organization should have a mission?
   i) To ensure unanimity of purpose
   ii) To develop a basis, or standard, for allocating resources
   iii) To provide a basic for motivating use of resources
   iv) To establish a general tone
   v) Serve as a focal paint
   vi) Facilitate translation of objective & goals into a work structure
   vii) Specify organizational purposes & translation of these purposes into goals
c) A good mission statement should be precise, clear, feasible, distinctive & motivating. Following points are useful while writing a mission of a co.:
   i) One of the roles of a mission statement is to give org its ow special identity, business emphasis & path for development – one that typically sets it apart from other similarly positioned co's
   ii) co's business is defined by what needs it is trying to satisfy, which customer groups it is targeting & technologies & competencies it uses activities it performs
   iii) Good mission statements are – unique to arg. for which they are developed

GOALS & OBJECTIVES

a) **Meaning**
   i) Business organization translates their vision & mission into goal & objectives
   ii) Goals are open-ended attributes that denote future states or outcomes
   iii) Objectives are close-ended attributes which are precise & expressed in specific terms

iv) Objective are more specific & translate goals to both long term & short-term perspective

b) **Characteristics of Objectives**

i) Should define organization's relationship with its environment
ii) Facilitative towards achievement of mission & purpose
iii) Basis for strategic decision-making
iv) Standards for performance appraisal
v) Concrete & specific
vi) Related to a time frame
vii) Measurable & controllable
viii) Challenging
ix) Different objectives should correlate with each other
x) Set within constraints

c) **Long-term objectives**

To achieve long-term prosperity, strategic planners commonly establish long-term objectives in 7 areas

i) Profitability
ii) Productivity
iii) Competitive Position
iv) Employee Development
v) Employee Relations
vi) Technological Leadership
vii) Public Responsibility

VALUES:

a) **Meaning**

A few common examples of values are-Integrity, Trust, Accountability, Humility, Innovation, & Diversity

b) **why are values so important?**

A company's value sets the tone for how the people of think and behave, especially in situations of dilemma. It creates a sense of shared purpose to build a strong foundation and focus on longevity of the company's success. Employees prefer to work with employers whose values resonate with them the ones they can relate to in their daily work & personal life

Strategic Levels in Organization

a) **Corporate Level**

i) It consists of CEO, other senior executives, BOD, & corporate staff
ii) These individuals participate in strategic decision making within org.
iii) This role includes defining mission & goals, determining what businesses it should be in, allocating resources among different businesses, formulating & implementing strategies that span individual businesses, & providing leadership for org. as a whole

b) **Business Level**

i) It consists divisional managers & staff
ii) Business-level manager, is head of division
iii) Strategic role of these managers is to translate general statements of direction
iv) Business-level managers are concerned with strategies that are specific to a particular business

c) **Functional Level**

i) It consists Functional Managers
ii) Responsible for specific business functions or operations
iii) Whereas general managers oversee operation of a whole co. or division
iv) It provide most of info that makes it possible for business & corporate level general managers to, formulate realistic & attainable strategies
v) It may generate important ideas that subsequently may become major strategies for Co.

Network of Relationship Between the Three Levels

a) **Functional & Divisional Relationship**

   i) it is an independent relationship, where each function or a division is run independently headed by function/division head, who is a business level manager, reporting directly to business head, who is a corporate level manager.

   ii) Functions maybe like Finance, Human Resources, Marketing, etc.

b) **Horizontal Relationship**

   i) All positions, from top management to staff- level employees, are in the same hierarchical position. It is a flat structure where everyone is considered at some level.

   ii) This type of relationship between levels is more suitable for startups where the need to share ideas with speed is more desirable.

c) **Matrix Relationship**

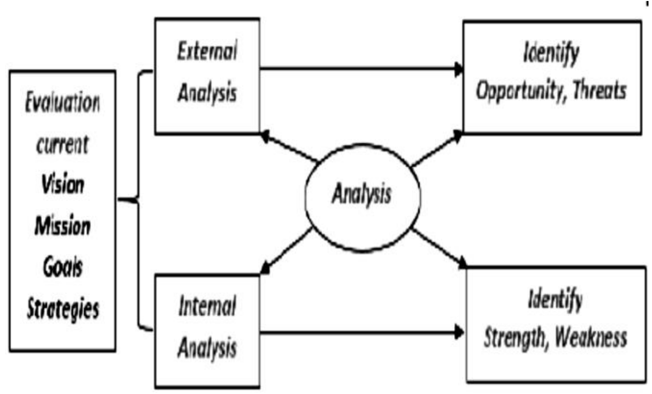
   i) It features a grid-like structure of levels in an organization, with teams formed with people from various departments that are built for temporary task-based projects

   ii) This relationship helps manage huge conglomerates with ease where it is nearly Impossible to track and manage every single team independently

CHAPTER 2.

STRATEGIC ANALYSIS: EXTERNAL ENVIRONMENT

Strategic Analysis



Issue to consider for Strategic Analysis

a) Strategy evolves over a period of time

b) Balance of external and internal factors

c) Risk

Time

Strategic Risks	Short Time	Long Time
External	Errors in interpreting the environment cause strategic failure	Changes in the environment lead to obsolescence of strategy.
Internal	Organizational capacity is unable to cope up with strategic demands.	Inconsistencies with the strategy are developed on account of changes in internal capacities & preferences

External Analysis

a) **Customer Analysis:** Segments, motivations, unmet needs.
b) **Competitor Analysis:** Strategic groups, performance, objectives, strategies, culture, cost structure.
c) **Market Analysis:** Size, growth, profitability, entry barriers.
d) **Environmental Analysis:** Technological, government, economic, cultural, demographic.

Opportunities, threats, trends, & Strategic uncertainties

Internal Analysis

a) Performance Analysis:
Profitability, sales, customer satisfaction, product qualify, relative cost, new products, human resources.
b) Determinants Analysis Post and current strategies, strategic problems, organizational Capabilities and constraints, financial resources, strengths, and weaknesses.

Strategic strengths, weakness, problems, constraints, & uncertainties

Strategic Identification & Selection

a) Identify strategic alternative
b) Select strategy
c) Implement the operating plan
d) Review strategies

Strategy and Business Environment

Business Environment

The term "business environment" refers to all external factors, influences, or situations that in some way affect business decisions, plans, & operations. Organizational success is determined by its business environment, & even more from its relationship with it.

Strategic management is involved with choosing a long- term direction in relation to these resources and opportunitie. It helps the business in the following ways:

a) Determine opportunities & threats
b) Give direction for growth
c) Continuous Learning
d) Image Building
e) Meeting Competition

Micro and Macro Environment

a) **Micro Environment**

Micro-environment is related to small area or immediate periphery of an organization. It influences an organization regularly and directly.

Within the micro or the immediate environment in which a firm operates we need to address the following issues -

a) The employees of the firm, their characteristics and how they are organized.
b) The existing customer base on which the firm relies for business.
c) The ways in which the firm can raise its finance.
d) Who are the firm suppliers and how are the links between the two being developed?
e) The local community within which the firm operates.
f) The direct competition and their comparative performance.

Strategy and Business Environment

A.] Macro Environment

1. **Elements of Macro Environment**

The environment includes factors outside the firm which can lead to opportunities for, or Characteristics threats to the firm. Although, there are many factors, the most important of the factors are socio-economic, technological, supplier, competitors, & government

a) Demographic Environment
b) Socio-Cultural Environment
c) Economic Environment
d) Political-Legal Environment
e) Technological Environment

2. **PESTLE-A tool to Analyse Macro Environment**

a) Political factors
b) Economic factors
c) Social factors
d) Technological factors
e) Legal factors
f) Environmental factors

Political

- Political stability
- Political principles and ideologies
- Current and future taxation policy
- Regulatory bodies and processes
- Government policies
- Government term and change
- Thrust areas of political leaders

Economic

- Economy situation and trends
- Market and trade cycles
- Specific industry factors
- Customer/end-user drivers
- Interest and exchange rates
- Inflation and unemployment
- Strength of consumer spending

Social

- Lifestyle trends
- Demographics
- Consumer attitudes and opinions
- Brand, company, technology image
- Consumer buying patterns
- Ethnic/religious factors
- Media views and perception

Technological

- Replacement
- technology/solutions
- Maturity of technology
- Manufacturing maturity & capacity
- Innovation potential
- Technology access, licensing, patents, property rights and copyrights

Legal

- Business and Corporate Laws
- Employment Law
- Competition Law
- Health & Safety Law
- International Treaty and Law
- Regional Legislation

Environmental

- Ecological/environmental issues
- Environmental hazards
- Environmental legislation
- Energy consumption
- Waste disposal

3. **Internationalization of Business**

(i) **Characteristics of a global business**

a) It is a conglomerate of multiple units but all linked by common ownership.
b) Multiple units draw on a common pool of resources, such as money, credit, information, patents, trade names & control systems.
c) The units respond to some common strategy.

(ii) **Developing internationally**

a) Evaluate global opportunities & threats and rate them with the internal capabilities.
b) Describe the scope of the firm's global commercial operations.
c) Create firm's global business objectives.
d) Develop distinct corporate strategies for the global business & whole organisation.

4. **Why do companies go global?**

a) Often finding opportunities in other parts of globe organisation extend their businesses & globalise
b) There is rapid shrinking of time & distance across globe thanks to faster communication
c) It is being realised that domestic markets are no longer adequate & rich
d) Need for reliable or cheaper source of raw-materials, cheap labour, etc.
e) Companies often set up overseas plants to reduce high transportation costs
f) When exporting organisations find foreign markets to open up or grow big
g) Rise of services to constitute largest single sector in world economy; & regional economic Integration
h) Trend is towards increased privatization of manufacturing & services sectors
i) made co's in different countries to form strategic alliances to ward off economic & technological threats & leverage their respective comparative & competitive advantages

5. **International Environment**

a) Multinational environmental analysis involves identifying, anticipating, & monitoring significant components of the global environment on a large scale.
b) Regional environmental analysis is a more in-depth evaluation of the critical factors in a specific geographical area
c) Country environmental analysis has to take a deeper look at imp environmental factors

B.] Understanding Product & Industry

(i) **Characteristics of Business Product**

a) Products are either tangible or Intangible
b) Product has a price.
c) Products have certain features that deliver satisfaction
d) Product is pivotal for business
e) A product has a useful life

(ii) **Product Life Cycle**

PLC is S-shaped curve which exhibits relationship of sales with respect of time for product that passes through four successive stages:

a) **Introduction -** Competition is almost negligible, prices are relatively high & markets are limited
b) **Growth -** Demand expands rapidly, prices fall, competition increases & market expands
c) **Maturity -** Competition gets tough & market gets stablised, Profit comes down
d) **Decline -** Sales & profits fall down sharply due to some new product replaces existing product

Understanding Product & Industry

Value Chain Analysis

Value chain analysis is a method of examining each activity in value chain of a business in order to identify areas for improvements.

When you do a value chain analysis, you must analyse how each stage in the process adds or subtracts value from the end product or service.

Primary activities

a) Inbound logistic
b) Operation
c) Outbound logistics
d) Marketing & sales
e) Service

Supportive Activities

a) Procurement
b) Technology development
c) HR management
d) Infrastructure

Industry Environment Analysis

A.] Porter's Five Forces Model

[I] Threat of New Entrants

a) A firm's profitability tends to be higher when other firms are blocked from entering industry
b) Common barriers to entry include:
   (i) Capital requirements
   (ii) Economies of scale
   (iii) Product differentiation
   (iv) Switching costs
   (v) Brand identity
   (vi) Access to distribution channels
   (vii) Possibility of aggressive retaliation by existing players

[II] Bargaining Power of Buyers

a) Buyers of an industry's products or services con sometimes exert considerable pressure on existing firms to secure lower prices or better services
b) This leverage is particularly evident when
   (i) Buyers have full knowledge of sources of products & their substitutes
   (ii) They spend a lot of money on industry's products
   (iii) Industry's product is not perceived as critical to buyer's needs

[III] Bargaining Power of Suppliers

a) Suppliers can command bargaining power over a firm when:-
   (i) Their products are crucial to buyer & substitutes are not available
   (ii) They can erect high switching costs
   (iii) They are more concentrated than their buyers

[IV] The Nature of Rivalry in Industry

a) Rivalry among competitors tends to be cutthroat & industry profitability low under various conditions explained as follows-
   (i) Industry Leader
   (ii) Number of Competitors
   (iii) Fixed Costs
   (iv) Exit Barriers
   (v) Product Differentiation
   (vi) Slow Growth

[V] Threat of Substitutes

Substitute products are a latent source of competition in an industry. In many cases they become a major constituent of competition. Substitute products offering a price advantage and/or performance improvement to consumer can drastically alter competitive character of an industry. & they can bring it about all of a sudden

B.] Attractiveness of Industry

Important factors on which the management may base conclusions include

a) The industry's growth potential, is it futuristically viable?
b) Whether competition currently permits adequate profitability & whether competitive forces will become stronger or weaker?
c) Whether industry profitability will be favourably or unfavourably affected by the prevailing driving forces?
d) The competitive position of an organization in the industry and whether its position is likely to grow stronger or weaker.
e) The potential to capitalize on the vulnerabilities of weaker rivals
f) Whether the company is able to defend against or counteract the factors that make the industry unattractive?
g) The degrees of risk and uncertainty in the industry's future
h) The severity of problems confronting the Industry as a whole.
i) Whether continued participation in this industry adds importantly to the firm's ability to be successful in other industries in which it may have business interests?

Industry Environment Analysis

[I] Experience Curve

Experience curve is based on commonly observed phenomenon that unit costs decline as a firm accumulates experience in terms of a cumulative volume of production. It is based on the concept, "we learn as we grow"

Experience curve has following features:

a) As business organisation grow, they gain experience.
b) Experience may provide an advantage over the competition. Experience is a key barrier to entry.
c) Large and successful organisation possess stronger "experience effect"

[II] Value Creation

It is an activity or performance by the firm to create value that increases the worth of goods, services, business processes or even the whole business system.

Competitive advantage leads to superior profitability. At the most basic level, how profitable a company becomes depends on three factors-

a) the value customers place on the company's products,
b) the price that a company charges for its products; &
c) the costs of creating those products

Market & Customer

[I] Market

Market is a place, business strategist work on marketing to improve the chances of success. The term "marketing" encompasses a wide range of operations, including research, designing, pricing, promotion, transportation, and distribution. Often market activities are categorised and explained in terms of four Ps of marketing-product, place, pricing, & promotion

[II] Customer

A customer is a person or business that buys products or services from another organisation Customers are important because they provide revenue & organisations cannot exist without them

[III] Customer Analysis

It identifies target clients, determines their wants, & then defines how product meets those needs. Thus, it involves the examination & evaluation of consumer needs, desires, & wants.

It includes the administration of customer surveys, the study of consumer data, the evaluation of market positioning strategies, development of customer profiles, & the selection of the best market segmentation techniques

[IV] Customer Behaviour

Consumer behaviour may be influenced by a number of things. These elements can be categorised into the following conceptual domains-

a) External Influences
b) internal influences
c) Decision Making
d) Post-decision Processes

Competitive Strategy

[I] Competitive Landscape

It is about identifying & understanding the competitors & at the same time, it permits the comprehension of their vision, mission, core values, niche market, strengths and weaknesses

Steps to understand the Competitive Landscape-

a) Identify the competitor
b) Understand the competitors
c) Determine the strengths of the competitors
d) Determine the weaknesses of the competitors
e) Put all of the information together

[II] Key factors for competitive success

a) On what basis do customers choose between the competing brands of sellers? What product attributes are crucial to sales?
b) What resources and competitive capabilities does a seller need to have to be competitively successful, better human capital, quality of product or quantity of product, cost of service, etc?
c) What does it take for sellers to achieve a sustainable competitive advantage, something that can be sustained for long term?

CHAPTER 3.

STRATEGIC ANALYSIS: INTERNAL ENVIRONMENT

Understanding Key Stakeholder

Who are Stakeholders?

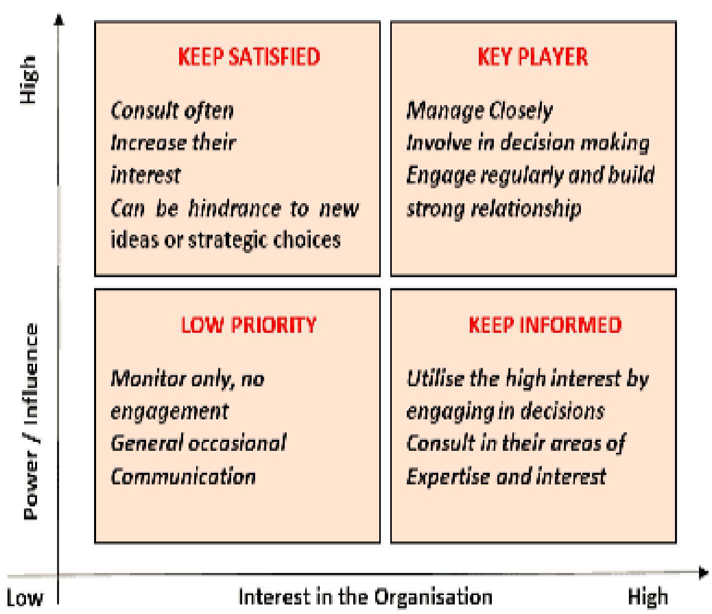
All those individuals & entities that have a stake in its success & con impact it as well. They may be the employees, shareholders, investors, suppliers, customers, regulators and so on. This view of the firm is in contrast to the earlier view of the firm that was considered to be an extension of the owners & shareholders alone

Ex. of Key Stakeholders & their requirements for an OTT Platform

Stakeholders	Requirements
Shareholders	▪ innovation & continuous creative content ▪ Total shareholder return (RoI) ▪ Corporate social responsibility ▪ Top rankings of the org ▪ Highest market share
CEO and Board of Directors	▪ Prestige ▪ Market share ▪ Revenue and profit growth ▪ Market rankings
Major Vendors (Production Houses)	▪ Growth ▪ Stability of ordering ▪ Stable margins
Consumers (Viewers)	▪ New content-innovation ▪ Better deals-Pricing Benefits ▪ Value for money ▪ Continuous supply
Employees	▪ Wages & benefits ▪ Stability of employment ▪ Pride of working for a reputed org

Mendelow's Matrix

Mendelow's Matrix is based on Power & Interest. M suggests to identify which stakeholders are incredibly Important. Metrics to define the importance being High Power & High Interest which management would need to manage closely, while investing a lot of time & resources.



Strategic Driver

- Industry
- Customer
- Product
- Channels

A.] Industry & Markets

1. **Is market the same for all businesses?**
   Market refers to all buyers & sellers of a particular product/ service & so it would be incorrect to say that market is same for all businesses. Each business has its own set of customers Ie market & more so, each product within a business has its own market
2. **Analyzing industry and Markets**
   Industry & market analysis is extremely important to identify one's position as compared to the competitors, who can be of equal size & value, or bigger in size & value or even smaller & newer. A tool used for this is called Strategic Group Mapping
3. **Procedure for constructing a strategic group map & deciding which firms belong in which strategic group is straightforward-**
   - Identify the competitive characteristics that differentiate firms in industry typical variables are price/quality range, geographic coverage, degree of vertical integration, product-line breadth, use of distribution channels, & degree of service offered
   - Plot the firms on a two-variable map using pairs of these differentiating characteristics
   - Assign firms that fall in about the same strategy space to the same strategic group.
   - Draw circles around each strategic group making the circles proportional to the size of the group's respective share of total Industry sales revenues

B.] Customers

Customer versus Consumer

A simple bifurcation yet extremely important for strategy build up. Consumers are the ones who finally use a product/service, while customers are the buyers of that product. A customer can be a consumer and vice versa. But for strategy teams especially marketing teams it is Important to understand the customer and consumer separately.

C.] Product/Services

1. Product stands for the combination of "goods-and-services" that the company offers to the target market
2. For a new product, pricing strategies for entering a market need to be designed and for that matter at least three objectives must be kept in mind-
   a) Have customer-centric approach while making a product.
   b) Produce sufficient returns through a reasonable margin over cost.
   c) Increasing market share.

Marketing Strategies

- Social Marketing
- Augmented Marketing
- Direct Marketing
- Relationship Marketing
- Services Marketing
- Person Marketing
- Organization Marketing
- Place Marketing
- Enlightened Marketing
- Differential Marketing
- Synchro-marketing
- Concentrated Marketing
- Demarketing

D.] Channels

1. Channels are the distribution system by which an organisation distributes its product or provides its service
2. There are typically three channels thot should be considered-
   a) The sales channel
   b) The product channel
   c) The service channel

Role of Resources & Capabilities: Building Core Competency

1. Competency is defined as a combination of skills & techniques rather than individual skill or separate technique
2. Major core competencies are identified in three areas
   a) competitor differentiation,
   b) customer value, and
   c) application to other markets
3. Criteria for bilding a core competencies (CC)
   a) Valuable
   b) Rare
   c) Costly to imitate
   d) Non-substitutable

Combining External & Internal Analysis (SWOT Analysis)

1. SWOT analysis is the analysis of a business's strengths, weaknesses, opportunities & threats

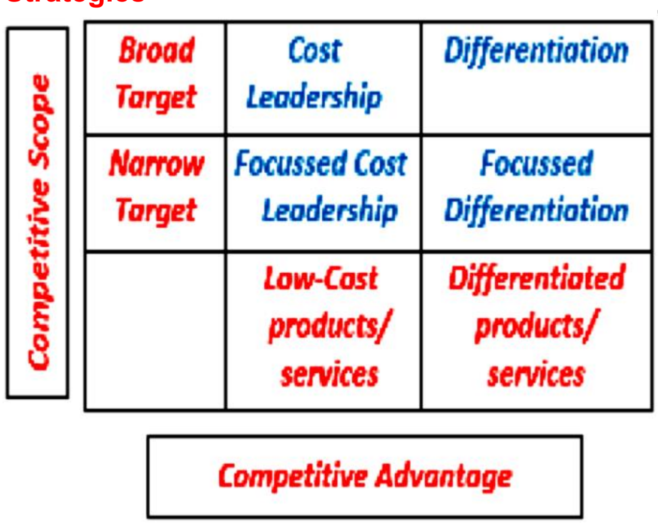
	Helps to achieving the objects	Harmful to achieving the objects
Internal Origin (Attributes to the organization)	Strengths	Weakness
External Origin (Attributes to the Environment)	Opportunities	Threats

2. SWOT Analysis for Internal or External Environment?
   SWOT stands for Strengths, Weaknesses, Opportunities & Threats. Internal analysis is more focused on understanding the existing structure & competencies of the business, thus highlighting the Strengths and Weaknesses, while External Analysis is about identifying and preparing for uncontrollable which can either be Opportunities or threats.
   Therefore, SWOT Analysis is a tool which is used for both Internal & External Analysis.

Competitive Advantage: Using Michael Porter’s Generic Strategies

a) Durability
b) Transferability
c) Imitability
d) Appropriability

Michael Porter's Generic Strategies



Michael Porter's Generic Strategies

[I] Cost Leadership Strategy

a) It is a low cost competitive strategy that aims at broad mass market

b) It is effective when market is composed of many price- sensitive buyers, when there are few ways to achieve product differentiation

Achieving Cost Leadership Strategy

a) Prompt forecasting of demand of a product or service.

b) Optimum utilization of resources to achieve cost advantages.

c) Achieving economies of scale; thus, lower per unit cost of product/service

d) Standardisation of products for mass production to yield lower cost per unit

e) Invest in cost saving technologies & using advance technology for smart efficient working.

f) Resistance to differentiation till it

Advantages

i) Rivalry

ii) Buyers

iii) Suppliers

iv) Entrants

v) Substitutes

Disadvantages

i) Cost advantage may not last long as competitors may imitate cost reduction techniques.

ii) Cost leadership can succeed only if the firm can achieve higher sales volume.

iii) Cost leaders tend to keep their costs low by minimizing cost of advertising, market research, and research & development, but this approach can prove to be expensive in the long run.

iv) Technological advancement areas a great threat to cost

[II] Differentiation Strategy

a) Aimed at broad mass market & involves creation of a product or service that is perceived by customers as unique

b) Basis of Differentiation-

- Product
- Pricing
- Organization

Achieving Differentiation Strategy

a) Offer utility to the customers & match products with their tastes & preferences.
b) Elevate/Improve performance of the product.
c) Offer the high-quality product/service for buyer satisfaction.
d) Rapid product innovation to keep up with dynamic environment.
e) Taking steps for enhancing brand image & brand value.
f) Fixing product prices based on unique features of product & buying capacity of customer.

Advantages

i) Rivalry
ii) Buyers
iii) Suppliers
iv) Entrants
v) Substitutes

Disadvantages

i) In long term, uniqueness is difficult to sustain.
ii) Charging too high a price for differentiated features may cause the customer to switch-off to another alternative.
iii) Differentiation fails to work if its basis is something that is not valued by the customers.

[III] Focus Strategies

a) **Focused cost leadership**
 i) It requires competing based on price to target a narrow market
 ii) It charges low prices relative to other firms that compete within target market

b) **Focused differentiation**
 i) It requires offering unique features that fulfill demands of a narrow market
 ii) It concentrate their efforts on a particular sales channel

- **Achieving Focused Strategy**
 i) Selecting specific niches which are not covered by cost leaders and differentiators,
 ii) Creating superior skills for catering such niche markets.
 iii) Generating high efficiencies for serving such niche markets.
 iv) Developing innovative ways in managing the value chain.

 Advantages

 i) Premium prices can be charged by the organisations for their focused product/services.
 ii) Due to the tremendous expertise in the goods and services that the organisations following focus strategy offer, rivals and new entrants may find it difficult to compete.

 Disadvantages

 i) The firms lacking in distinctive competencies may not be able to pursue focus strategy.
 ii) Due to the limited demand of product/services, costs are high, which can cause problems.
 iii) In the long run, the niche could disappear or be taken over by larger competitors by acquiring the same distinctive competencies.

[IV] Best-Cost Provider Strategy

Best-cost provider strategy involves providing customers more value for the money by emphasizing on lower cost and better- quality differences. It can be done through -

a) offering products at lower price than what is being offered by rivals for products with comparable quality and features Or
b) charging similar price as by the rivals for products with much higher quality and better features.

CHAPTER 4.

STRATEGIC CHOICES [4.1]

Typologies of Strategies

(i) Level

a) Corporate Level
b) Business Level
c) Functional Level

(ii) Stages of Business Life Cycle

a) Entry/Introduction Stage - Market Penetration Strategy
b) Growth Stage Growth/Expansion Strategy
c) Maturity Stage Stability Strategy
d) Decline Stage - Retrenchment/Turnaround Strategy

(iii) Competition Oriented

a) Competitive Strategies - Cost Leadership, Differentiation, Focus
b) Collaboration Strategies-Joint Venture, Merger & Acquisition, Strategic Alliance

Corporate Strategy

A.) Stability Strategy
B.) Expansion Strategy
C.) Retrenchment Strategy
D.) Combination Strategy

A.] Stability Strategy

a) **A stability strategy is pursued by a firm when:-**

i) it continues to serve in same or similar markets & deals in same or similar products & services
ii) This strategy is typical for those firms whose product have reached the maturity stage of product life cycle or those who have a sufficient market share but need to retain that

b) **Characteristics**

i) Firm stays with same business, same product- market posture & functions
ii) Endeavour is to enhance functional efficiencies in an incremental way, through better deployment & utilization of resources
iii) It does not involve a redefinition of business of corporation
iv) It is basically a safety-oriented, status quo.
v) It does not warrant much of fresh investments
vi) Risk is less
vii) concentrating its resources & attention on existing businesses/products & markets
viii) firms with modest growth objective choose this strategy.

c) **Major Reasons for Stability Strategy**

i) A product has reached the maturity stage of the product life cycle.
ii) The staff feels comfortable with the status quo as it involves less changes and less risks.
iii) It is opted when the environment in which an organisation is operating is relatively stable.
iv) Where it is not advisable to expand as it may be perceived as threatening.
v) After rapid expansion, a firm might want to stabilize & consolidate itself

Why don't Startups aim for stability?

A startup is an entrepreneurial venture in the early stages of ideation & development, generally created for solving real-life problems through technology. For it, the most important factors are speed and agility, because of it being in a nascent stage of operations. Stability on the other hand is more meaningful strategy when the size of operations is expanded to full capacity and business is at a mature stage. Thereby, we rarely see startups aiming for stability.

A.] Growth / Expansion Strategy

a) **Meaning**

Redefining business by enlarging scope of business & substantially increasing investment in business

b) **Characteristics**

i) Redefinition of business
ii) It is opposite of stability strategy
iii) It leads to business growth
iv) process of renewal of firm through fresh investments & new businesses/Products/ Markets
v) It is a highly versatile strategy; it offers several permutations & combinations
vi) Expansion strategy holds within its fold two major strategy routes: Intensification & Diversification

c) **Major Reasons for Growth/Expansion**

i) It may become imperative when environment demands increase in pace of activity.
ii) Strategists may feel more satisfied with the prospects of growth from expansion; chief executives may take pride in presiding over organizations perceived to be growth-oriented.
iii) Expansion may lead to greater control over the market vis-a-vis competitors.
iv) Advantages from the experience curve and scale of operations may accrue.
v) Expansion also includes intensifying, diversifying, acquiring & merging businesses

d) **Types of Growth / Expansion Strategy**

Internal Growth Strategies

a) Expansion through Intensification
  i) Market Penetration
  ii) Market Development
  iii) Product Development
b) Expansion through Diversification
  i) Concentric diversification
    a. Vertically integrated Diversification
      - Forward & Backward Integration
    b. Horizontal Integrated Diversification
  ii) Conglomerate diversification
  iii) Innovation
    - Helps to solve complex problems
    - Increases Productivity
    - Gives Competitive Advantage

External Growth Strategies

a) Expansion through Mergers & Acquisitions
  - Vertical Merger
  - Horizontal Merger
  - Co-generic Merger
  - Conglomerate Merger
b) Expansion through Strategic Alliance

  Advantages-

- Organizational
- Economic
- Strategic
- Political

Disadvantages

- Sharing

B.] Strategic Exits

- ➢ Turnaround Strategy
- ➢ Disinvestment Strategy

Turnaround Strategy

i) Conditions or indicators which point out that a turnaround is

a) Persistent negative cash flow from business
b) Uncompetitive products or services
c) Declining market share
d) Deterioration in physical facilities
e) Over-staffing, high turnover of employees, & low morale
f) Mismanagement

ii) Action Plan for Turnaround

a) Assessment of current problems
b) Analyze situation & develop a strategic plan
c) Implementing an emergency action plan
d) Restructuring business
e) Returning to normal

iii) Important elements

a) Changes in top management
b) Initial credibilit building actions
c) Neutralizing external pressures
d) Identifying quick payoff activities
e) Quick cost reductions
f) Revenue generation
g) Asset liquidation
h) Better internal coordination

iv) Is Turnaround strategy only relevant to loss making businesses?

turnaround strategy is relevant when a company is experiencing a period of poor performance, Poor performance does not always mean louses, it may also mean lower than expected growth, no future clarity, or even lesser than target profits.

v) Major Reasons for Retrenchment/ Turnaround Strategy

a) The management no longer wishes to remain in business either partly or wholly due to continuous losses and unviability
b) The management feels that business could be made viable by divesting some of the activities or liquidation of unprofitable activities
c) A business that had been acquired proves to be a mismatch and canner be integrated within the company
d) Persistent negative cash flows from a particular business create financial problems for the whole company, creating the need for divestment of that business
e) Severity of competition & the inability of a firm to cope with it may cause it to divest
f) Technological upgradation is required if the business is to survive but where it is not possible for the firm to invest in it, a preferable option would be to divest

Divestment Strategy

a) **A divestment strategy may be adopted due to various reason**

i) A business that had been acquired proves tom be a mismatch & cannot be integrated within the company.

ii) Persistent negative cash flows from a particular business create financial problems for the whale company, creating the need for divestment of that business

iii) Severity of competition & the inability of a mm to cope with it may cause it to divest

iv) it is not possible for the business to do Technological upgradation that is required for the business to survive, a preferable option would be to divest

v) A better alternative may be available for investment, cowing a firm to divest a part of its unprofitable business

b) **Characteristics of Divestment Strategy**

i) This strategy involves divestment of some of the activities in a given business of firm or sell-out of name of the businesses as such.

ii) Divestment is to be viewed as an integral part of corporate strategy without any stigma attached

C.] Strategic Options

- Ansolf's product market growth Matrix
- General Electric Matrix
- BCG growth- share Matrix
- ADL Matrix

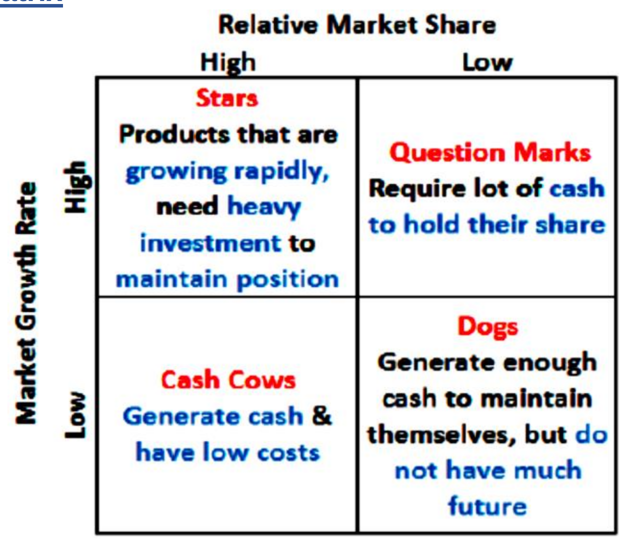
Ansoff's product market growth Matrix

Market Penetration Selling existing products into existing markets	**Product Development** New products into existing markets
Market Development Existing products into new markets	**Diversification** New products in new markets

General Electric Matrix

		Business Strength in Industry		
		Strong	**Average**	**Weak**
Market Attractiveness	**High**	Invest	Invest	Hold
	Medium	Invest	Hold	Divest
	Low	Hold	Divest	Divest

BCG growth-share Matrix



BCG Matrix: Post Identification Strategies

i) Build (Question Mark)
ii) Hold (Star)
iii) Harvest (Cash Cow)
iv) Divest (Dog)

ADL Matrix

i) Dominant Monopoly or strong & protected technological leadership
ii) Strong Freedom over its choice of strategies & is often able to act without its market position being unduly threatened by its competitions
iii) Favourable - Reasonable degree of freedom
iv) Tenable Perform satisfactorily, vulnerable to increased competition from stronger co. in market
v) Weak: Performance of firms unsatisfactory, opportunities for improvement exist

CHPATER 5.

STRATEGY IMPLEMENTATION & EVALUATION

Strategic Management Process

(A) Stages in Strategic Management

a) Developing a strategic vision & formulation of statement of mission, goals & objectives
b) Environmental & organizational analysis
c) Formulation of
d) implementation of
e) Strategic evaluation & control

(B) Strategy Formulation

(i) Corporate Strategy

a) **Strategic planning**

Characteristics of Strategic planning

i) Shapes the organisation & its resources
ii) Assesses the impact of environmental variables
iii) Takes a holistic view of the organisation.
iv) Develops overall objectives & strategies
v) Is concerned with the long-term success of the organisation.
vi) Is a senior management responsibility.

b) **Operational planning**

Characteristics of Operational planning

i) Deals with current deployment of Resources
ii) Develops tactics rather than strategy.
iii) Projects current operations into the future.
iv) Makes modifications to the business
v) functions but not fundamental changes.
vi) Is the responsibility of functional

Strategic uncertainty and how to deal with it?

a. Flexibility
b. Diversification
c. Building Resilience
d. Monitoring & Scenario Planning
e. Collaboration and Partnerships

(C) Strategy implementation

Strategy implementation concerns the managerial exercise of putting a freshly choses strategy into action. It deals with the managerial exercise of supervising the ongoing pursuit of strategy, making it work, improving the competence with which it is executed and showing measurable progress in achieving the targeted results.

Forward & Backward Linkages

Forward Linkage

Different elements in strategy formulation starting with objective setting through environmental & organizational appraisal, strategic alternatives & choice to strategic plan determine course that an organization adopts for itself

Backward linkage

Organization tend to adopt those strategies which can be implemented with help of present structure of resources

Issues in Strategy implementation

i) Project implementation
ii) Procedural implementation
iii) Resource allocation
iv) Structural implementation
v) Functional implementation
vi) Behavioral Implementation

(D) Difference Between Strategy Formulation & Strategy Implementation

Strategy Formulation

i) It includes planting & decision-making involved in developing organization's strategic goals & plans
ii) It is placing the Forces before action
iii) An Entrepreneurial Activity based on strategic decision-making
iv) Emphasizes an effectiveness
v) Primarily an intellectual & rational process
vi) Requires co-ordination among few individuals at the top level
vii) Requires a great deal of initiative, logical skills, conceptual intuitive & analytical skills.
viii) Strategic Formulation precedes Strategy Implementation

Strategy implementation

i) It involves all those means related to executing the strategic plans
ii) It is managing forces during action.
iii) An Administrative Tosk based on strategic & operational decisions.
iv) Emphasizes an efficiency.
v) Primarily an operational process
vi) Requires co-ordination among many individuals at the middle & lower
vii) Requires specific motivational leadership traits

viii) Strategy Implementation follows Strategy Formulation

Strategic Change Through Digital Transformation

(A) Strategic Change

Steps to initiate strategic change

i) Recognize the need for change
ii) Create a shared vision to manage change
iii) Institutionalise the

Kurt Lewin's Model of Change

i) Unfreezing the situation
ii) Changing to the new situation
- Compliance
- Identification
- Internalization

iii) Refreezing

(B) How does digital transformation work?

i) Use of digital technologies to develop fresh, improved, or entirely new company procedures, goods, or services is known as "digital transformation"

ii) Change management in the digital transition consists of four essential elements:
a) Defining the goals and objectives of the transformation
b) Assessing the current state of the organization and identifying gaps
c) Creating a roadmap for change that outlines the steps needed to reach the desired state
d) Implementing and managing the change at every level of the organization

iii) How does change management work?

Change management is a process or sets of tools and best practices used to manage changes in an organization. It assists in making changes in a safe and regulated manner, reducing the possibility of detrimental effects on the company

iv) A properly implemented change management strategy can help an organization to
a) Specify the parameters and goals of the digital transformation
b) Determine which procedures and tools need to be modified.
c) Make a plan for implementing the improvements.
d) Involve staff members and parties involved in the transformation process.
e) Track progress and make required course corrections

(C) Change Management Strategies for Digital Transformation

The five best practices for managing change in small and medium-sized

a) Begin at the top
b) Ensure that the change is both necessary and desired
c) Reduce disruption
d) Encourage communication
e) Recognize that change is the norm, not the exception

(D) How to Manage Change during Digital Transformation

a) Specify the digital transformation's aims & objectives
b) Always, always, always communicate
c) Be ready for resistance
d) Implement changes gradually
e) Offer assistance and training

Organizational Framework

1. **McKinsey 75 Model**

i) It refers to a tool that analyzes a company's "organizational design”

ii) McKinsey 7s Model focuses on how the "Soft Sa" & "Hard Ss" elements are interrelated, suggesting that modifying one aspect might have a ripple effect on the other elements in order to maintain an effective balance.

Hard elements in an org.

a) Strategy
b) Structure
c) Systems

Soft elements in an org.

a) Shared Values
b) Style
c) Staff
d) Skills

Limitations of this model are-

a) It ignores the importance of the external environment and depicts only the most crucial elements within the organization.
b) The model does not clearly explain the concept of organizational effectiveness or performance.
c) The model is considered to be more static and less flexible for decision making.
d) It is generally criticized for missing out the reals gaps in conceptualization and execution of strategy.

Organisation Structure

a) **Simple Structure**
   i) It is most appropriate for companies that follow a single business strategy & offer a line of products in a single geographic market
   ii) Communication is frequent direct, & new products tend to be introduced to market quickly, which can result in a competitive advantage

b) **Functional Structure**
   i) It groups tasks & activities by business function
   ii) It is simple & inexpensive
   iii) It promotes specialization of labour, encourages efficiency, minimizes need for an elaborate control system, & allows rapid decision making
   iv) It consists of CEO or MD & limited corporate staff with functional line managers in dominant functions

c) **Divisional Structure**
   i) It can be organized in ways
      a. Geographic
      b. Product or service
      c. Customer
      d. Functional
   ii) Clear Accountability
   iii) It is based on extensive delegation of authority, managers & employees can easily see results of their good or bad performances
   iv) It is similar to functional structure, because activities are organized according to the way work is actually performed

d) **Multi Divisional Structure**

It is composed of operating divisions where each division represents a separate business to which top corporate officer delegates responsibility for day-to-day operations & business unit strategy to division managers

Multidivisional structure calls for-

i) Creating separate divisions, each representing a distinct business
ii) Each division would house its functional hierarchy,
iii) Division managers would be given responsibility for managing day-to-day operations;

iv) A small corporate office that would determine the long-term strategic direction of the firm and exercise overall financial control over the semi-autonomous divisions

e) **Strategic Business Unit (SBU) Structure**

An SBU is a grouping of related businesses, which is amenable to composite planning treatment.

A multi-business enterprise groups its multitude of businesses into a few distinct business units in a scientific way.

Important characteristics of

i) It is a single business or a collection of related businesses which offer scope for independent planning & which might feasibly standalone from the rest of the organization.
ii) It has its own set of competitors
iii) It has a manager who has responsibility for strategic planning & profit performance, & who has control of profit-influencing factors.

Attributes of an SBU & the benefits -

i) A scientific method of grouping the businesses of a multi-business corporation which helps the firm in strategic planning
ii) An improvement over the territorial grouping of businesses & strategic planning based on territorial units
iii) It is a grouping of related businesses that can be taken up for strategic planning distinct from the rest of the businesses
iv) Products/businesses that are related from the standpoint of "function" are assembled together as a distinct SBU.
v) Unrelated products/businesses in any group are separated
vi) Grouping the businesses on SBU lines helps the firm in strategic planning by removing the vagueness and confusion
vii) Each SBU is a separate business from strategic planning standpoint
viii) Each SBU will have its own distinct set of competitors & its own distinct strategy.
ix) Each SBU will have a CEO.
x) SBUs might build on similar technologies, or all provide similar sorts of products or services
xi) SBUs might be serving similar or different markets.
xii) Or it may be that other competences on which the competitive advantage of different SBUs are built have similarities

f) **Matrix Structure**

i) In matrix structures, functional & product forms are combined simultaneously at same level
ii) It is complex of al design since it depends upon both vertical & horizontal flows
iii) It result in higher overhead project objective are clear

Phases for development of matrix structure Davis & Lawrence

a. Cross – functional task forces
b. Product/brand management
c. Mature matrix

Network Structure

a. It is termed "non-structure" by its virtual elimination
b. It become useful when environment of firm in unstable & is expected to remain so
c. It provides org with increased flexibility & adaptability to cope with rapid technological change & shifting pattern of international trade & competition

Hourglass Structure

i) This structure consists of 3 layers with constricted middle layer
ii) Structure has short & narrow middle-management level

iii) IT links top & bottom levels in org taking away many tasks that are performed by middle level managers
iv) Managers are generalists & they handle cross-functional issues emanating such as those from marketing, finance or production

Organization Culture

a) Corporate culture refers to a company's values, beliefs, business principles, traditions, ways of operating, and internal work environment.

b) Where Does Corporate Culture Come From?
A company's culture is manifested in the values & business principles that management preaches & practices, in its ethical standards & official policies, in its stakeholder relationships, in the traditions the organization maintains, in its supervisory practices, in employees' attitudes and behaviour, in the legends people repeat about happenings in the organization, inthe peer pressures that exist, in the organization's politics that permeate the work environment

c) Culture: ally or obstacle to strategy execution?
organization's culture is either an important contributor or an obstacle to successful strategy execution. The beliefs, vision, objectives, and business approaches and practices underpinning a company's strategy may or may not be compatible with its culture

d) **Role of culture in strategy execution**
   i) Perils of Strategy-Culture Conflict
   ii) Creating a strong fit between strategy & culture
   iii) Changing a problem culture

Strategic Leadership

Managers have five leadership roles to play in pushing for good strategy execution-

i) Staying on top of what is happening, closely monitoring progress, solving out issues, and learning what obstacles lie in the path of good execution.
ii) Promoting a culture of esprit de corps that mobilizes and energizes organizational members to execute strategy in a competent fashion and perform at a high level.
iii) Keeping the organization responsive to changing conditions, alert for new opportunities, bubbling with innovative ideas, and ahead of rivals in developing competitively valuable competencies and capabilities.
iv) Exercising ethical leadership and insisting that the company conduct Its affairs like a model corporate citizen
v) Pushing corrective actions to improve strategy execution and overall strategic performance.

Leadership role in implementation

Effective Strategic Leadership

Responsibilities of Strategic Leader

i) Making strategic decisions
ii) Formulating policies & action plana
iii) Ensuring effective communication
iv) Managing human capital
v) Managing change in org
vi) Creating & sustaining strong corporate culture
vii) Sustaining high performance over time

Approaches to leadership style

1. Transformational leadership style
   a) It uses enthusiasm to inspire people to exert them for good of organization
   b) Transformational leaders offer excitement, vision, intellectual stimulation & personal satisfaction
2. Transactional leadership style
   a) It uses authority of its office to exchange rewards, such as pay & status
   b) More formalized approach to motivation, setting clear goals with explicit rewards or penalties for achievement or non-achievement

Strategic Performance Measures

Types of Strategic Performance Measures

a) Financial Measures
b) Customer Satisfaction Measures
c) Market Measures
d) Employee Measures
e) Innovation Measures
f) Environmental Measures

The Importance of Strategic Performance Measures

a) Goal Alignment
b) Resource Allocation

c) Continuous Improvement
d) External Accountability

Choosing the Right Strategic Performance Measures

a) Relevance
b) Data Availability
c) Data Quality
d) Data Timeliness

Strategic Control

It is function intended to ensure & make possible performance of planned activities & to achieve pre-determined goals & results

1. **Elements**
    a) Objectives & characteristics of system which could be operationalized into measurable & controllable standards
    b) Mechanism for monitoring & measuring characteristics of system
    c) Mechanism for comparing actual results with reference to standards, detecting deviations from standards & learning new insights on standards themselves
    d) Mechanism feeding back corrective & adaptive information & instruction to system, for effecting desired changes
2. **Types of organizational Control**
    a) **Operational Control**
    It is on individual tasks or transactions as against total or more aggregative management functions
    b) **Management Control**
    It is more inclusive & more aggregative in sense of embracing integrated activities of complete department, division or even entire org, instead or mere narrowly circumscribed activities of sub-units
    c) **Strategic Control**
        i) It focuses on dual questions of whether:
            a) Strategy is being implemented as planned
            b) Results produced by strategy are those intended
        ii) It is process of evaluating strategy as it is formulated & implemented
        iii) Types of Strategic Control:
            a. Premise control
            b. Strategic surveillance
            c. Special alert control
            d. Implementation control
                i) Monitoring strategic thrusts
                ii) Milestone Reviews