

**#1 CHART BOOK**  
**STRATEGIC  
MANAGEMENT**

**BOONSTRA**



- ✓ 100% Coverage of NEW CA COURSE
- ✓ As per ICAI's NEW ICAI Study Material
- ✓ Highlighted SM Keywords
- ✓ VVH Topics Marking
- ✓ Easy to Learn Memory Codes
- ✓ Question of the Day

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(IIM-C Alumnus,  
External Subject Expert at the BOS of ICAI  
Google Certified Data Analyst)

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# About the Author

## Prof. Om Trivedi

IIM-C Alumnus, An Entrepreneur, Guest Faculty of LVC and External Subject Expert at the BOS of #ICAI, Visiting Faculty Member of #NIRC and #WIRC of ICAI, Author, Publisher, Educationist, Management Consultant, and Corporate Speaker.

### Synopsis

- Over **11 years of teaching experience** in various CA, CS, CMA and MBA courses.
- Guided more than **1,00,000 CA, CS, and CMA** students through Face to Face Classes and more than **50,000 students** through LIVE Vir-tual & Online Classes.
- Students scored **AIR 20, 22, 23, 36, 37, 40 & 47 with 1000s of exemptions.**
- Taken batches at **NIRC and WIRC of ICAI, LVC of the BOS of ICAI, ETEN CA, Unacademy, Prime Academy, Rajesh Makkar Classes & Om Trivedi Classes** Delhi.
- His student scored **"Highest Marks"** in this subject.
- Done researches and projects in areas like competition studies, Financial Modeling, Data Analytics value creation, and competitive advantages, MIS, and Process Improvement Techniques.
- **Author** of books on **Financial Management, Strategic Management, CMA, Strategic Financial Management, Strategic Cost Management & Performance Evaluation, Risk Management, Mercantile Law, Generic Skills & Ethics, and Communication.** Case Study Developer and Content writer on Management subjects for different Distance Learning Programmer (DLPs) of eminent universities of India.
- Over **17 years of industry experience in Publishing, Content Development and Editing**, Instructional Design, Instructor's Resource Development, Acquisitions of Businesses, Authors and Imprints, Sales and Marketing, Publishing solution, and operations. Partner with LexisNexis India (A Reed Elsevier Company).
- Worked with **Thomson Learning** as Regional Head (East India, Nepal, Bangladesh, and Bhutan), with **Tata McGraw-Hills** as **Acquisition Head (North, East, and West India)**, with **Macmillan** as **Acquisition Editor** and with Firewall Media as Business Development Manager.
- Worked as a **Consultant business head- HEP of Trinity Press** (Formerly Macmillan India's Higher Education Programme) in 2013-14 and played an instrumental role in the acquisition of Macmillan India's Higher Education Programme by LPPL under the brand name Trinity Press.
- Worked as a **consultant and business advisor** on book publishing, content development, instructional design, case study development, instructor's resources, and copyright matters to several companies like **Macmillan, LexisNexis India, Vikas Publishing, Excel Books, Firewall Media, Biztantra and Taxmann.**











# 1

## CHAPTER

# AN INTRODUCTION TO STRATEGIC MANAGEMENT

*"Victorious warriors win first and then go to war, while defeated warriors go the war first and then seek to win"*  
-Sun Tzu

## CHAPTER OUTLINE

### Topic-1

*Introduction*

### Topic-2

*Management*

### Topic-3

*What is Strategy?*

### Topic-4

*Strategy is Partly Proactive & Reactive*

### Topic-5

*Strategic Management*

### Topic-6

*Benifits of Strategic Management*

### Topic-7

*Limitations of Strategic Management*

### Topic-8

*Strategic Intent*

### Topic-9

*Elements of Strategic Intent*

### Topic-10

*Vision & Mission*

### Topic-11

*Objectives & Goals*

### Topic-12

*Values*

### Topic-13

*Strategic Levels in Organisations*

### Topic-14

*Levels of Strategy*

### Topic-15

*Network of relationship between the three levels*

































# Congratulations!

## The League of Champions



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|--|--|--|--|---|---|
| <br>MEENAKSHI<br>AIR 20 | <br>ROHIT<br>AIR 22 | <br>SHUBHAM<br>AIR 23 | <br>ANUSHKA<br>AIR 36 | <br>CHERRY<br>AIR 37 | <br>SANJEEV<br>AIR 47 |
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|  SATYAM KUMAR <b>87</b> MARKS       |  SUSHANT ARORA <b>83</b> MARKS     |
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|  SHALINI SONI <b>75</b> MARKS     |  ASHUTOSH KUMAR <b>74</b> MARKS  |
|  NANDA CHATURVEDI <b>74</b> MARKS |  ARYAN MERATWAL <b>73</b> MARKS  |
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|  PREETHAM BHAT <b>73</b> MARKS    |  SONALI VIJ <b>73</b> MARKS      |
|  ANKIT JAIN <b>72</b> MARKS       |  MAYURI PRAMOD <b>72</b> MARKS   |
|  SANCHIT <b>72</b> MARKS          |  SONU AGRAWAL <b>72</b> MARKS    |
|  TANYA BANSAL <b>72</b> MARKS     |  ANURAG AGGRAWAL <b>71</b> MARKS |
|  CHIRAG JAIN <b>70</b> MARKS      |  NITESH LAHU <b>70</b> MARKS     |
|  PARAS BANSAL <b>70</b> MARKS     |  RAJSHREE <b>70</b> MARKS        |
|  RAJVI DILIP <b>70</b> MARKS      |  YASH JAIN <b>70</b> MARKS       |

2500+ Exemptions  
3000+ Above 50 Marks



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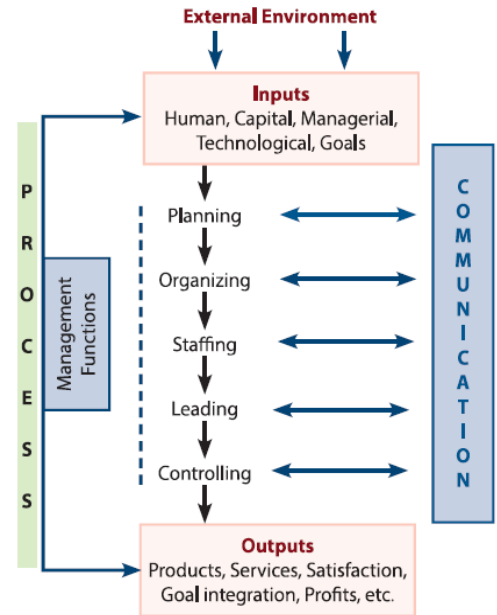
*“Victorious warriors win first and then go to war, while defeated warriors go to war first and then seek to win.”*



## Management

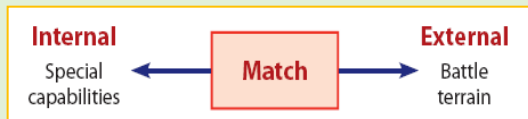


- ✓ *Management is the process of planning and organising the resources and activities of a business to achieve specific goals in the most effective and efficient manner possible.*
- ✓ *Efficiency in management refers to the completion of tasks correctly and at minimal costs.*
- ✓ *Effectiveness in management relates to the completion of tasks within specific timelines to yield tangible results.*
- ✓ *Term Management is used in 2 sense:*
  1. *A Key Group is in-charge of organization's affairs.*
  2. *A Set of Functions and Processes are carried out by the management of the organization.*



## Strategy

- ✓ *The concept of strategy has been borrowed from the military and adapted for use in business.*



- ✓ *Originated from the word “Strategos”.*



### Definition 1

- ✓ *Strategy refers to the*
  - *ideas,*
  - *plans,*
  - *action and*
  - *support*
- ✓ *that firms employ to compete successfully against their rivals.*
- ✓ *It helps firms achieve competitive advantage.*

### Definition 2

- ✓ *A long-range blueprint of an organization's desired:*
  - *Image: What it wants to be?*
  - *Direction: What it wants to do?*
  - *Destination: Where it wants to go?*

## Hyundai Motor Unveils 'Strategy 2025'

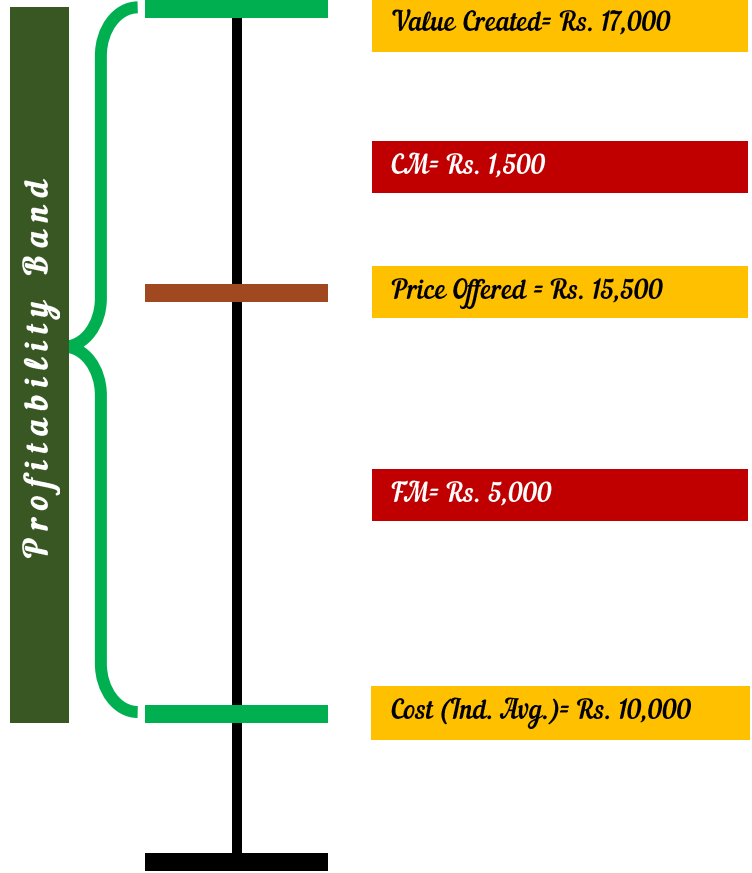


- ✓ *Hyundai announces a set of strategies to achieve steady growth:*
  - *Boost profitability.*
  - *Enhanced customer value and cost structure*
  - *Sell 670,000 EVs annually.*
  - *Become top three EV manufacturer by 2025*
  - *Offer most new models with EV drivetrain by 2030 in major markets, 2035 in emerging markets.*
  - *Invest KRW 61.1 Trillion into R&D and future technologies through 2025.*
  - *Target operating margin of 8 percent in automotive business.*
  - *5 percent market share by 2025.*

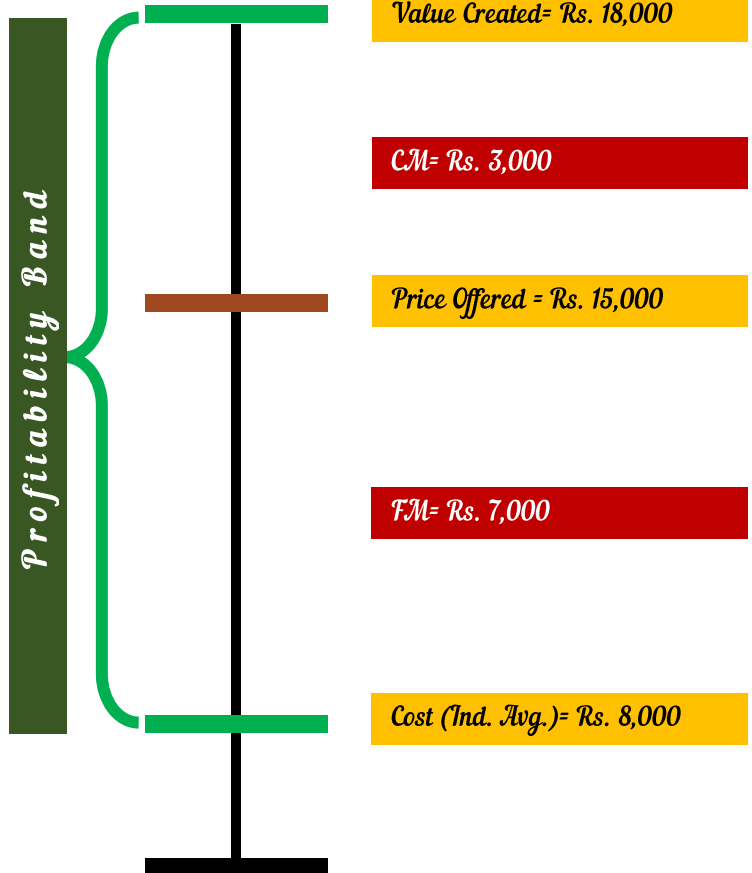




- ✓ 2023 Model
- ✓ Multiple Features
- ✓ Interior
- ✓ Exterior
- ✓ Dimensions
- ✓ Fuel Efficiency
- ✓ Suspension
- ✓ Engine & Transmission
- ✓ Metal - 48%
- ✓ 2 Year Maintenance
- ✓ 8 Years Battery Warranty



- ✓ 2024 Model
- ✓ Multiple Features
- ✓ Interior
- ✓ Exterior
- ✓ Dimensions
- ✓ Fuel Efficiency
- ✓ Suspension
- ✓ Engine & Transmission
- ✓ Metal - 74%
- ✓ 3+4 Year Maintenance
- ✓ Brand Presence





## Competitive Advantage

- ✓ It allows a firm to gain an *edge over rivals when competing.*
- ✓ The set of *unique features of a company and its products* that are *perceived by the target market as significant and superior to the competition.*



## Value Creation

Providing products and services to the customers with *more worth (Value).*

### Value

- |              |                |                        |
|--------------|----------------|------------------------|
| ✓ Feature    | ✓ Technology   | ✓ After-sales services |
| ✓ Quality    | ✓ Availability | ✓ Marketing            |
| ✓ Durability | ✓ Services     | ✓ Adv. & Branding      |

### Walmart Inc. CA in 2008's Recession

- ✓ Self-service Super Market
- ✓ In 1962 by Sam Walton
- ✓ Sales- 374 Billion Dollars.
- ✓ 11000+ stores in 15 countries in 2018
- ✓ Over 2 million employees
- ✓ ROTC: 14.5% (\$13.5 Billion)
- ✓ Competitors: Costco (11.7%) & Target (9.5%)



### McDonald's CA in 2008's Recession

- ✓ In 120 countries, 37,000+ outlets.
- ✓ 2/3rd revenue comes from out of US.
- ✓ Feeds 69 million customers everyday.
- ✓ Over 1.9 million employees.
- ✓ Revenue: 22.7 Billion in 2007 to 23.5 in 2008.
- ✓ Income: 2.4 Billion in 2007 to 4.3 Billion in 2008.
- ✓ 60 Million new customers, 650 new outlets.
- ✓ Competitors: Burger King, KFC, Subway, etc.



## Om Trivedi's Strategy for V

There are two things that exist in business:

- ✓ **Strategy and**
- ✓ **Innovation, Rest are Cost and Details.....**



## Starlink's Strategy 2021

- ✓ Super-fast internet around the world, which beams down from *satellites.*
- ✓ SpaceX is building an expansive satellite internet network in space called Starlink.
- ✓ Launched its first batch of Starlink satellites into orbit in May 2019.
- ✓ At present: *1,200 working satellites on service.*
- ✓ Goal: *42,000 satellites in orbit by mid-2027.*
- ✓ To provide internet to people especially in rural areas without connection.
- ✓ Internet access with speeds up to *300 Mbps and 1Gbps plans with unlimited data for around Rs 3,999 plus taxes per month.*
- ✓ Installation Charges: ₹7,100/- (One Time)





### Om Trivedi's Strategy for U

- ✓ The key to understand the whole SM syllabus lies in the concept of *Competitive Advantage and Value creation* and the derivation, *"the more value a firm creates the more competitive advantages it gains."*
- ✓ The above Numeric Example of *Grand Vitarra Brezza and Tata Harrier with McD, Walmart and Starlink* establishes the philosophy of strategy, strategic management and the application of value creation and Competitive Advantages.
- ✓ The above examples will help you understand this subject in totality.
- ✓ Further, it will definitely help you write and present answers according to the expectations of ICAT, Study Module and the Examiners.

#### Strategy 1

#### Intended or Planned Strategy



- ✓ Plan at the *beginning*. The strategy that an organization hopes to execute.

#### Strategy 2

#### Emergent Strategy

- ✓ Plan that *develops over time*. An unplanned strategy that arises in response to unexpected environmental changes.

#### Strategy 3

#### Realized Strategy

- ✓ How the plan worked at the *end*. The strategy that is in fact followed by an organization.



### Honda's Strategy

- ✓ Business Plan of Honda Automobiles for Indian market to increase its market share through direct marketing, advertising, sales promotions etc. with the help of dealers and showrooms.
- ✓ Further, Honda Automobiles started the use of *digital marketing* and emergence of *social media, dashboards and social websites* to enhance a marketing plan.



### Facebook's Strategy for U

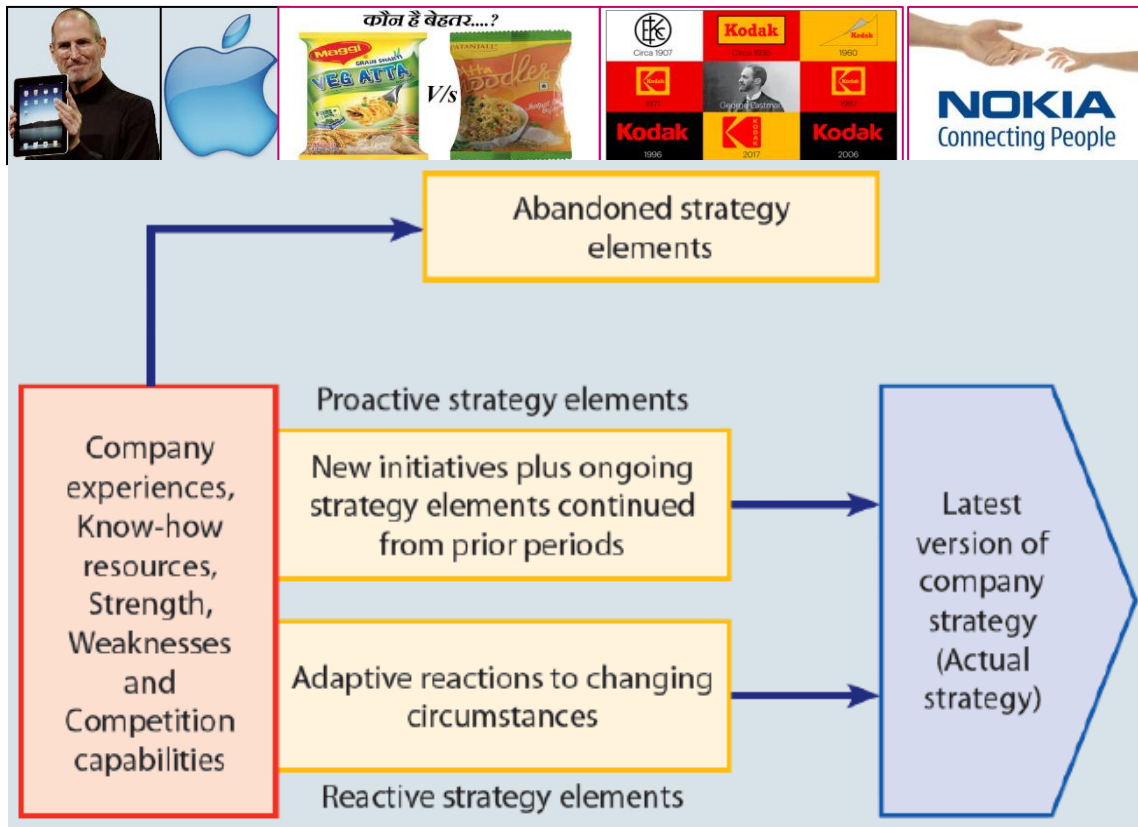
In 2003, *Mark Zuckerberg* after being dumped by his girlfriend, created a website called *"FaceMash"* where the attractiveness of young women could be voted on. This evolved first into an online social network called *'Thefacebook'* that was for Harvard students only. When the network became extremely popular, it then morphed into *Facebook*, a website open to everyone. Facebook is so pervasive today that it has changed the way we speak, such as the word friend being used as a verb. Ironically, *Facebook's emphasis on connecting with existing and new friends* is about as different as it could be from *Mark Zuckerberg's original concept*. In fact, *Mark Zuckerberg's emergent and realized strategies* turned out to be far nobler than the intended strategy.



## Strategy is partly proactive and partly reactive



### Components of an Effective Strategy



### Question of the Day!

**SBQ 1:** Yummy Foods and Tasty Foods are successfully competing in the business of ready to eat snacks in Patna. Yummy has been a pioneer in introducing innovative products. These products will give them good sale. However, Tasty Foods will introduce similar products in reaction to the products introduced by Yummy Foods taking away the advantage gained by the former.

*Discuss the strategic approach of the two companies. Which is superior?*

**SBQ 2:** Ramesh Sharma has fifteen stores selling consumer durables in Delhi Region. Four of these stores were opened in last three years. He believes in managing strategically and enjoyed significant sales of refrigerator, televisions, washing machines, air conditioners and like till four years back. With shift to the purchases to online stores, the sales of his stores came down to about seventy per cent in last four years.

*Analyse the position of Ramesh Sharma considering limitations of strategic management.*



Simplified Coverage

Pg. No.: 1-8

Mentor Coverage

Question No.: 4, 5, 6 &amp; 7 &amp; 11.



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## Strategic Management



### Definition 1

Strategic management is an **ongoing process** that:

- ✓ **Evaluates** and controls the business and the industries
- ✓ **Assesses** its competitors and sets goals and strategies to meet all existing and potential competitors; and
- ✓ **Reassesses** each strategy to determine how it has been implemented.

### Definition 2

Strategic management is a process to determine mission, vision, values, goals, objectives, roles and responsibilities, timelines, etc.

### Objectives of SM

- ✓ To create **competitive advantage**.
- ✓ To guide the company successfully through all changes in the environment.



**NOKIA**  
Connecting People



### Benefits of SM

- ✓ **Proactive:** Helps to become more proactive.
- ✓ **Decision-making:** Provides decision-making framework.
- ✓ **Direction-setting** for the company.
- ✓ **Avoid** costly mistakes.
- ✓ **Competitive Advantages** and Core competencies
- ✓ **Threat: Identification**
- ✓ **Reputation:** Building of the organizations.
- ✓ **Longevity:** Helps to enhance the longevity of the business.
- ✓ **Future Oriented:** Prepare the corporation to face the future.



**The Memory's Eye**

**PD-2 Avoid and CTRL. Future**

### Limitations of SM

- ✓ **Complex** and turbulent environment.
- ✓ **Costly** process.
- ✓ **Time-consuming** process.
- ✓ **Competition analysis** is a challenging task.



**The Memory's Eye**

**Complex CTC Analysis**



**Reliance Industries - Future Group deal**



Simplified Coverage

Pg. No.: 9-11

Mentor Coverage

Question No.: 1, 2 & 8.



### Om Trivedi's Strategy for U

- ✓ In depth understanding of the concepts of SM, their benefits and limitations with corporate examples is compulsory, as the question setter has all the liberty to ask practical and scenario-based questions in this area. **You must read and practice all the study-material and "Mentor Question Bank" questions to cover all the aspects of such questions and their answers' presentation.**



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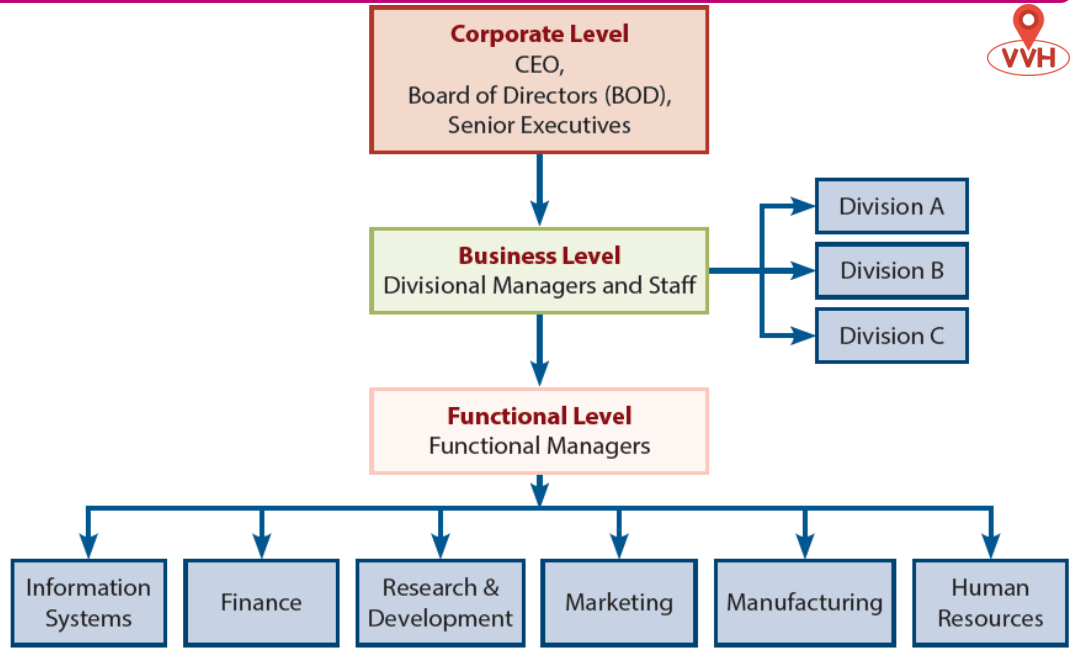
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**Strategic Levels in Organizations**



**Levels of Strategy**

**Corporate Strategy**

Corporate strategy is the growth design of the firm as it spells out the growth objective the direction, extent, pace and timing of the firm's growth. Corporate level strategy is concerned with:

- ✓ Competitive Contact
- ✓ Reach
- ✓ Managing Activities and Business Interrelationships
- ✓ Management Practices



**Business Strategy**

- ✓ Plans and actions that firms devise to compete in a given product/market scope or setting.
- ✓ Addresses the question- "How do we compete within an industry?"
- ✓ Strategic Business Unit (SBU) (A profit centre)



**Functional Strategy**

- ✓ Strategy related to a single functional operation. Example: Human resources, purchasing, product development, customer service, finance, R&D, etc.
- ✓ Strategy at this level is Tactical in Nature.



Simplified Coverage

Pg. No.: 18-22.

Mentor Coverage

Question No.: 3, 9, 10 & 12.



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**Strategic Intent (Vision-Mission-Goals-Objectives, etc.)**

**Vision**

Vision represents an **IDEA, IMAGINATION, DREAM** and **DNA** about:

- ✓ What an organization is today?
- ✓ What it wants to be tomorrow?
- ✓ What kind of company it wants to create?
- ✓ It is a macro-view of an organization's philosophy.
- ✓ Organization's roadmap to future.

Examples:

- ✓ Health for all
- ✓ Peace on earth
- ✓ Being human
- ✓ Education for all
- ✓ Everyday low prices



**Definition**

Strategic Vision is a road map of a company's future - providing specifics about .....

- ✓ technology and customer focus,
- ✓ the geographic and product markets to be pursued,
- ✓ the capabilities it plans to develop, and
- ✓ the kind of company that management is trying to create.

**Elements of a strategic vision**

- ✓ Who we are and Where we are now?
- ✓ Where are we going?
- ✓ Clear communication of vision in the organization.

**How to Develop a Strategic Vision?**

- ✓ Creativity
- ✓ Intelligence
- ✓ Direction Setting
- ✓ Shared Vision
- ✓ Direction Change



**The Memory's Eye**  
**In CTD's Direction**

www.flipkart.com Vision



**Flipkart**



"We intend to provide our customers with the best online shopping experience from beginning to end, with a smart, searchable website, easy-to-follow instructions, clear and secure payment methods, and fast, quality delivery."

**Hair Salon's Vision**

"Our salon will change the way you think about a haircut. Full service comfort, friendly staff, a relaxing atmosphere, and the best prices in town give you an experience that will leave you glowing both inside and out."



**Mission**

"Purpose" of being there.

- ✓ Why the firm exists?
- ✓ What it does?
- ✓ How it does?
- ✓ For whom it does?
- ✓ It is an action mode to achieve vision.
- ✓ A company's Mission statement is typically focused on its present business scope - "who we are and what we do".
- ✓ Mission statements broadly describe an organizations present capabilities, customer focus, activities, and business makeup.
- ✓ According to Peter Drucker, A mission statement is the same as asking the question: "What business are we in?"

**Components of a Mission Statement**

- ✓ Customers
- ✓ Products or Services
- ✓ Technology
- ✓ Self-concept
- ✓ Markets
- ✓ Image of Firm
- ✓ Philosophy
- ✓ Concern for employees
- ✓ Concern for survival/growth/profitability



**The Memory's Eye**  
**CPT then SM in TPCC**





### Dell's Mission Statement

Dell's mission is to be the most successful computer company in the world at delivering the best customer experience in markets we serve. In doing so, Dell will meet customer expectations of:

- ✓ Highest quality
- ✓ Leading technology
- ✓ Competitive pricing
- ✓ Individual and company accountability
- ✓ Best-in-class service and support
- ✓ Flexible customization capability
- ✓ Superior corporate citizenship
- ✓ Financial stability



### Useful points while writing the Mission

- ✓ Give the organization its **own special identity**, business emphasis and path for development.
- ✓ **Customer** groups it is targeting,
- ✓ **Technologies** and competencies it uses
- ✓ **Activities** it performs to satisfy own needs.
- ✓ Indicate the **boundaries on business** operation.
- ✓ **Highly personalized and unique** to the organization.

### Why should an organisation have a Mission?

- ✓ To ensure **unanimity of purpose**.
- ✓ A basis, or **standard**, for allocating organisational resources.
- ✓ A basis for **motivating the use of the resources**.
- ✓ To establish a general tone or **organisational climate**.
- ✓ To serve as a **focal point** for those who can identify with the organisation's purpose and direction.
- ✓ To facilitate the **translation of objective and goals**.
- ✓ Translation of purposes into goals in such a way that **cost, time, and performance** parameters can be assessed and controlled.

### Goals

Goals are outcome statements that define what an organization is trying to accomplish, both programmatically and organizationally.



Goal:  
20% Turnover Growth



### Objectives

Objectives are very precise, time-based, measurable actions that support the completion of a goal.

Objective 1: 20 New Stores in North

Objective 2: Add 10 New Product-lines

Objective 3: Introduce Weekdays Offers

Objective 4: Organize Holiday Bazaars

Objective 5: Organize Household quizzes



### Characteristics of Objectives

- ✓ Define the organization's relationship with its environment.
- ✓ Facilitative towards achievement of mission.
- ✓ Provide the basis for strategic decision-making.
- ✓ Provide standards for performance appraisal.
- ✓ Understandable.
- ✓ Concrete and specific.
- ✓ Related to a time frame.
- ✓ Measurable and controllable.
- ✓ Challenging.
- ✓ Correlate with other objectives

### Short-term Objectives

- ✓ Short-term objectives expect accomplishment in a short period of time.
- ✓ Planners usually define short-term objectives in relation to a long-term objective or objectives.

### Long-term Objectives

- ✓ Long-term objectives expect accomplishment in a longer period of time.
- ✓ Strategic planners commonly establish long-term objectives in seven areas:
  - ✓ Profitability
  - ✓ Productivity
  - ✓ Competitive Position
  - ✓ Employee Development
  - ✓ Employee Relations
  - ✓ Technological Leadership
  - ✓ Public Responsibility



Simplified Coverage

Pg. No.: 11-18

Mentor Coverage

Question No.: 13, 14, 15, 16, 17, 18, 19 & 20.



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## Values

- ✓ Integrity, Trust, Accountability, Humility, Innovation, and Diversity.
- ✓ 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.
- ✓ Values have both internal as well as external implications.



## 3 major types of networks of relationship between the levels

### A. Functional and Divisional Relationship:

- ✓ It is an independent relationship, where each function or a division is run independently headed by the function/division head, who is a business level manager, reporting directly to the business head, who is a corporate level manager.
- Example: Functions - Finance, Human Resources, Marketing, etc. & Divisions for a toys manufacturer - kids toys, teenager toys, etc. could be divisions.

### B. Horizontal Relationship:

- ✓ 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 same level.
- ✓ This leads to openness and transparency in work culture and focused more on idea sharing and innovation.
- ✓ 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:

- ✓ It features a grid-like structure of levels in an organisation, with teams formed with people from various departments that are built for temporary task-based projects.
- ✓ This relationship helps manage huge conglomerates with ease where it is nearly impossible to track and manage every single team independently.
- ✓ In Matrix relationship - there are more than one business level managers for each functional level teams.
- ✓ It is complex for smaller organisations, but extremely useful for large organisations.



## Question of the Day!

**SBQ 3:** Mr. Raj has been hired as a CEO by XYZ Ltd a FMCG company that has diversified into affordable cosmetics. The company intends to launch Feelgood brand of cosmetics. XYZ wishes to enrich the lives of people with its products that are good for skin and are produced in ecologically beneficial manner using herbal ingredients. **Draft vision and mission statement that may be formulated by Raj.**

**SBQ 4:** ABC Limited is in a wide range of businesses which include apparels, lifestyle products, furniture, real estate, and electrical products. The company is looking to hire a suitable Chief Executive Officer. Consider yourself as the HR consultant for ABC limited. You have been assigned the task to enlist the activities involved with the role of the Chief Executive Officer.

**Name the strategic level that this role belongs to and enlist the activities associated with it.**



# 2

## CHAPTER

# STRATEGIC ANALYSIS: EXTERNAL ENVIRONMENT

*"The secret of success in battle lies often not so much in the use of one's own strength but in the exploitation of the other side's weaknesses"*  
-Jhon Christopher

## CHAPTER OUTLINE

### Topic-1

*Strategic Analysis*

### Topic-2

*Issues to be Considered  
for Strategic Analysis*

### Topic-3

*PESTLE Analysis*

### Topic-4

*Internationalization of  
Business*

### Topic-5

*International Business*

### Topic-6

*Understanding Product  
and Industry*

### Topic-7

*Product Life Cycle*

### Topic-8

*The Value Chain  
Analysis*

### Topic-9

*Porter's Five Forces  
Model*

### Topic-10

*Attractiveness of  
Industry*

### Topic-11

*Experience Curve*

### Topic-12

*Value Creation*

### Topic-13

*Market and Customer*

### Topic-14

*Competitive Strategy*

### Topic-15

*Key Factors for  
Competitive Success*

































# Congratulations!

## The League of Champions



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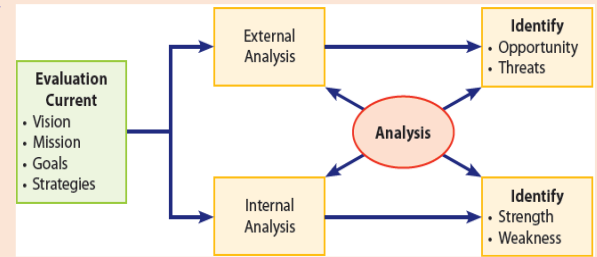
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### Strategic Analysis

- ✓ Strategic analysis seeks to determine alternative course of action that could best enable the firm - to achieve its mission and objectives.
- ✓ Strategic analysis tries to find out:
- ✓ How effective has the present strategy been?
- ✓ How effective will that strategy be in the future?
- ✓ How effective will the selected alternative strategy be in the future?



### Issues to be Considered for Strategic Analysis



| Time  | Balance   | Risk  |
|---|---|---|
| <p>Strategy evolves over a period of time (Result of a series of small Decisions)</p> <p>✓ Strategy is the result of a series of small decisions taken over an extended period of time.</p>  | <p>(Balance between the internal and external factors)</p> <p><i>Balance Between</i></p> <p><i>Resources, Capabilities, Competencies, Strengths and Weaknesses.</i></p> <p><i>And</i></p> <p><i>Events, Trends, Influences, Constraints and Opportunities.</i></p>  | <p>Strategic Risk (Analyzing risk involved and consequences thereon)</p> <p>✓ Competitive markets, liberalization, globalization, booms, recessions, technological advancements, inter-country relationships, etc. affect businesses and pose risk at varying degrees.</p> <p>✓ An important aspect of strategic analysis is to identify potential imbalances or risks and assess their consequences.</p> |

**Time**

**Strategic Risks**

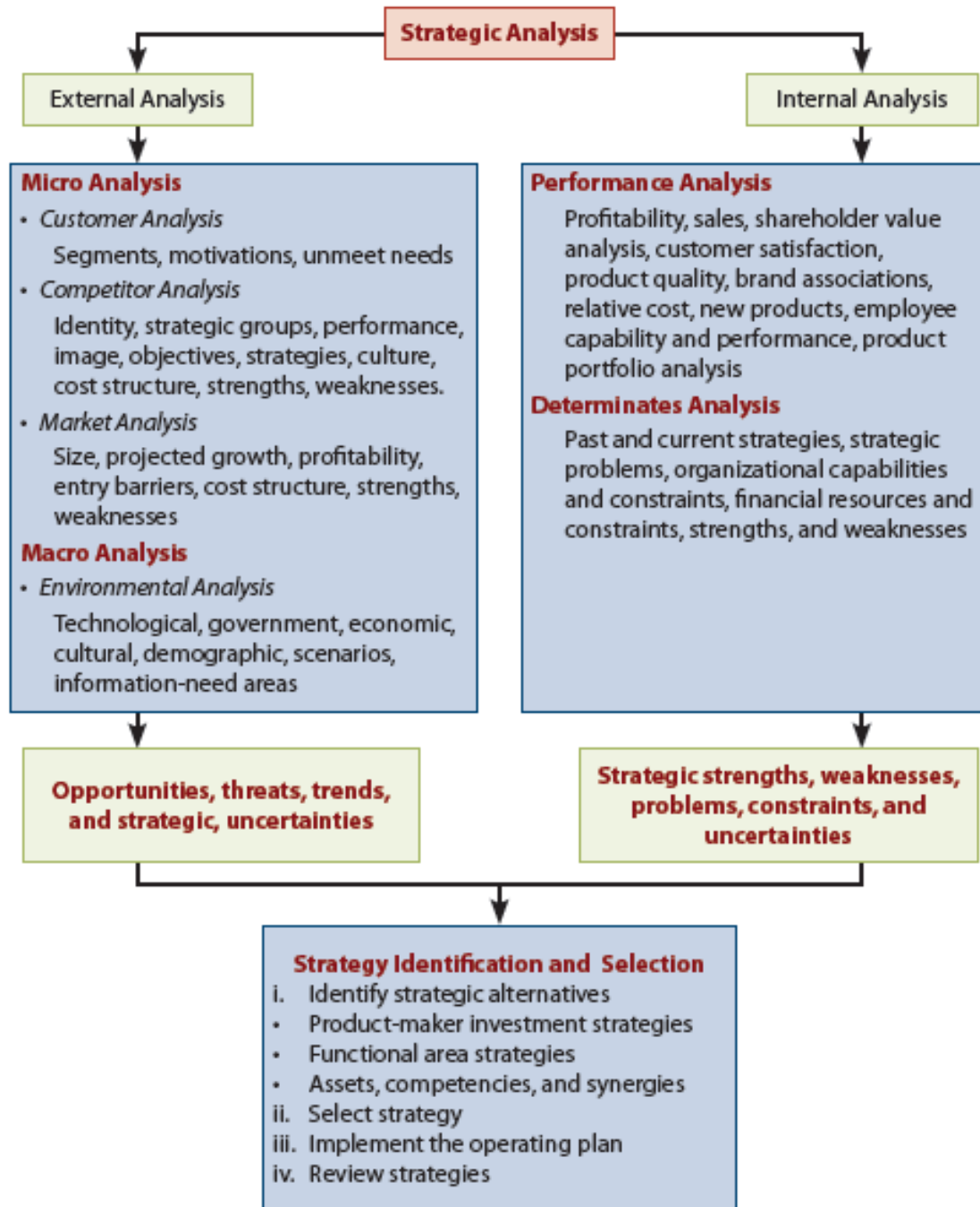
|          | Short-term  | Long-term  |
|----------|---|--|
| External | Errors in interpreting the environment cause strategic failure      | Changes in the environment lead to obsolescence of strategy  |
| Internal | Organizational capacity is unable to cope up with strategic demands | Inconsistencies with the strategy are developed on account of changes in internal capacities and preferences |





### Framework of Strategic Analysis

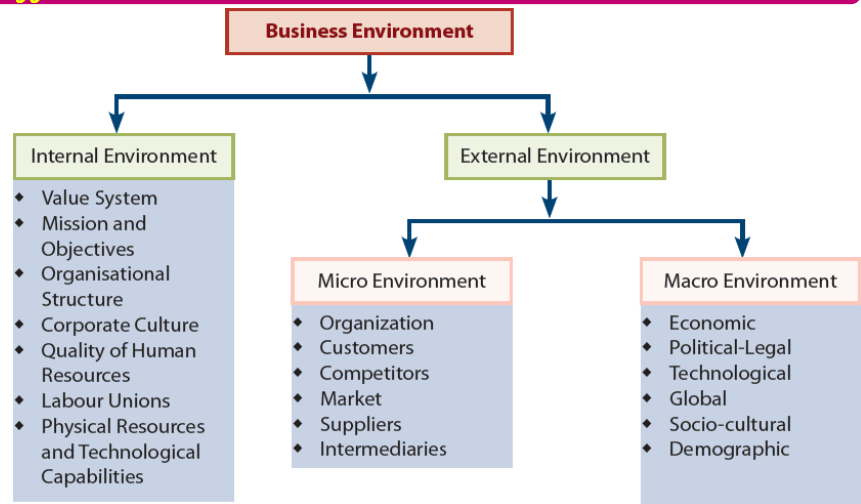
- ✓ *Industries differ widely in their economic characteristics, competitive situations, and future profit prospects.*
- ✓ *The economic character of industries also varies.*
- ✓ *Competitive forces can be moderate in one industry and fierce, even cutthroat, in another.*
- ✓ *Industry and competitive conditions differ so much that leading companies in unattractive industries can find it hard to earn respectable profits, while even weak companies in attractive industries can achieve good performance.*



## Strategy and Business Environment

### Interaction between a Business and its Environment

- ✓ *Image Building.*
- ✓ *Give Direction for growth.*
- ✓ *Continuous Learning.*
- ✓ *Determine Opportunities and threats.*
- ✓ *Meeting Competition.*



## PESTLE Analysis

### 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

### Social

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

### Legal

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

### Economic

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

### Technological

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

### Environmental

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



## Internationalization of Business

### Characteristics of a Global Company

- ✓ *Common Ownership*
- ✓ *Common Pool of Resources*
- ✓ *Common Strategy*

### Steps in International Strategic Planning

- ✓ *Evaluate global opportunities and threats and rate them with internal capabilities.*
- ✓ *Describe the scope of the firm's global commercial operations.*
- ✓ *Create the firm's global business objectives.*
- ✓ *Develop distinct corporate strategies for the global business and whole organization.*

### Reasons why Companies go Global

- ✓ *The need to grow.*
- ✓ *Rapid shrinking of time and distance across the globe.*
- ✓ *Domestic markets are no longer adequate.*
- ✓ *Need for reliable or cheaper source of raw-materials, cheap labour, etc.*
- ✓ *Reduce high transportation costs.*
- ✓ *Generate higher sales and better cash flow.*
- ✓ *The rise of services.*
- ✓ *Collapse of international trade barriers.*
- ✓ *Strategic alliances.*



## International Environment

Assessments of the international environment can be done at three levels:

### A. Multinational Environmental Analysis

- ✓ *Identifying, anticipating, and monitoring significant components of the global environment.*
- ✓ *Understanding global developments covering economic and other macro elements is important.*
- ✓ *Governments may have free or interventionist tendencies in economies that needs to be carefully considered.*

### B. Regional Environmental Analysis

- ✓ *In-depth evaluation of the critical factors in a specific geographical area.*
- ✓ *The emphasis would be on discovering market opportunities for goods, services, or innovations in the chosen location.*

### C. Country environmental analysis

- ✓ *Country environmental analysis must take a deeper look at the important environmental factors.*
- ✓ *Study of economic, legal, political, and cultural dimensions is required for planning to be successful.*
- ✓ *The analysis must be customized for each of the countries to develop effective market entrance strategies.*

## Understanding Product and Industry

### Characteristics of Business Products

- ✓ *Products are either tangible or intangible.*
- ✓ *Product has a price.*
- ✓ *Products have certain features.*
- ✓ *A product is pivotal for business.*
- ✓ *A product has a useful life.*

### Advantage of PIC Approach

- ✓ *Diagnoses a portfolio of products.*
- ✓ *Attention is to be paid to declining businesses.*
- ✓ *Appropriate strategic choices can be made.*
- ✓ *Mature businesses used as sources of cash for investment.*
- ✓ *Combination of strategies.*
- ✓ *Balanced portfolio of businesses.*



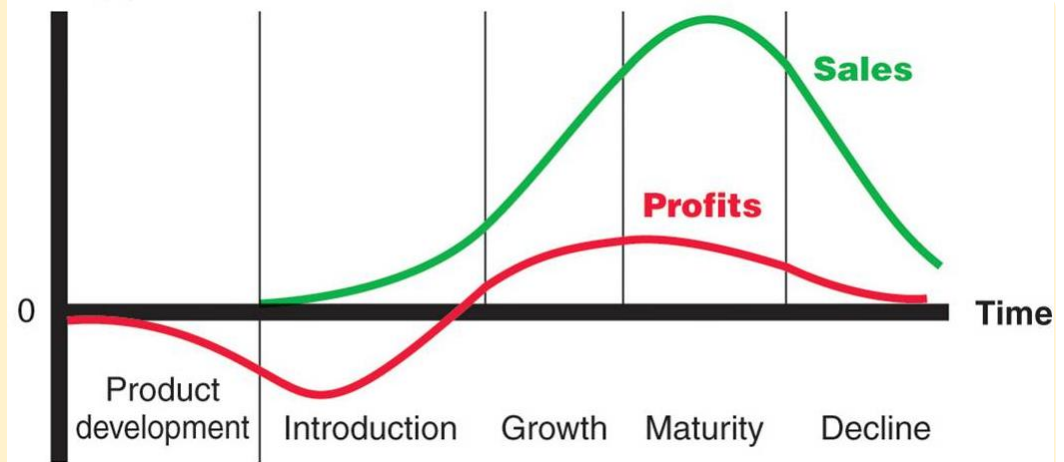




### PIC - Product Life Cycle

Sales and Profits

Losses and Investments



- A. **Introduction stage:** It is with *slow sales growth*, in which *competition* is almost *negligible*, *prices* are relatively *high*, and *markets* are *limited*. The growth in sales is at a lower rate because of a lack of awareness on the part of customers.
- B. **Growth stage:** It is with *rapid market acceptance*. In this stage, the *demand* expands rapidly, *prices* fall, *competition* increases, and the market expands. The customer has knowledge about the product and shows interest in purchasing it.
- C. **Maturity stage:** It is where there is *slowdown in growth rate*. In this stage, the *competition* gets tough, and the market gets stabilized. Profit comes down because of stiff competition. At this stage, organizations must work to maintain stability.
- D. **Decline stage:** It is with *sharp downward drift in sales*. The sales and profits fall sharply due to some new products replacing the existing product. So, a combination of strategies can be implemented to stay in the market either by *diversification* or *retrenchment*.

### Value Chain Analysis

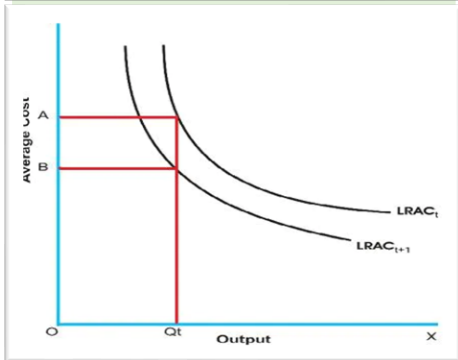
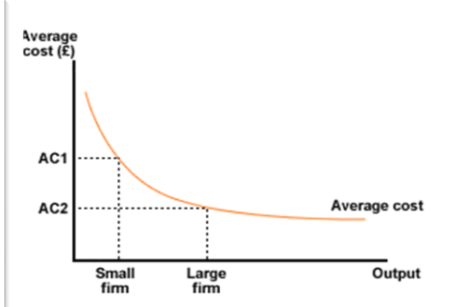




### Experience Curve

#### Economies of Scale (EOS)

- ✓ Adam Smith - 1776
- ✓ Theory of Mass Production



#### Learning Curve (LC)

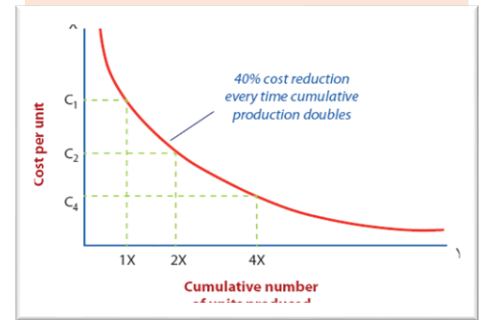
- ✓ Hermann Ebbinghaus - 1985
- ✓ German Psychologist

The more times a task has been performed, the less time is required on each subsequent iteration.



#### Experience Curve (EC)

- ✓ Experience curve shows the relationship between production cost and cumulative production quantity.
- ✓ Unit costs decline as a firm accumulates experience in terms of a cumulative volume of production.
- ✓ BCG - 25% Reduction
- ✓ Concorde - Upto 40% Reduction

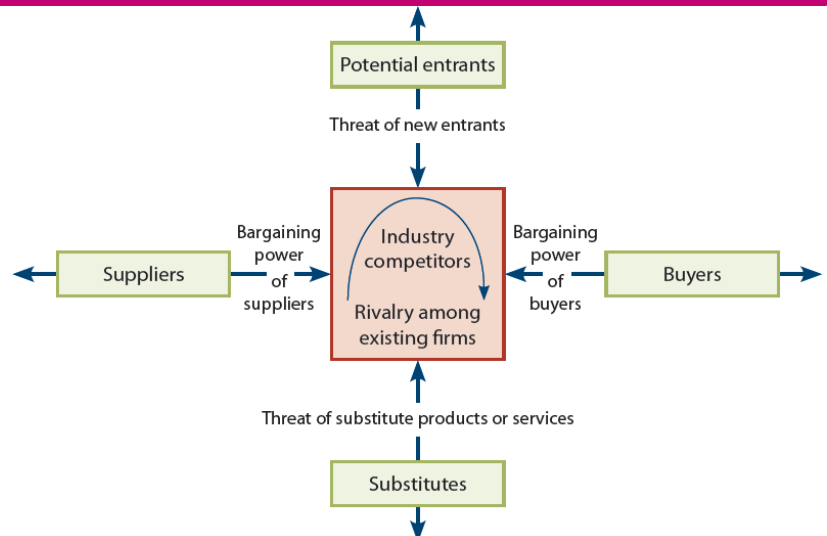


#### Implications of Experience Curve

- ✓ Significant cost advantage.
- ✓ Business with the highest market share likely to have the best experience.
- ✓ Experience is a key barrier to entry.
- ✓ External growth might be the best way to do this if a business can acquire firms with strong experience.



#### Michael Porter's Five Forces Model





# Michael Porter's 5 Forces Model

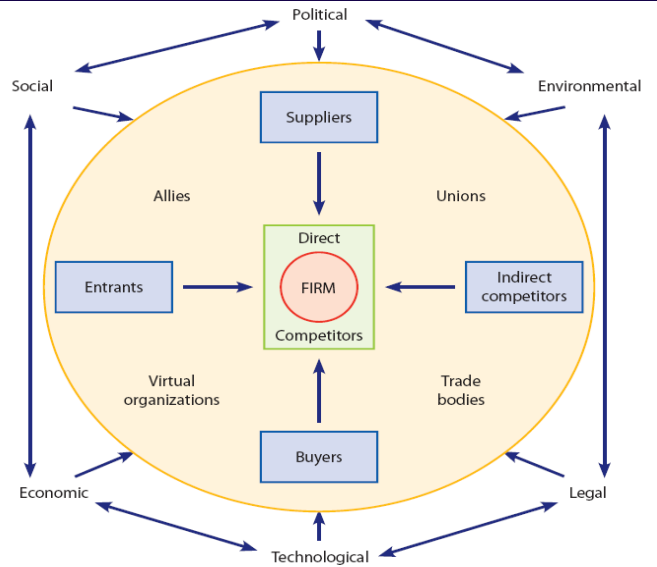
## Competitive Environment

The competitive environment is the dynamic system in which the business competes.

### Competitive Environmental Variables-

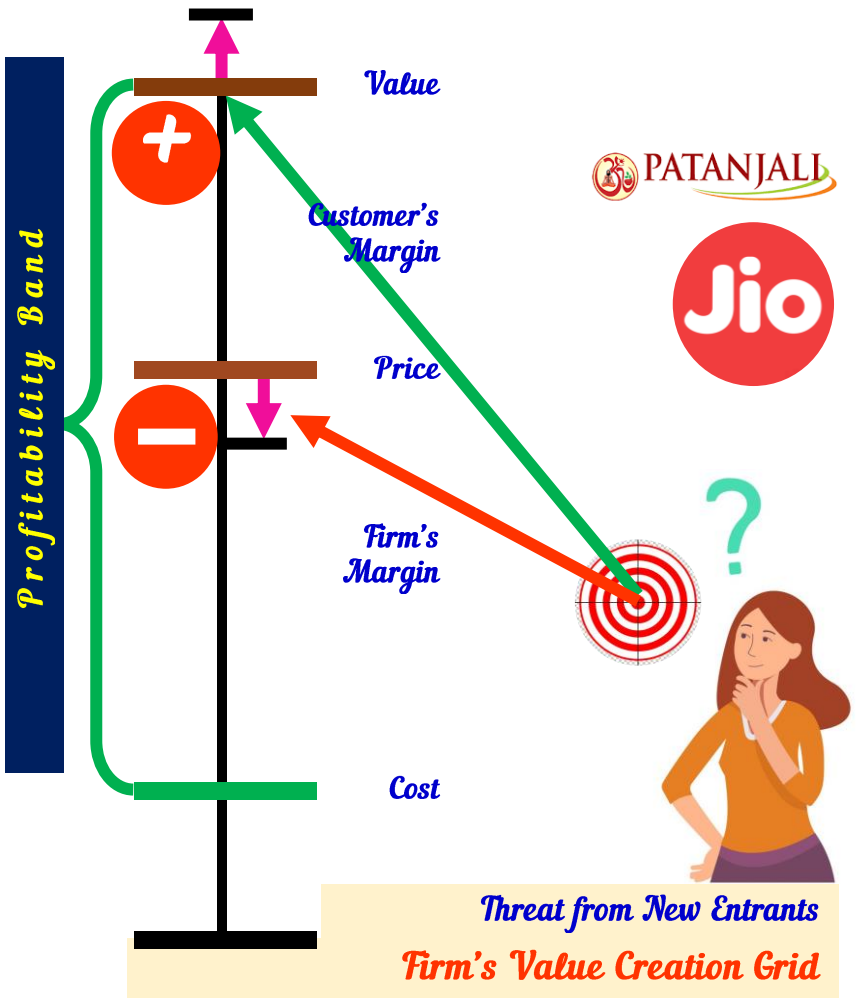
- ✓ New Entrants
  - ✓ Suppliers
  - ✓ Buyers
  - ✓ Direct Competitors
  - ✓ Indirect Competitors/Potential substitutes
- ✓ Competition within an industry is determined by its own particular structure.
- ✓ Industry structure refers to the interrelationship among five different forces that drive the behavior of the firms competing in that industry.

## Overall



## Factors of Threat from New Entrants

- ✓ Capital Requirements
- ✓ Economies of Scale, EC and IC
- ✓ Product Differentiation
- ✓ Brand Identity
- ✓ Switching Costs
- ✓ Distribution Channels
- ✓ Aggressive Retaliation

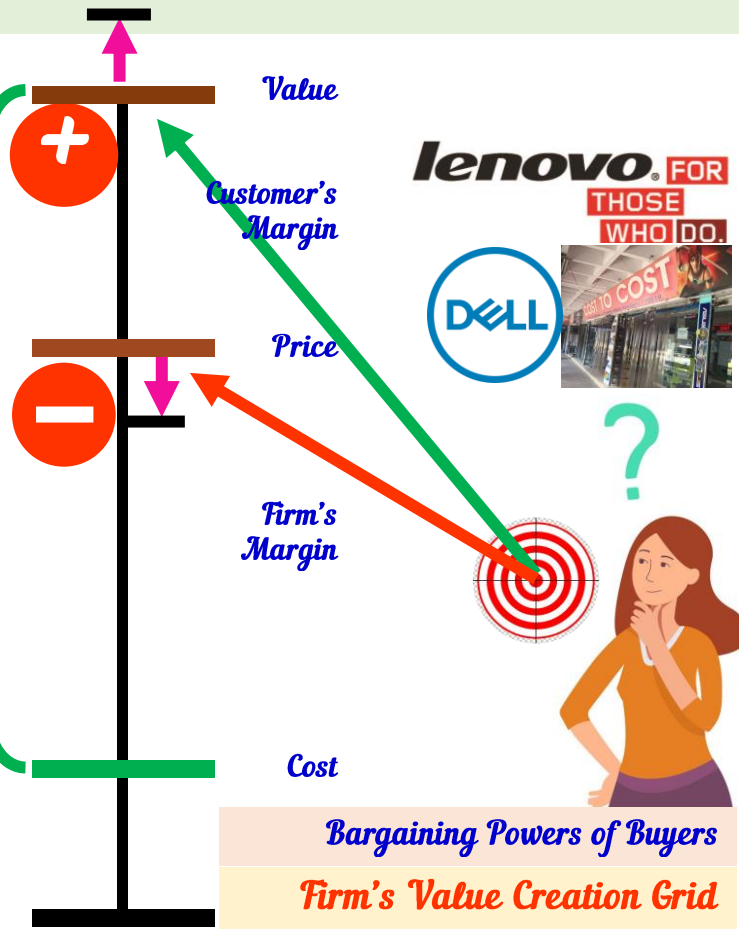


**Bargaining Power of the Buyers**

- ✓ Buyer's Knowledge
- ✓ Purchase Size
- ✓ Product Function
- ✓ Buyer's Concentration
- ✓ Product Differentiation
- ✓ Vertical Integration
- ✓ Switching Cost



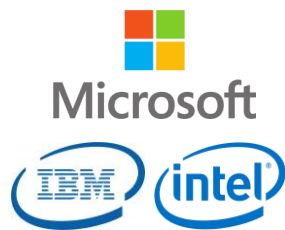
Profitability Band



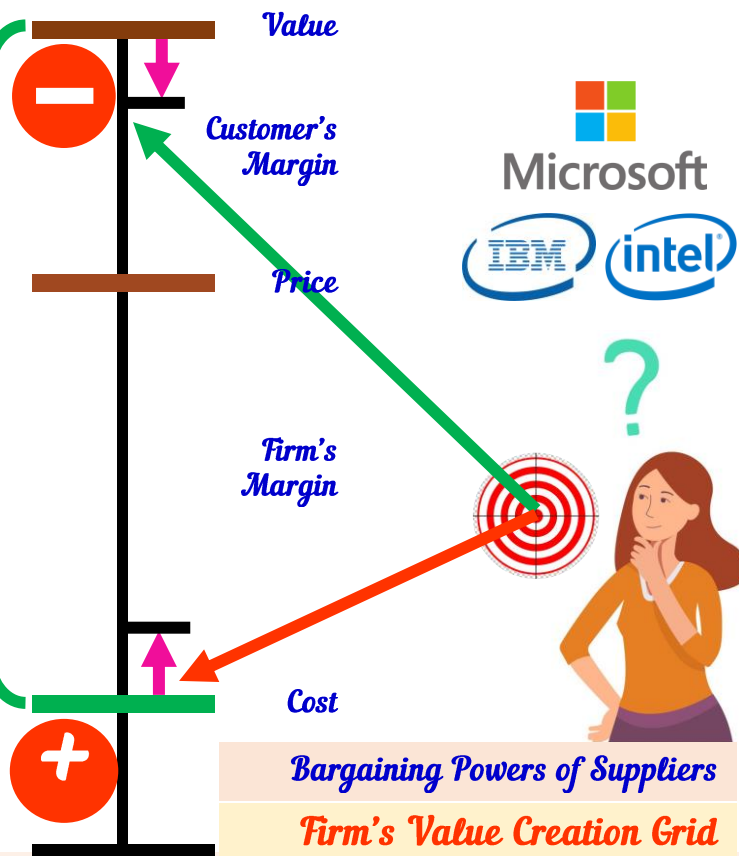
*Bargaining Powers of Buyers*  
*Firm's Value Creation Grid*

**Bargaining Power of the Suppliers**

- ✓ Purchase Size
- ✓ Product Function
- ✓ Supplier's Concentration
- ✓ Product Differentiation
- ✓ Vertical Integration
- ✓ Switching Cost



Profitability Band

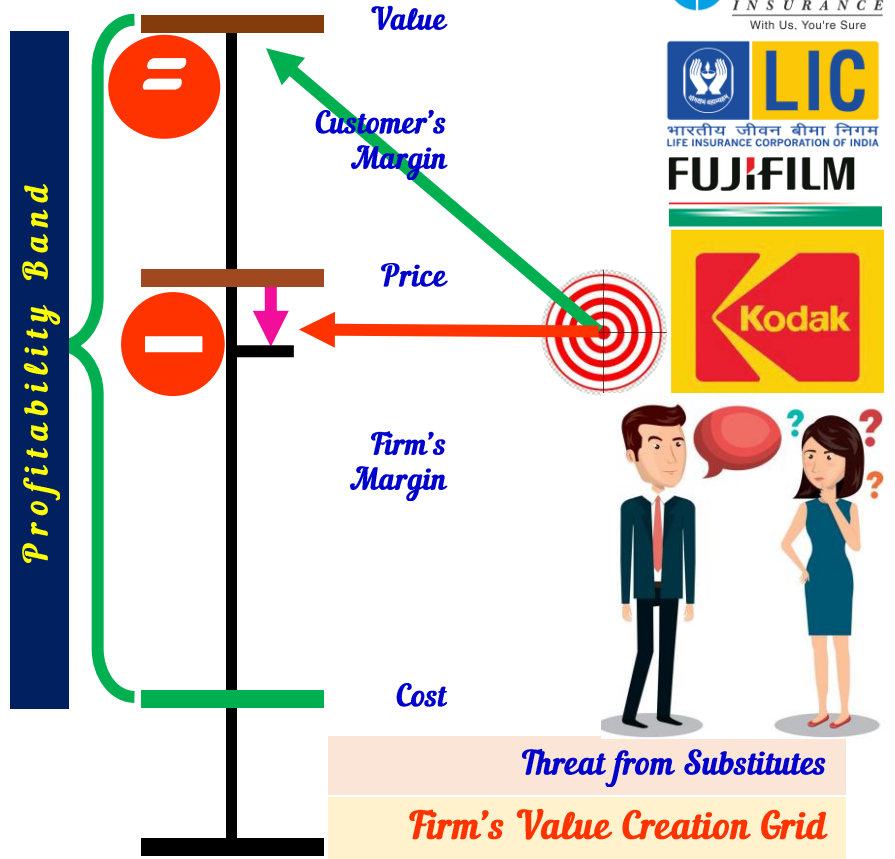


*Bargaining Powers of Suppliers*  
*Firm's Value Creation Grid*



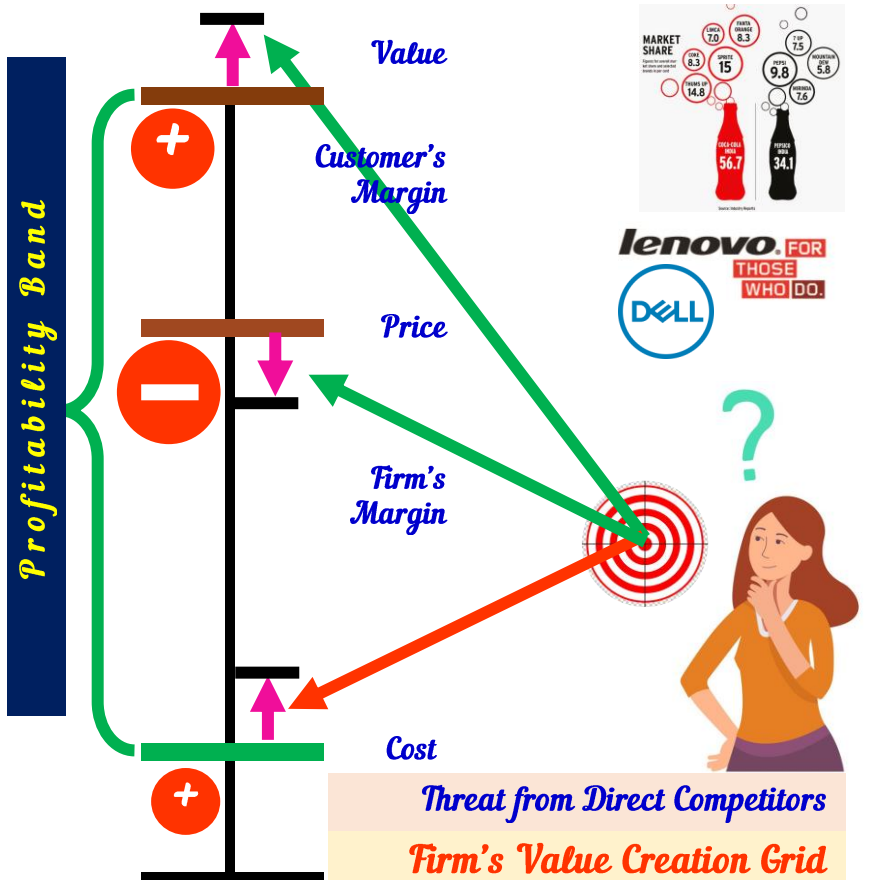
**Threat from Substitution/Indirect Comp.**

- ✓ Real estate, insurance, bonds and bank deposits for example are clear substitutes for common stocks, because they represent alternate ways to invest funds.
- ✓ Digital cell phones currently pose this kind of threat to landline telecommunications firms.



**Threat from Direct Competitors**

- ✓ Industry Leader
- ✓ Number of Competitors
- ✓ Type of Competition
- ✓ Entry Barrier and Exit Barrier
- ✓ Fixed Cost
- ✓ Product Differentiation
- ✓ Industry Growth Rate





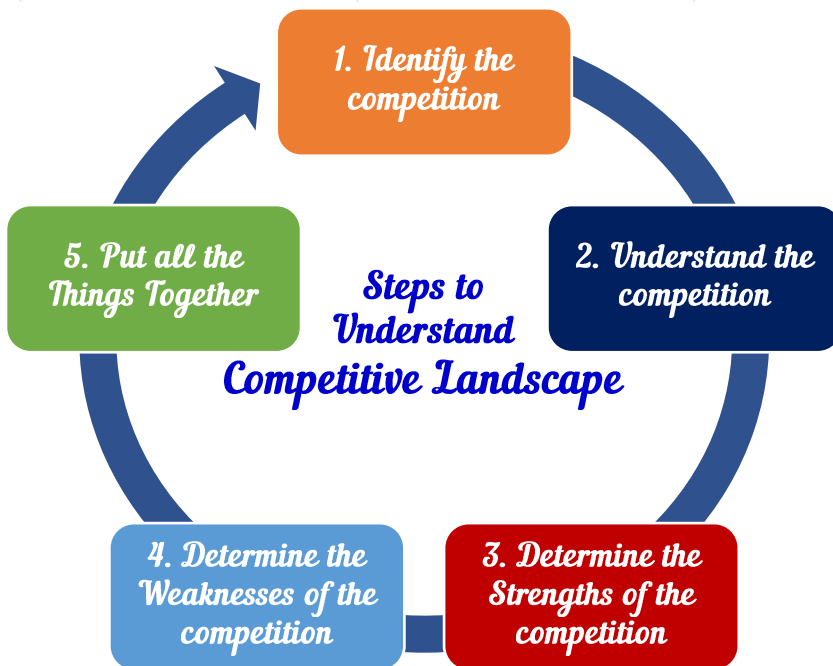
## Competitive Landscape



- ✓ Competitive landscape is a **business analysis** which identifies competitors, either direct or indirect.
- ✓ It's about **identifying and understanding** the competitors
- ✓ It permits the comprehension of their **vision, mission, core values, niche market, strengths and weaknesses**.
- ✓ Understanding of competitive landscape requires an application of "**competitive intelligence**".

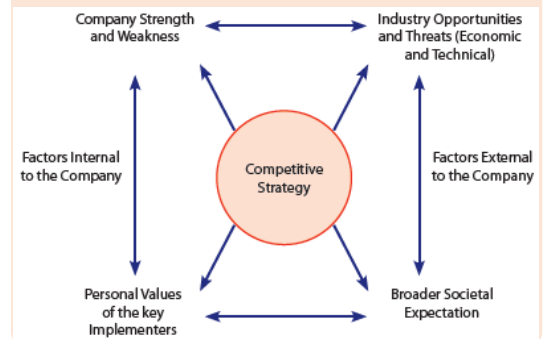
**Example:** Hyundai is a competitive company inside the Automobiles (car) market because they have achieved constant success every year. This company is based on the development of new strategies that helps Hyundai to differentiate from the competitors like Honda, Toyota, Suzuki, Ford, GM, etc.

|            | Competitor 01 | Competitor 02 | Competitor 03 |
|------------|---------------|---------------|---------------|
| Feature 01 | ✓             |               |               |
| Feature 02 |               |               | ✓             |
| Feature 03 | ✓             |               |               |
| Feature 04 |               | ✓             |               |



### What is Competitive Strategy?

- ✓ Competitive strategy is designed to help firms achieve **Competitive Advantage**.
- ✓ A competitive strategy consists of moves to:
  - Attract customers
  - Face Competition
  - Beat Competition
  - Strengthen an organization's market position



### Om Trivedi's Strategy for V

- ✓ **CL and CS** is considered as **VVH** topic among question setters.
- ✓ You must read and practice all the study-material and "**Mentor Question Bank**".



### Attractiveness of Industry

#### Important Factors of Attractiveness of Industry

- ✓ Growth potential.
- ✓ Adequate profitability.
- ✓ Competitive forces.
- ✓ Strategic drivers.
- ✓ Potential to capitalize on the vulnerabilities of competitors.
- ✓ Degrees of risk and uncertainty.
- ✓ Severity of problems confronting the industry.

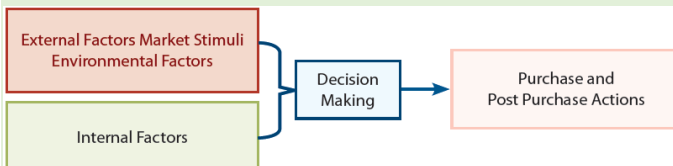
#### Attractiveness Vs. Unattractiveness

- ✓ Overall profit prospects are above average, the industry can be considered attractive & *Vice Versa*.
- ✓ Potential entrants make it interesting.
- ✓ Unattractive to weak competitors & *Vice Versa*.
- ✓ If the industry and competitive situation is judged relatively unattractive, more successful industry participants may choose to invest cautiously.
- ✓ Strong companies may consider diversification into more attractive businesses.

### Market and Customer

#### Important Factors of Attractiveness of Industry

- ✓ Marketing
- ✓ Product Marketing
- ✓ Customer
- ✓ Customer Analysis
- ✓ Customer Behaviour



#### Factors influencing Consumer behaviour

##### External Influences

- Advertisement, peer recommendations or social norms

##### Internal Influences

- Psychological factors

##### Decision Making (Stages)

- Problem recognition, search for desirable alternatives and list them, Seeking information on available alternatives & Make a final choice.

##### Post-decision Processes

- Evaluating the outcome & level of satisfaction.



### Key Factors for Competitive Success

**Key Success Factors (KSFs)** are those things that most affect industry members' ability to prosper in the marketplace -

- the particular *strategy elements*,
- *product attributes*,
- *resources, competencies, competitive capabilities*, and
- *business outcomes that spell the difference between profit and loss* and, ultimately, between competitive success or failure.

**The answers to three questions help identify an industry's key success factors:**

- i. On what basis do customers choose between the competing brands of sellers?
- ii. What resources and competitive capabilities does a seller need to have to be competitively successful?
- iii. What does it take for sellers to achieve a sustainable competitive advantage?

#### Notes:

1. Key success factors vary from industry to industry and even from time to time within the same industry as driving forces and competitive conditions change.
2. Determining the industry's key success factors, given prevailing and anticipated industry and competitive conditions, is a top-priority analytical consideration.





**Question of the Day!**

**SBQ 1:** Suresh Singhania is the owner of an Agri-based private company in Sangrur, Punjab. His unit is producing puree, ketchups, and sauces. While its products have a significant market share in the northern part of the country, the sales have been on decline in last couple of years. He seeks help from a management expert who advises him to first understand the competitive landscape.

*Explain the steps to be followed by Suresh Singhania to understand competitive landscape.*

**SBQ 4:** Baby Turtle is a children's clothing brand that has created a new age demand for washable diapers. The major benefit for the brand has been that not many companies have shown interest in the product, thinking it is not viable, however, customers, majorly working mothers are loving their product. The core material needed for production is also used in many other waterproofing products in various industries. Baby Turtle sources this material from a renowned supplier at comparatively low prices.

*Which of the five forces of competitive pressure would Baby Turtle experience due to above setup and what are major factors that create such pressure for a product?*

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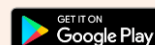
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# 3

## CHAPTER

# STRATEGIC ANALYSIS: INTERNAL ENVIRONMENT

*"The goldern rule for eevery business man is this: Put yourself in your customer's place"*  
-Orison Swett Marden

## CHAPTER OUTLINE

### Topic-1

*Introduction*

### Topic-2

*Key Stakeholders*

### Topic-3

*Mendelow Stakeholder Matrix*

### Topic-4

*Developing a Grid of Stakeholders*

### Topic-5

*Strategic Drivers*

### Topic-6

*Industry and Markets*

### Topic-7

*What is Strategic Group?*

### Topic-8

*Customers*

### Topic-9

*Products and Services*

### Topic-10

*Marketing Strategy Techniques*

### Topic-11

*Channels*

### Topic-12

*Core Competence (CC)*

### Topic-13

*How to Build Core Competence (CC)?*

### Topic-14

*SWOT Analysis*

### Topic-15

*Competitive Advantage*

### Topic-16

*Sustainability of Competitive Advantage*

### Topic-17

*Michael Porter's Generic Strategies*

### Topic-18

*Best-Cost Provider Strategy*

































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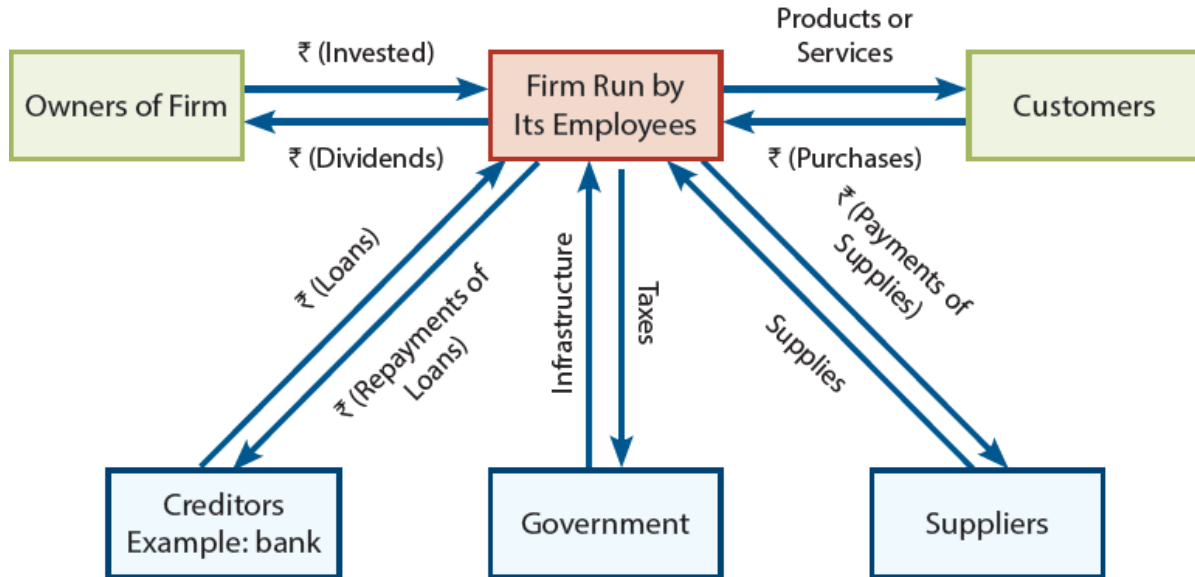
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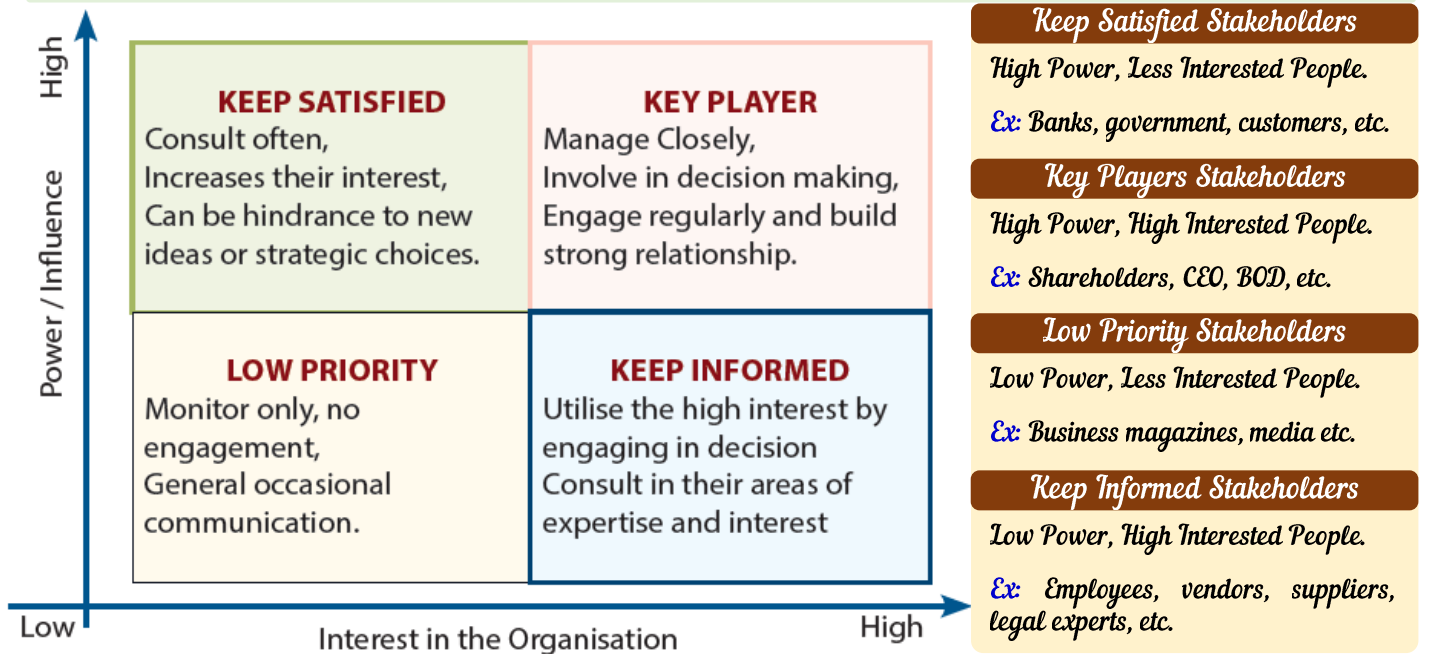
### Key Stakeholders

- Any person/group of individuals, **internal or external**, that has an interest in, or impact on the business or corporate strategy of the organization.
- They have the power to **influence** the strategy or performance of that organization.



### Mendelow Stakeholder Power-Interest Matrix

- ✓ It suggests identifying **which stakeholders are incredibly important**.
- ✓ Metrics to define the importance being **High Power and High Interest** which management would need to manage closely, while investing a lot of time and resources.



Simplified Coverage

Pg. No.: 120-121

Mentor Coverage

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## Strategic Drivers

- **Factors and their performances** which differentiate the organization from its competitors and provide competitive advantages.
- It can be **internal or external**. - Industry and markets, customers, products/services & channels.

### Industry and Markets

#### Strategic Groups

The companies pose competition to each other on many variables like:

- ✓ Price/Quality Range
- ✓ Product Line Breadth
- ✓ Services Offered
- ✓ Technological Usage
- ✓ Distribution Channel
- ✓ Geographical Coverage
- ✓ Vertical Integration



There can be many strategic groups in the industry.

#### Strategic Group Mapping

One technique, which can be used to analyze the competition position of rivals is- "Strategic Group Mapping"

Steps in Strategic Group Mapping Process:

1. Identify the different variables
2. Plot the firm on multivariable map
3. Assign the firm fall in same strategy space
4. Draw circle around each strategic group

### Customers - Products & Services

#### Channels

Channels are the **distribution system** by which an organization distributes its product or provides its service.

#### Strategic Group Mapping

##### Sales channel

The key question is: Who needs to sell to whom for your product to be sold to your end user?



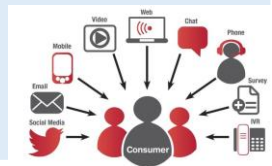
##### Product channel

Series of intermediaries who physically handle the product on its path from its producer to the end user.



##### Services channel

Entities that provide necessary services to support the product, as it moves through the sales channel and after purchase by the end user.



## SWOT Analysis

### Strengths

- What does your organization do better than the others?
- What are your unique selling points?
- What do your competitors and customers in your market perceive as your strengths?
- What is your organization's competitive edge?

### Opportunities

- What political, economic, social-cultural, or technology (PEST) changes are taking place that could be favourable to you?
- Where are there current gaps or unfulfilled demand in the market?
- What new innovation could your organization bring to the market?

### Weakness

- What do other organizations do better than you?
- What elements of your business add little or no value?
- What do competitors and customers in your market perceive as your weakness?

### Threats

- What political, economic, social-cultural, or technology (PEST) changes are taking place that could be unfavourable to you?
- What restraints do you face?
- What is your competitor doing that could negatively impact you?

### SWOT Importance

- ✓ Provides a Logical Framework
- ✓ Presents a Comparative Analysis
- ✓ Guides strategist in Strategy Identification



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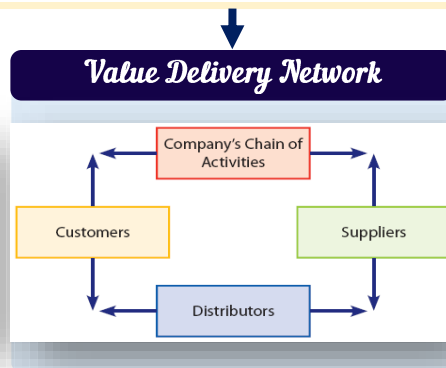
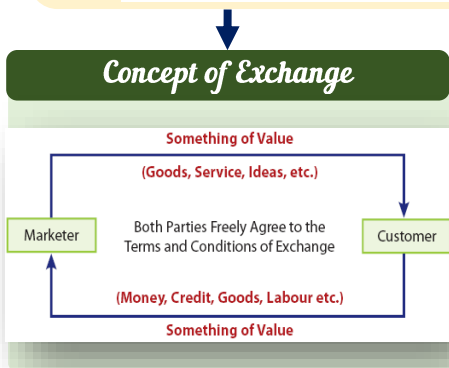
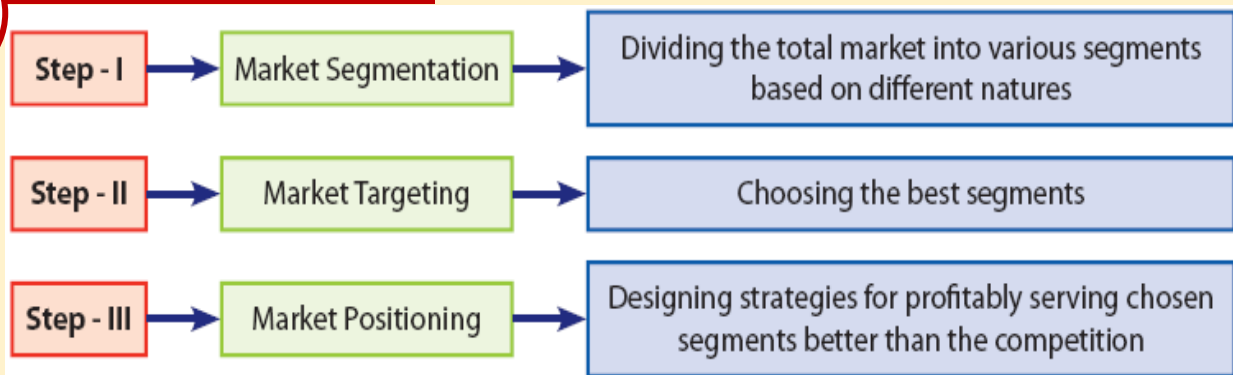


## Marketing

- ✓ Marketing is an **organizational process or a societal process**.
- ✓ A set of processes for **creating, communicating, and delivering value to customers for managing customer relationships** in ways that benefit the organization and its stakeholders.



## Marketing Process



## Marketing Strategy

### Definition

- ✓ Marketing strategy refers to actions for **developing, pricing, distributing, and promoting products** that meet the needs of specific customer groups.
- ✓ It **analyses and selects target market, and develops suitable marketing mix**.

### Issues

- ✓ Customers
- ✓ Distribution network
- ✓ Warranty
- ✓ Remuneration/incentives
- ✓ Advertising
- ✓ Pricing

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### Marketing Mix (4 Ps)

- ✓ **Product**
- ✓ **Price**
- ✓ **Place**
- ✓ **Promotion**
  - Personal Selling
  - Advertising
  - Publicity
  - Sales Promotion





**Strategic Marketing Techniques**

**Social Marketing**

Design, implementation, and control of programs seeking to **increase the acceptability of a social ideas, cause, or practice** among a target group to bring in a social change.



**Augmented Marketing**

**Additional customer services** and benefits that a product can offer besides the core and actual product that is being offered.  
**Examples:** Movies on demand, online computer repair services, secretarial services, etc.



**Direct Marketing**

Marketing through various **advertising media that interact directly with consumers.**  
**Examples:** catalogue selling, e-mail, telecomputing, electronic marketing, shopping, etc.



**Relationship Marketing**

The process of creating, maintaining, and enhancing strong, **value-laden relationships with customers and other stakeholders through CRM.**



**Services Marketing**

The concepts, tools, and techniques, of **marketing to services.**  
**Examples:** Telecommunications services, financial services, hospitality, tourism, etc.



**Demarketing**

Marketing **strategies to reduce demand temporarily** or permanently. The aim is not to destroy demand, but only to reduce or shift it.



**Differential Marketing**

Market-coverage strategy in which a firm decides to **target several market segments** and designs separate offer for each.



**Synchro-marketing**

Used to find ways to **alter the pattern of demand** through flexible pricing, promotion, and other incentives.  
**Examples:** Maha Bachat Sales



**Concentrated Marketing**

Market-coverage strategy in which a firm goes after **a large share of one or few sub-markets.**



**Place Marketing**



**Person Marketing**



**Organization Marketing**





### Competitive Advantage

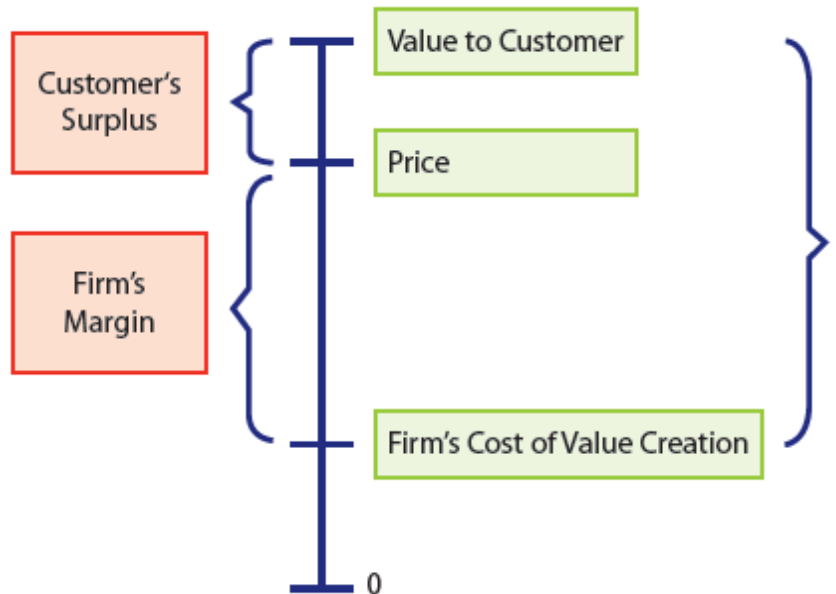
- It allows a firm to gain an **edge over rivals when competing.**
- The set of **unique features of a company** and its products that are **perceived by the target market** as significant and **superior to the competition.**



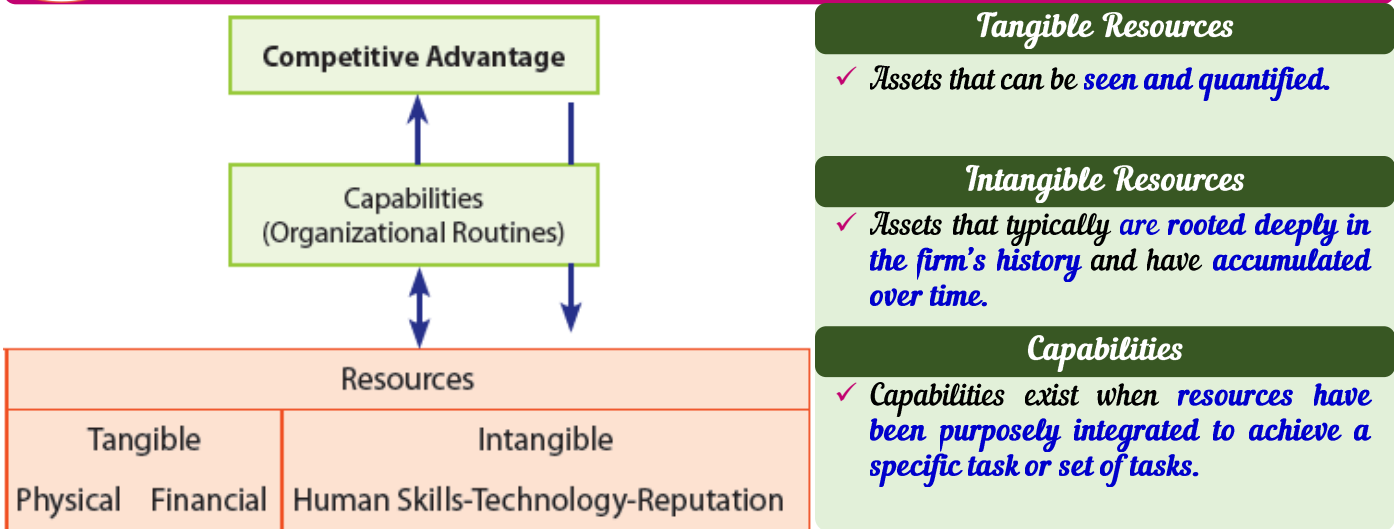
### Value Creation

Providing products and services to the customers with more worth (Value). Value means the integration of the following in products:

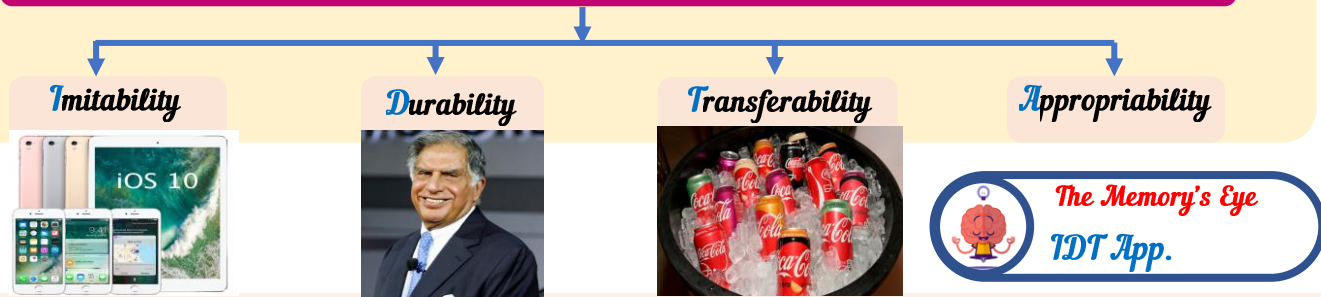
- ✓ Future
- ✓ Quality
- ✓ Durability
- ✓ Technology
- ✓ Availability
- ✓ Services
- ✓ After-sale Services
- ✓ Marketing
- ✓ Adv. & Branding



### Role of Resources, Capabilities in Achieving Competitive Advantages



### Characteristics of Resources that Provide Sustainable Competitive Advantages





**What is Core Competencies?**

- ✓ Core Competencies are created by superior integration of technological, physical and human resources.
- ✓ They represent distinctive skills as well as intangible, invisible, intellectual assets and cultural capabilities.
- ✓ It also refers to the strengths of an organization that provide competitive advantage and value to it.



CK Prahlad



Gary Hamel



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**CV Application**

**Three competencies that can be termed CCs**



**Competency 1**

**Competitor differentiation or CA**

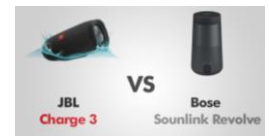
- ✓ It allows the company to provide better products or services to market without the fear that competitors can copy it.
- ✓ The company has to keep on improving these skills in order to sustain its competitive position.



**Competency 2**

**Customer value or Value creation**

- ✓ The service or the product has to have real impact on the customer as the reason to choose to purchase them.
- ✓ If customer has chosen the company without this impact, then competence is not a core competence and it will not affect the company's market position.



**Competency 3**

**Application of Competencies**

- ✓ Core competence must be applicable to the whole organization; it cannot be only one particular skill or specified area of expertise.
- ✓ It is a unique set of skills and expertise, which will be used throughout the organisation to open up potential markets to be exploited.



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**Valuable NCR**

**Tools to identify and build CC**



**Four Criteria of Sustainable CA**

- ✓ Valuable
- ✓ Non-substitutable
- ✓ Costly to Imitate
- ✓ Rare



**Value Chain Analysis**



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## Michael Porter's Generic Strategies

|                         |                         |                                      |                         |
|-------------------------|-------------------------|--------------------------------------|-------------------------|
|                         |                         | <b>Strategic Advantage</b>           |                         |
|                         |                         | Uniqueness perceived by the customer | Low cost position       |
| <b>Strategic Target</b> | Industry wide           | Differentiation                      | Overall Cost Leadership |
|                         | Particular segment only | Focus                                |                         |

### Cost Leadership

- ✓ This generic strategy calls for being the **low cost producer in an industry** for a given level of quality.
- ✓ The firm sells its products either at average industry prices to earn a profit higher than that of rivals, or below the average industry prices to gain market share.

### Internal Strengths needed for Cost Advantages

- ✓ Access to the capital required.
- ✓ Skill in designing products.
- ✓ High level of expertise in manufacturing and process engineering.
- ✓ Efficient distribution channels.

### Differentiation

- ✓ Development of a product or service that **offers unique attributes that are valued by customers to be better than or different from the products of the competition.**
- ✓ The value added by the uniqueness of the product may allow the firm to **charge a premium price** for it.

### Internal Strengths needed for Differentiation

- ✓ Leading scientific research or R & D.
- ✓ Creative product development team.
- ✓ Strong sales team
- ✓ Reputation for quality and innovation.



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## Focus Strategy

- ✓ The focus strategy **concentrates on a particular group of customers or a particular product-line segment and within that segment attempts to achieve either a cost advantage or differentiation.**
- ✓ The whole idea is that the needs of the **group can be better serviced by focusing entirely on it.**



## Risks associated with Each Base of Generic Strategy

### Cost Leadership

- ✓ Other firms may lower their costs as well.
- ✓ As technology improves, the competitors may eliminate the competitive advantage by increasing their production capabilities.
- ✓ Buyer interest may swing to differentiating Products.

### Differentiation

- ✓ Imitation by competitors.
- ✓ Changes in customer tastes.
- ✓ Various firms pursuing focus strategies may be able to achieve even greater differentiation in their market segments.

### Focus

- ✓ Imitation by competitors.
- ✓ Changes in target segment or customer tastes.
- ✓ Other focusers may be able to carve out sub-segments that they can serve even better.

## How to Achieve Each Base of Generic Strategy

### Cost Leadership

- ✓ Prompt forecasting of demand of a product or service.
- ✓ Optimum utilization of the resources.
- ✓ Achieving economies of scale
- ✓ Standardization of products for mass production.
- ✓ Invest in cost saving technologies.
- ✓ Resistance to differentiation till it becomes essential.

### Differentiation

- ✓ Improve product performance.
- ✓ Fixing optimum product prices based on Uniqueness.
- ✓ Offer utility to the customers and match products with their tastes and preferences.
- ✓ Offer the high-quality product/service for buyer satisfaction.
- ✓ Rapid product innovation.
- ✓ Enhancing brand image.

### Focus

- ✓ Selecting specific niches which are not covered by cost leaders and differentiators.
- ✓ Creating superior skills for catering such niche markets.
- ✓ Generating high efficiencies for serving such niche markets.
- ✓ Developing innovative ways in managing the value chain.



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PUT Quality in Brand



### Advantages of Each Base of Generic Strategy

#### Cost Leadership

- ✓ **Rivalry:** Competitors are likely to avoid a price war.
- ✓ **Buyers:** Powerful buyers/customers would not be able to exploit the cost leader firm.
- ✓ **Suppliers:** Cost leaders are able to absorb greater price increases from suppliers.
- ✓ **Entrants:** Low-cost leaders create barriers to market.
- ✓ **Substitutes:** Low-cost leaders are more likely to lower the costs to induce existing customers.

#### Differentiation

- ✓ **Rivalry:** Brand loyalty acts as safeguard against competitors.
- ✓ **Buyers:** They do not negotiate for price.
- ✓ **Suppliers:** Because differentiators charge a premium price, they can afford to absorb higher costs of supplies.
- ✓ **Entrants:** Innovative features create barriers to market.
- ✓ **Substitutes:** Substitutes can't replace differentiated products.

#### Focus

- ✓ **Premium prices** can be charged by the organisations for their focused product/services.
- ✓ **Entry Barrier:** 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.



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PE Ratio

### Disadvantages of each Base of Generic Strategy

#### Cost Leadership

- ✓ **Sustainability:** Cost advantage may not last long as competitors may imitate cost reduction techniques.
- ✓ **Sales Volume:** Cost leadership can succeed only if the firm can achieve higher sales volume.
- ✓ **Short-term Advantage:** Cost leaders tend to keep their costs low by minimizing cost of advertising, market research, and research and development, but this approach can prove to be expensive in the long run.
- ✓ **Superior Technology:** Technological advancement areas a great threat to cost leaders.

#### Differentiation

- ✓ **Sustainability:** In the long term, uniqueness is difficult to sustain.
  - ✓ **Switching:** Charging too high a price for differentiated features may cause the customer to switch-off to another alternative.
  - ✓ **Substandard:** Differentiation fails to work if its basis is something that is not valued by the customers.
- Ex:** Home delivery of packed snacks in 30 minutes would not even be a differentiator as the consumer wouldn't value such an offer.

#### Focus

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



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4 S



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3 S



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3 C



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## Michael Porter's Best Cost Provider Strategy

✓ All of the techniques discussed above involve generic strategies, the phrase is most often associated with Porter's framework or Best-Cost Provider Strategy.

✓ It is an extension of Michael Porter's Generic Strategies.

| Target scope               | Advantage                    |                                     |
|----------------------------|------------------------------|-------------------------------------|
|                            | Low Cost                     | Product Uniqueness                  |
| Broad<br>(Industry wide)   | Cost Leadership Strategy     | Differentiation Strategy            |
| Narrow<br>(Market Segment) | Focus Strategy<br>(Low cost) | Focus Strategy<br>(Differentiation) |



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Mentor Coverage

Question No.: 35.



### Om Trivedi's Strategy for U

- ✓ There are two major strategies in this chapter and both are very popular among question setters for **drafting practical, case-scenario based questions**.
- ✓ Most importantly, both the Porter's strategies are the backbone of New Course SM Syllabus.



### Question of the Day!

**SBQ 1:** ABC Ltd. is a beverage manufacturing company. It chiefly manufactures soft drinks. The products are priced on the lower side which has made the company a leader in the business. Currently it is holding 35 percent market share. The R & D of company developed a formula for manufacturing sugar free beverages. On successful trial and approval by the competent authorities, company was granted to manufacture sugar free beverages. This company is the pioneer to launch sugar free beverages which are sold at a relatively higher price. This new product has been accepted widely by a class of customers. These products have proved profitable for the company.

*Identify the strategy employed by the company ABC Ltd. and mention what measures could be adopted by the company to achieve the employed strategy.*

**SBQ 2:** Spacetek Pvt. Ltd. is an IT company. Although there is cutthroat competition in the IT sector, Spacetek deals with distinctive niche clients and is generating high efficiencies for serving such niche market. Other rival firms are not attempting to specialize in the same target market.

*Identify the strategy adopted by Spacetek Pvt. Ltd. and also explain the advantages and disadvantages of that strategy.*

**SBQ 3:** Rohit Sodhi runs a charitable organization for the promotion of sports in the country. His organization conducts regular free training camps for youths interested in playing cricket, football, hockey, badminton and so on. Many of his trainees have reached national level contests. Rohit noticed that with the success of TPI (Cricket) tournament there is an increasing trend to extend similar format in other sports as well.

*He wishes to know how the development is going to help sports and to which industries it will offer opportunities and threats.*



# 4

## CHAPTER

# STRATEGIC CHOICES

*"Management is doing things right, Leadership is doing the right things."*  
-Peter Drucker Warrn Bennis

## CHAPTER OUTLINE

### Topic-1

*Strategic Choices*

### Topic-2

*Strategic Alternatives*

### Topic-3

*Grand Strategies/  
Directional Strategies*

### Topic-4

*Stability Strategy*

### Topic-5

*Expansion Strategy*

### Topic-6

*Concentric  
Diversification*

### Topic-7

*Innovation*

### Topic-8

*Mergers and  
Acquisitions*

### Topic-9

*Expansion through  
Strategic Alliance*

### Topic-10

*Strategic Exits*

### Topic-11

*Retrenchment Strategy*

### Topic-12

*Turnaround Strategy*

### Topic-13

*Divestment Strategy*

### Topic-14

*Liquidation Strategy*

### Topic-15

*Combination Strategy*

### Topic-16

*Strategic Options*

### Topic-17

*Ansoff's Product Market  
Growth Matrix*

### Topic-18

*ADL Matrix*

### Topic-19

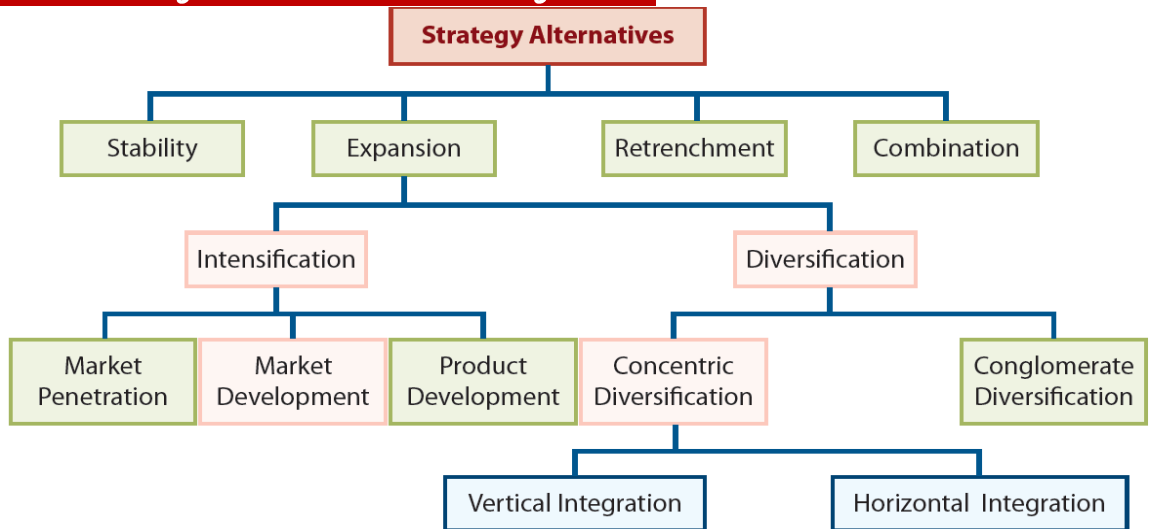
*Boston Consulting Group  
(BCG) Growth-Share Matrix*

### Topic-20

*The General Electric Model  
(‘Stop-Light’ Strategy Model)*



## Grand Strategies/Directional Strategies



### Stability Strategy

#### Definition

*In stability strategy, the firm -*

- ✓ Stays with its current businesses and product-market, postures and functions.
- ✓ Maintains the existing level of effort.
- ✓ Remains satisfied with incremental growth.

#### Objectives of Stability Strategy

- ✓ Safeguard existing interests and strengths.
- ✓ Continue the chosen path of business.
- ✓ Pursue well tried and tested objectives.
- ✓ Consolidate the reigning position.
- ✓ Maintain operational efficiency.
- ✓ Optimize returns on resources invested.

#### Stability Approach

- ✓ Frequency
- ✓ Resources
- ✓ Investment
- ✓ Definition
- ✓ Growth
- ✓ Efficiency
- ✓ Risk



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**FRIDGER**

#### Stability Approach

- ✓ Stable Environment
- ✓ Less Risky
- ✓ Less Threatening
- ✓ Consolidation



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**SRTC**



### Expansion Strategy

#### Definition

- ✓ It is one in which we are growing significantly faster than the market or market segment is growing overall.
- ✓ It implies that the company is willing to take on competitors in order to take market share from them, in addition to absorbing the growth in the market place itself.

#### Expansion Approach

- ✓ Frequency
- ✓ Resources
- ✓ Investment
- ✓ Definition
- ✓ Growth
- ✓ Efficiency
- ✓ Risk



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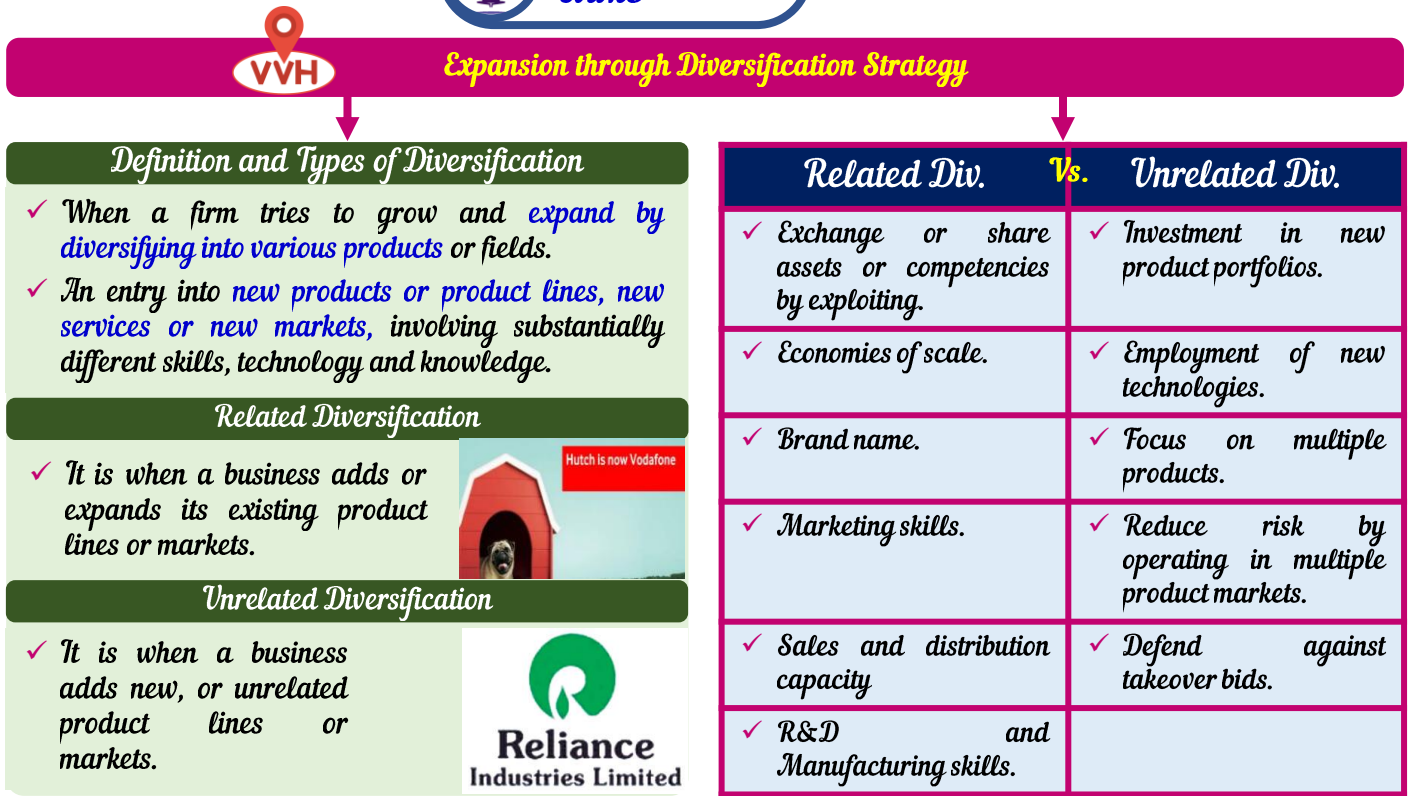
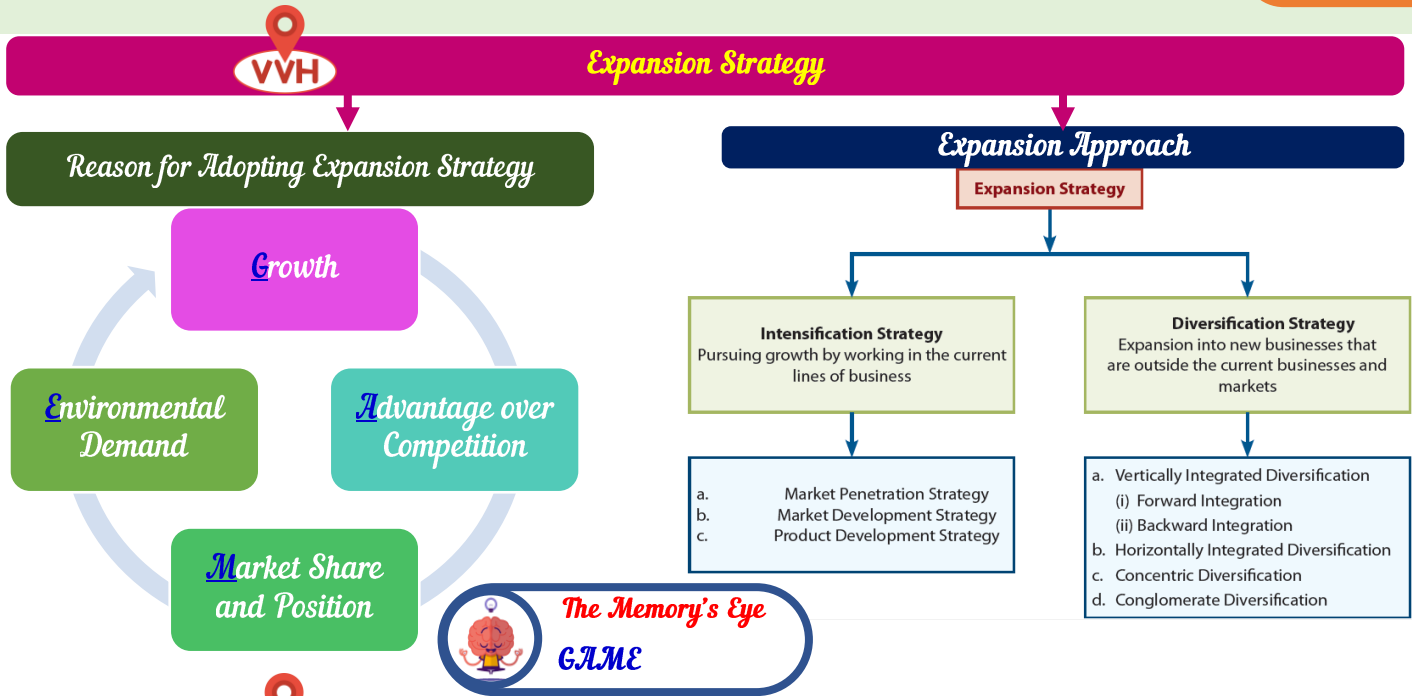


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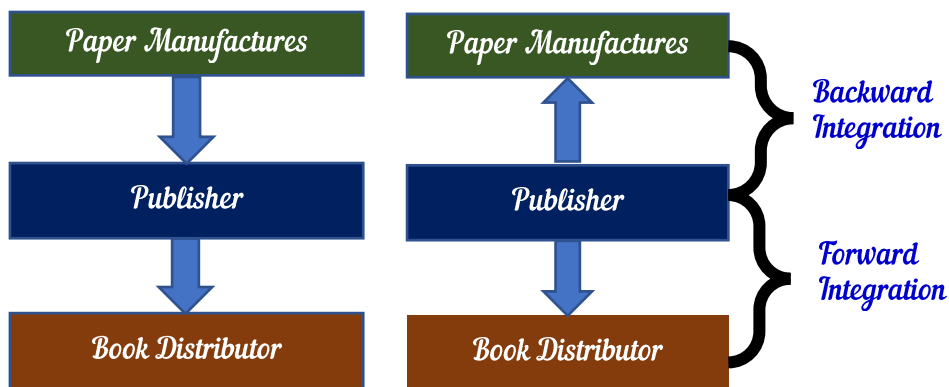


**Vertical Integration Diversification**

- ✓ Firm engages in businesses that are **related** to its existing business.
- ✓ It remains vertically within the same **product-process chain**.

**Types of VI:**

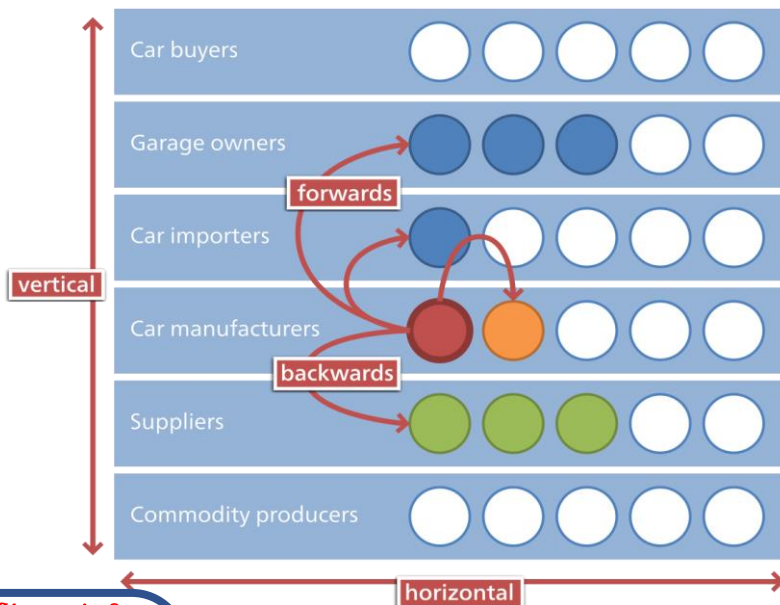
- ✓ Backward Integration
- ✓ Forward Integration



**Horizontal Integration Diversification**

This involves addition or acquisition of one or more similar businesses at the same stage of the production marketing chain through:

- ✓ Production of Complementary products
- ✓ Entering into Repairs and servicing of products
- ✓ Sale of By-products
- ✓ Taking over Competitors' products



**Concentric Diversification**

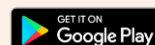
Extends the firm's distinctive competence to the other lines of business that are similar to the firm's initial base through:

- ✓ Process
- ✓ Technology
- ✓ Marketing.



**Conglomerate Diversification**

It is a strategy that expands the firm's operation into industries and markets that are not similar or related to the firm's initial base. It does not involve sharing the firm's distinctive competence across different lines of business.







Expansion Through Innovation

Definition

Upgradation of existing product lines or processes, leading to increased market share, revenues, profitability and, most important, customer satisfaction.

Why Innovation? (Benefits)

- ✓ To increase Productivity.
- ✓ To give Competitive Advantages
- ✓ To Solve complex problems.



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### Expansion through Mergers and Acquisitions

#### Horizontal Merger

A merger of two competing firms which are engaged in the production of similar products or services.

- ✓ It helps to obtain economies of scale in production by
- ✓ Eliminating duplication of facilities,
- ✓ Widening the product line, reduction in investment,
- ✓ Elimination of competition in product market,
- ✓ Increase market share,
- ✓ Reduction in advertising costs etc.

**Example:** Tata Steel acquiring Corus, Mittal Steel acquiring Arcelor and Jet Airways acquiring Sahara Airlines.



#### Vertical Merger

- ✓ When two or more companies involved in different stages of activities like production or distribution combine with each other the combination is called Vertical merger.

##### Forward Integration

**Example:** A refinery getting into petrol pumps (like RTI) or a film production house getting into distribution and subsequently, into running of cinema halls.

##### Backward Integration

**Example:** Starting with Vimal range of fabrics, RTI went backward into manufacture of polyester fiber and yarn.



#### Circular Merger

- ✓ In Co-generic or circular merger two or more merging organizations are associated in some way or the other related to the production processes, business markets, or basic required technologies.

- ✓ Such mergers include the extension of the product line or acquiring components that are required in the daily operations.

**Example:** Organization in the white goods categories such as refrigerators can diversify by merging with another organization having business in kitchen appliances.



#### Conglomerate Merger

- ✓ It is the combinations of companies engaged in unrelated businesses.

- ✓ There are no linkages with respect to customer groups, customer functions and technologies being used.

Such a combination helps in:

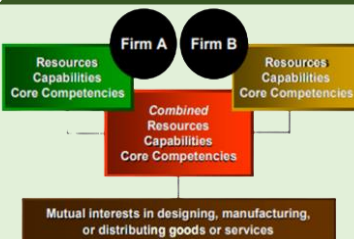
- ✓ Lowering of cost of capital,
- ✓ Optimum utilization of financial resources and
- ✓ Enlarging debt capacity.



### Expansion through Strategic Alliance

#### Definition

A strategic alliance is an agreement between two or more companies to share knowledge or resources to their mutual benefit.



#### Types of Strategic Alliance

Intra-industry



Inter-industry



#### Why Strategic Alliance?

- ✓ To create Synergy
- ✓ To Avoid barriers to entry
- ✓ To gain Access to new markets
- ✓ To Reduce/share risk
- ✓ To gain Access raw materials
- ✓ To Undertake development projects that are too big for a single company to fund.



*The Memory's Eye*

SATRA will Undertake Dev. Projects



**Advantages of Strategic Alliances**

Helps to learn necessary skills and obtain certain capabilities

**Political**

Formed with a local foreign business to gain entry into a foreign market.

**Economical**

**Organizational**

Economies of scale, reduction in costs and risks, co-specialization, creating additional value, etc.

**Strategic**

Rivals can join together to cooperate instead of compete.



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POSE**

**Disadvantages of Strategic Alliances**

Sharing knowledge and skills that otherwise organisations may not like to share..

**Sharing**

Sharing knowledge and skills can be problematic if they involve trade secrets.

**Competition**

**Trade Secrets**

An ally may become a competitor in future when it decides to separate out.



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STC**



Simplified Coverage

Eg. No.: 104-108

Mentor Coverage

Question No.: 7, 11, 30 & 36.

**Retrenchment Strategy**

**Definition**

- ✓ A strategy used by corporations to reduce the diversity or the overall size of the operations of the company. This strategy is often used in order to cut expenses with the goal of becoming a more financial stable business.
- ✓ Typically the strategy involves withdrawing from certain markets or the discontinuation of selling certain products or service in order to make a beneficial turnaround.

**Retrenchment Approach**

- ✓ Frequency
- ✓ Resources
- ✓ Investment
- ✓ Definition
- ✓ Growth
- ✓ Efficiency
- ✓ Risk



**The Memory's Eye  
FRIDGER**

**Ways of Retrenchment**

- ✓ Cutting back on capital and revenue expenditure.
- ✓ Reduction in operation.
- ✓ Withdrawal of some products and offices.
- ✓ Disposal of plant and product divisions.
- ✓ Retirement from production/marketing stage.
- ✓ Offering itself for takeover.
- ✓ Seeking liquidation or winding up.

**Why Retrenchment Strategy?**

- ✓ Obsolescence of product/process.
- ✓ High competition
- ✓ Industry overcapacity
- ✓ Management non-willingness continue
- ✓ Continuous losses
- ✓ Unavailability of resources
- ✓ Unmanageable threats
- ✓ Reallocation of resources to profitable businesses
- ✓ Situation of strategic failure.



**Turnaround Strategy**

Turnaround Strategies are those which are formulated by laying emphasis on improving internal efficiency so as to bring about internal retrenchment.

**Turnaround Strategy**

- ✓ Mismanagement.
- ✓ Negative cash flow and profits
- ✓ Declining market value
- ✓ Deterioration in physical facilities
- ✓ Over manning
- ✓ High turnover of employees and low morale
- ✓ Uncompetitive products or services





**Turnaround Action Plan**



**Stage 1**

**• Assessment of Current Problem**

- ✓ Assess the **current problems** and the extent of damage the problem has caused.
- ✓ Find out the **root causes** of the problem.

**Stage 2**

**• Analyze the Situation and Develop a Strategic Plan**

- Determine the **chances of the business's survival**.
- Identify **appropriate strategies** and develop a preliminary action plan.

**Stage 3**

**• Implement an Emergency Action Plan**

Includes human resource, financial, marketing and operations actions to restructure debts, improve working capital, reduce costs, improve budgeting practices, prune product lines and accelerate high potential products.

**Stage 4**

**• Restructure the Business**

- ✓ **Finance mix:** Prepare cash forecasts, analyze assets and debts.
- ✓ **Product mix:** Immediate attention over core products to remain competitive.
- ✓ **People mix:** Rewards, compensation and change management.

**Stage 5**

**• Return to Normal**

- ✓ Organization should begin to show signs of profitability, return on investments and enhancing economic value-added.

**Divestment Strategy**

Divestment strategy involves the sale or liquidation of a portion of business, or a major division or SBU.

**Compulsions for divestment in case of:**

- ✓ Obsolescence of product/process
- ✓ Business becoming unprofitable and unviable
- ✓ Inability to cope up with cut-throat competition
- ✓ Industry overcapacity
- ✓ Failure of existing strategy

**Reasons of Divestment (Why to Divest?)**

- ✓ Acquisition proves to be a mismatch.
- ✓ Persistent negative cash flows
- ✓ Severity of competition
- ✓ Failure to do Technological upgradation
- ✓ Availability of more profitable alternative

**Liquidation Strategy**

A retrenchment strategy considered as the most extreme and unattractive is liquidation strategy, which involves closing down a firm and selling its assets.

**Major Reasons Liquidation Strategy**

Same as Retrenchment Strategy.

**Combination Strategy**

An enterprise may seek stability in some areas of activity, expansion in some and retrenchment in the others.

**Major Reasons Combination Strategy:**

- ✓ Large Organizations
- ✓ Complex Environment
- ✓ Businesses in Multiple Industries



Simplified Coverage

Pg. No.: 109-112

Mentor Coverage

Question No.: 1, 2, 3, 4, 5, 6, 9, 12, 15, 16, 21, 26 & 27.



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



### Market Penetration

- ✓ Enter markets with their existing products.
- ✓ Take partly or all of a competitor's market share.
- ✓ Find new customers.
- ✓ Get current customers to use more of your products.
- ✓ Risk: Low

### Product Development

- ✓ New products into Existing markets.
- ✓ Even if the new products need not be new to the market, they remain new to the business.
- ✓ Risk: Moderate

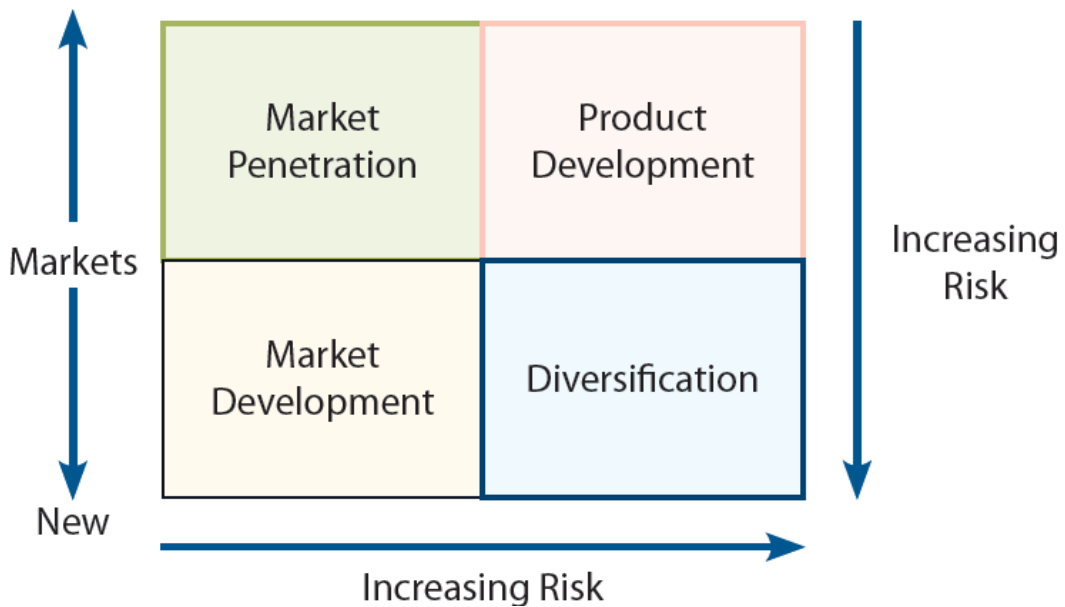
### Market Development

- ✓ Existing products into new markets.
- ✓ Current product can be changed, improved and marketed to Target another segment.
- ✓ New geographical markets, new product dimensions or packaging, new distribution channels or different pricing policies.
- ✓ Risk: Moderate

### Differentiation

- ✓ New products into new markets.
- ✓ Starting up or acquiring businesses outside the company's current products and markets.
- ✓ Risk: High

Existing ← Products → New



Simplified Coverage

Pg. No.: 113-114

Mentor Coverage

Question No.: 28, 33 & 34.



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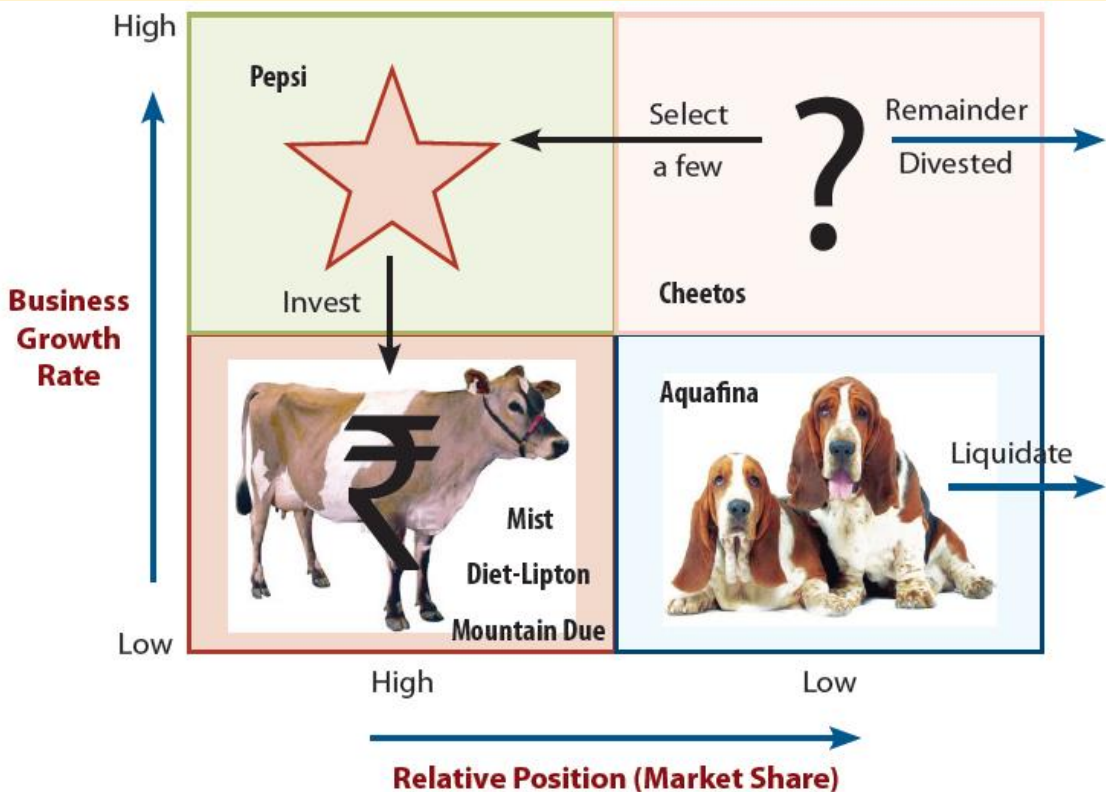


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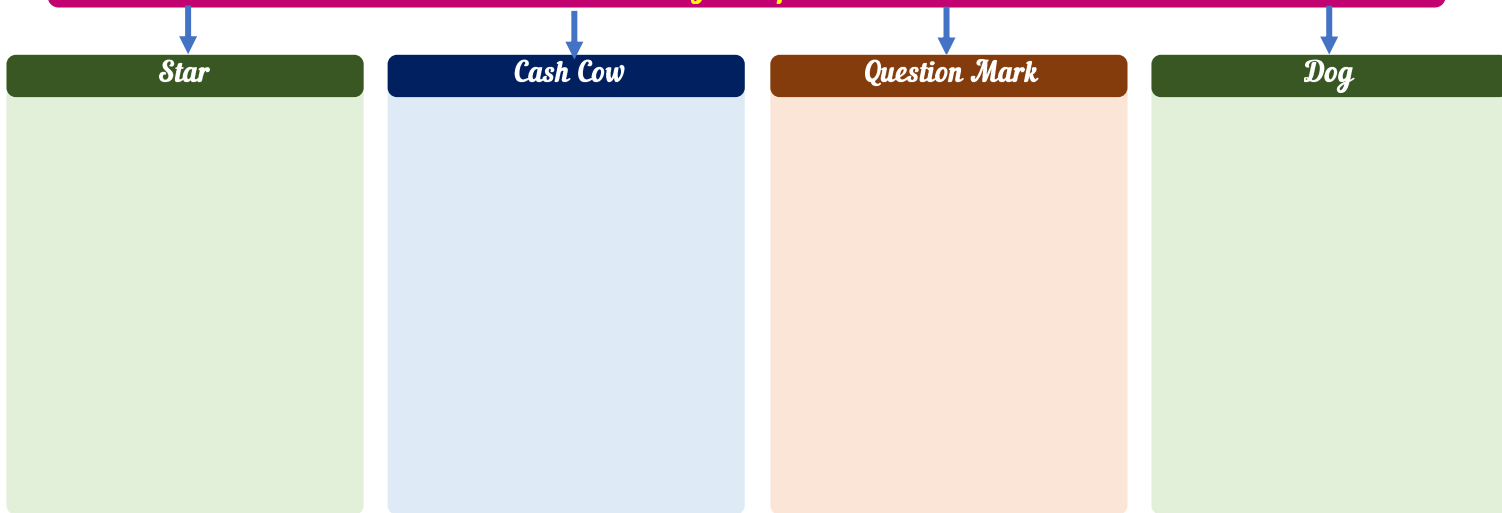




**BCG-Boston Consulting Group Growth-Share Matrix**



**BCG-Boston Consulting Group Growth-Share Matrix**



**Four strategies Based on BCG Matrix**



Simplified Coverage

Pg. No.: 116-120

Mentor Coverage

Question No.: 31 & 32.



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### GE Matrix (Stop Light Model)

|                       |        | Business Position (Strength) |                 |                |
|-----------------------|--------|------------------------------|-----------------|----------------|
|                       |        | High                         | Medium          | Low            |
| Market Attractiveness | High   | Invest                       | Invest          | Protect        |
|                       | Medium | Invest                       | Protect         | Harvest/Divest |
|                       | Low    | Protect                      | Harvest /Divest | Harvest/Divest |

#### Market Attractiveness

- ✓ Market Size
- ✓ Market growth
- ✓ Market profitability
- ✓ Pricing trends
- ✓ Competitive intensity
- ✓ Overall risk-return situation
- ✓ Opportunity to differentiate
- ✓ Segmentation
- ✓ Distribution structure

#### Competitive Strength

- ✓ Strength of competencies
- ✓ Relative brand strength
- ✓ Market share
- ✓ Customer loyalty
- ✓ Relative cost position
- ✓ Distribution strength
- ✓ Record of technological or other innovation
- ✓ Access to financial and other investment resources

#### BCG Vs. GE Matrix

- ✓ Market attractiveness replaces market growth as the dimension of industry attractiveness, and includes a broader range of factors other than just the market growth rate.
- ✓ Competitive strength replaces market share.
- ✓ This works in 3\*3 Grid while BCG matrix works in 2\*2 Grid.



### ADI- Arthur D Little Matrix

- ✓ The ADI Matrix is a two dimensional 4\*5 matrix
- ✓ Based on the Product Life Cycle (PLC) and Competitive positioning.



#### Dominant

- ✓ A rare position and in many cases is attributable either to a monopoly or a strong and protected technological leadership.

#### Strong

- ✓ The firm has a considerable degree of freedom over its choice of strategies.

#### Favourable

- ✓ The industry is fragmented and no one competitor stands out clearly.

#### Tenable

- ✓ Although the firms within this category are able to perform satisfactorily and can justify staying in the industry, they are generally vulnerable in the face of increased competition

#### Tenable

- ✓ The performance of firms in this category is generally unsatisfactory although the opportunities for improvement do exist.

|             |            | Stage of industry maturity                  |   |   |   |
|-------------|------------|---|---|---|---|
|             |            | Embryonic                                   | Growth  | Mature  | Ageing  |
| Competitive | Dominant   | Fast grow, Build barriers, Act offensively. | Fast grow, attend cost leadership, renew, defend position, act offensively. | Defend position, attend cost leadership, renew, fast grow, act offensively.                               | Defend position, renew, focus, consider withdrawal. |
|             | Strong     | Differentiate, fast grow.                   | Differentiate, lower cost, attack small firms.                              | Lower cost, focus, differentiate, grow with industry.   | Find niche, hold niche, harvest.                    |
|             | Favourable | Differentiate, focus, fast grow.            | Focus, differentiate, defend.   | Focus, differentiate, harvest, find niche, hold niche, turnaround, grow with industry, hit smaller firms. | Harvest, turnaround.                                |
|             | Tenable    | Grow with industry, focus.                  | Hold niche, turnaround, focus, grow with industry, withdraw.                | Turnaround, hold niche, retrench.   | Divest, retrench.                                   |
| Weak        |            | Find niche, catch-up, grow with industry.   | Turnaround, retrench, niche or withdraw.                                    | Withdraw, divest.   | Withdraw  |





Simplified Coverage

Pg. No.: 120-121

Mentor Coverage

Question No.: 35.

### Typologies of Strategies

#### Strategic Levels

- ✓ Corporate Level
- ✓ Business Level
- ✓ Functional Level

#### Stages of Business Life Cycle

- ✓ Entry/Introduction Stage: Market Penetration Strategy
- ✓ Growth Stage: Growth/Expansion Strategy
- ✓ Maturity Stage: Stability Strategy
- ✓ Decline Stage: Retrenchment/ Turnaround Strategy

### Competition

- ✓ Competitive Strategies
- ✓ Collaboration Strategies

### Glueck and Jauch Strategic Alternative

- ✓ Stability Strategies
- ✓ Expansion Strategy
- ✓ Retrenchment Strategy
- ✓ Combination Strategies



### Om Trivedi's Strategy for U

- ✓ *Stability, expansion, strategic alliances and turnaround strategies are very popular among the question setters and the ICAT in both the categories - descriptive/practical questions and MCQs.*
- ✓ *It has been observed in previous attempts that the ICAT asks either of these topics in alternative attempts.*
- ✓ *You must read and practice all the study-material and "Mentor Question Bank" questions to cover each and every aspect of such questions and their answers' presentation.*



### Question of the Day!

**SBQ 1:** Gautam and Siddhartha, two brothers, are the owners of a cloth manufacturing unit located in Faridabad. They are doing well and have substantial surplus funds available within the business. They have different approaches regarding corporate strategies to be followed to be more competitive and profitable in future. Gautam is interested in acquiring another industrial unit located in Faridabad manufacturing stationery items such as permanent markers, notebooks, pencils and pencil sharpeners, envelopes and other office supplies. On the other hand, Siddhartha desires to start another unit to produce readymade garments. *Discuss the nature of strategic choices being suggested by the two brothers with reference to the payoffs and the risks involved.*

**SBQ 2:** XYZ Company is facing continuous losses. There is decline in sales and product market share. The products of the company became uncompetitive and there is persistent negative cash flow. The physical facilities are deteriorating, and employees have low morale. At the board meeting, the board members decided that they should continue the organization and adopt such measures such that the company functions properly. The board has decided to hire young executive Shayamli for improving the functions of the organization.

*What corporate strategy should Shayamli adopt for this company and what steps need to be taken to implement the strategic choice adopted by Shayamli?*

**SBQ 3:** X Pvt. Ltd. had recently ventured into the business of co-working spaces when the global pandemic struck. This has resulted in the business line becoming unprofitable and unviable, and a failure of the existing strategy. However, the other businesses of X Pvt. Ltd. are relatively less affected by the pandemic as compared to the recent co-working spaces.

*Suggest a strategy for X Pvt. Ltd. with reasons to justify your answer.*





# 5

## CHAPTER

# STRATEGY IMPLEMENTATION AND EVALUATION

*"Failure doesn't mean you are a failure, it just means you haven't succeeded yet."*

**-Robert H. Schuller**

## CHAPTER OUTLINE

### Topic-1

*Strategic Management Process*

### Topic-2

*Strategy Formulation and Implementation*

### Topic-3

*Strategic Planning*

### Topic-4

*Strategic Uncertainty*

### Topic-5

*Strategy Implementation*

### Topic-6

*Strategic Change*

### Topic-7

*Strategic Change Through Digital Transformation*

### Topic-8

*Organisational Framework*

### Topic-9

*Organisational Structure*

### Topic-10

*Multi Divisional Structure*

### Topic-11

*Strategic Business Unit*

### Topic-12

*Newer Forms of Organisation Structures*

### Topic-13

*Matrix Structure*

### Topic-14

*Organisational Culture*

### Topic-15

*Leadership and Strategy Implementation*

### Topic-16

*Leadership Styles*

### Topic-17

*Strategic Control*

### Topic-18

*Strategic Performance Measures*

## Strategic Management Process

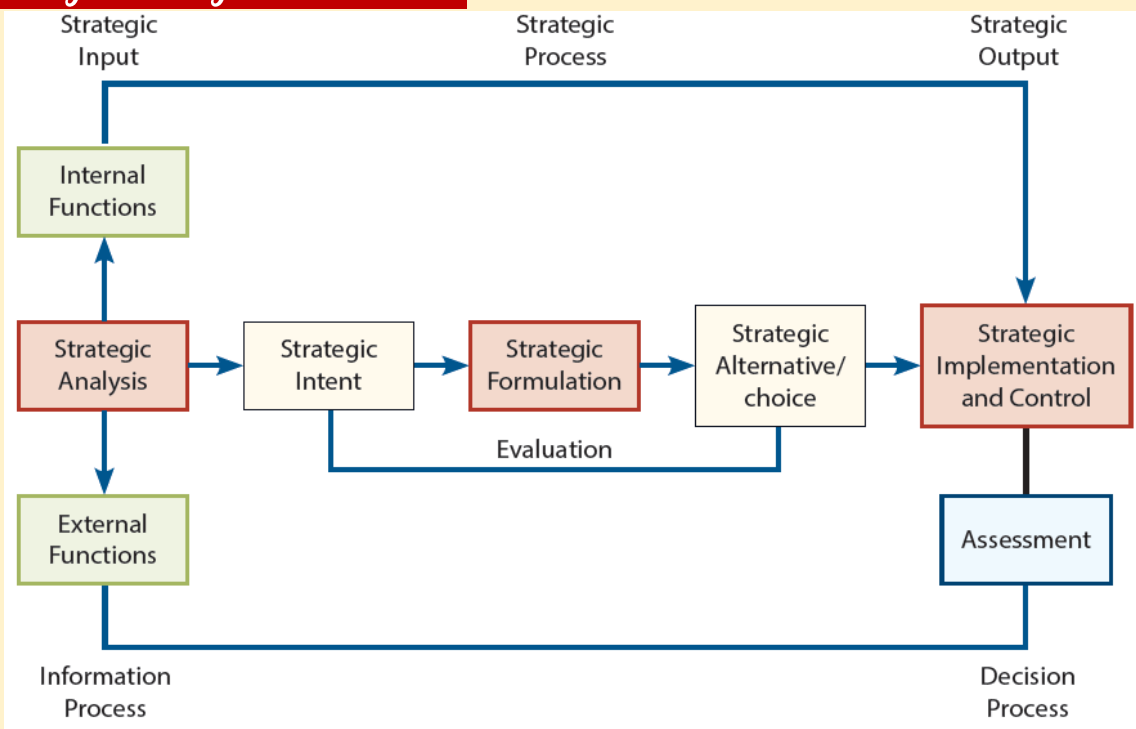
### SM Process

Strategic management entails both strategic planning and implementation and is “the process of identifying and executing the organization’s strategic plan, by matching the company’s capabilities with the demands of its environment.”

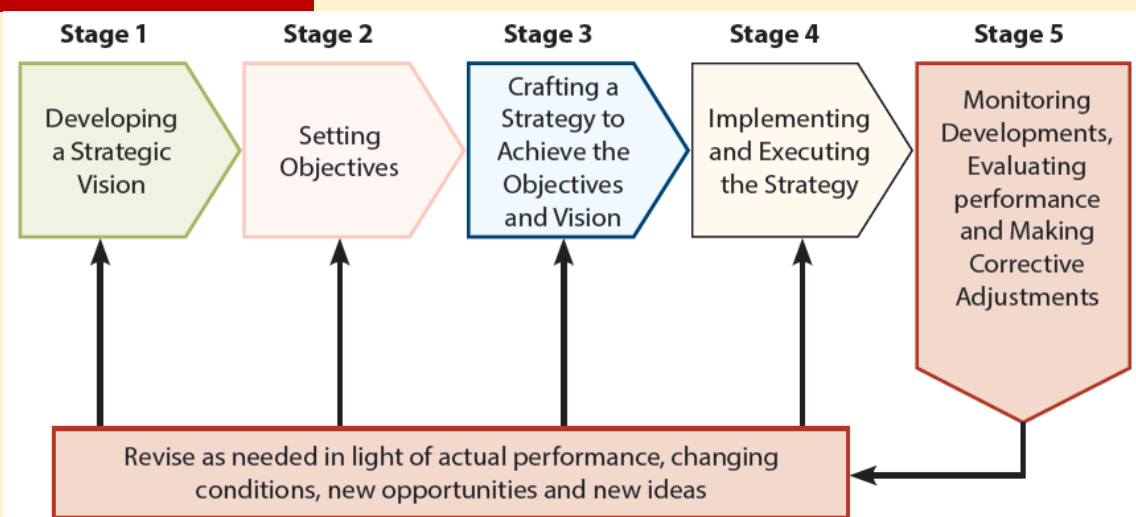
### Features

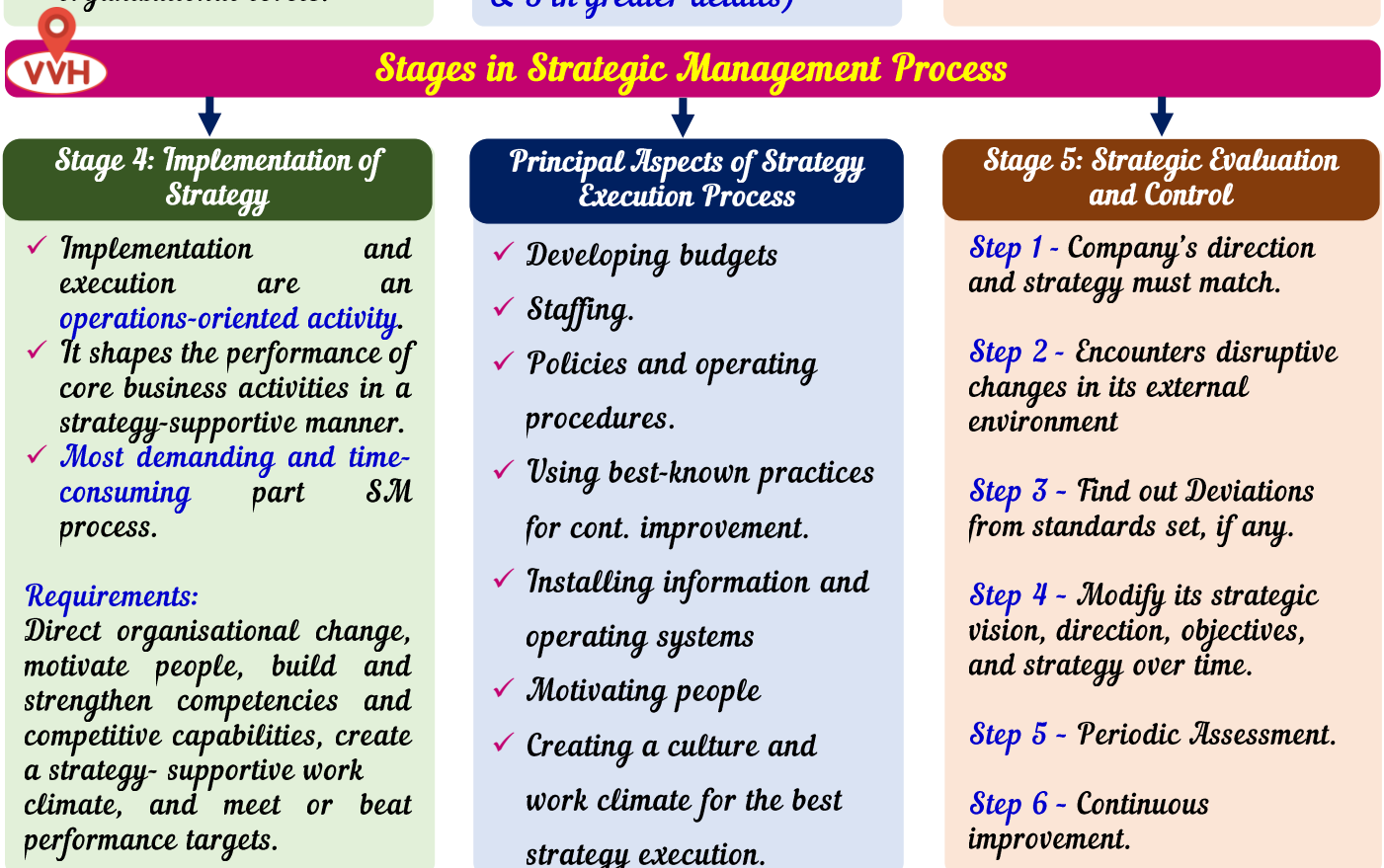
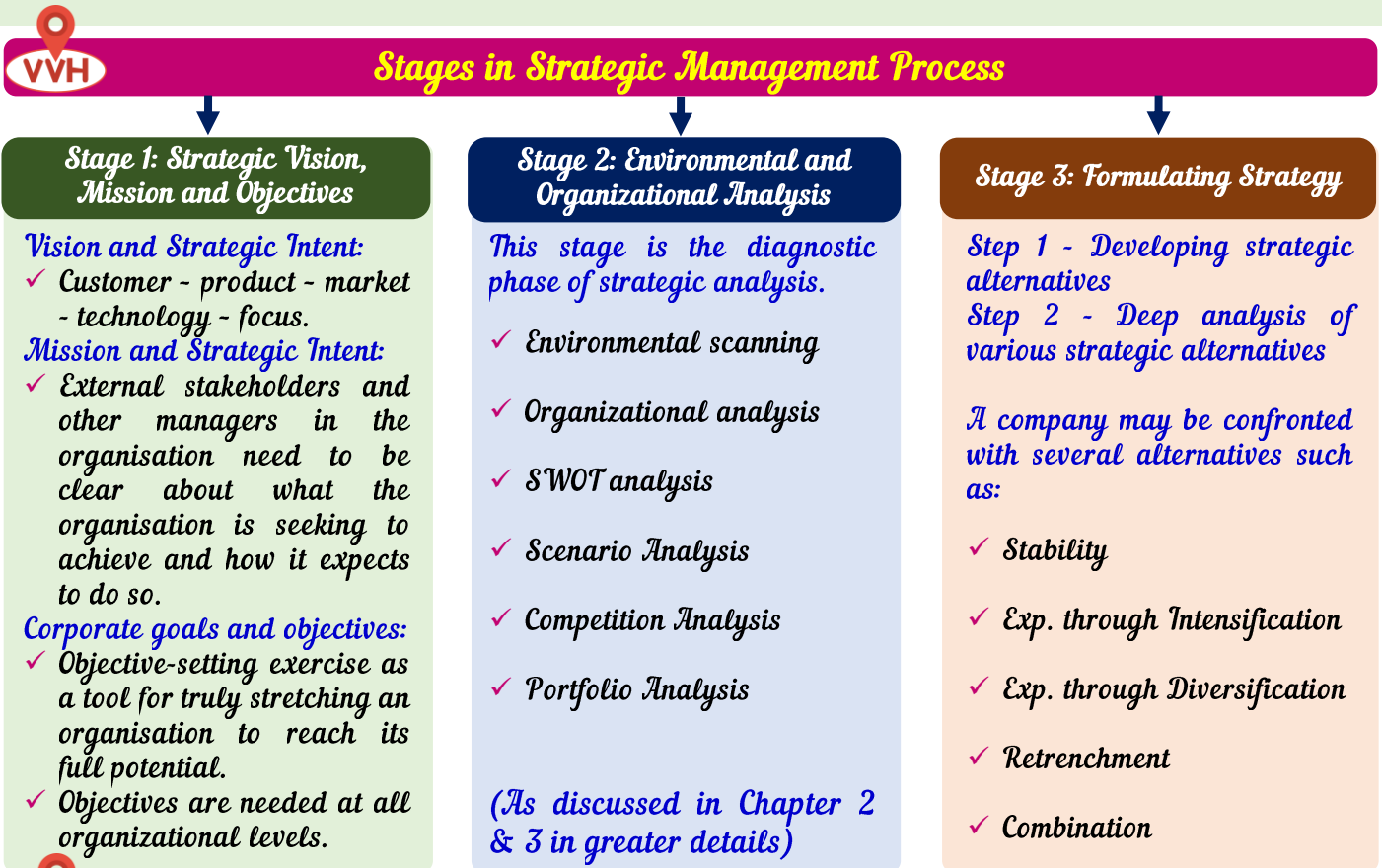
- ✓ SM Process is *dynamic and continuous*.
- ✓ A change in any one of the major components in the model can necessitate a change in other components.
- ✓ It can best be studied and applied using a model.

## Strategic Management Model



## SM Model in Detail





### Strategic Planning

- ✓ Strategic planning is **a disciplined process of making key decisions and agreeing on actions** that will shape and guide what an organization is, what it does, and why it does it.

### Strategic Planning Key Concerns

- ✓ **Why do we exist?**
- ✓ **What are we doing?**
- ✓ **What are the major goals and objectives of the organization?**
- ✓ **For whom do we do it?**
- ✓ **How to improve and excel?**
- ✓ **What resources do we need for a successful future?**
- ✓ **Who will be our customers?**

### Why Strategic Planning?

- ✓ **Understand the current situation.**
- ✓ **Plan for the future.**
- ✓ **Simulate the future to prepare the organization for future**
- ✓ **Concern for changes and it's impact on growth of the organization.**

### Approaches for Strategic Planning



### Operational Planning VS. Strategic Planning

- ✓ Deals with **current deployment of resources.**
- ✓ Develops **tactics** rather than strategy.
- ✓ Projects **current operations** into the future.
- ✓ Makes **modifications to the business functions**, but not fundamental changes.
- ✓ **Functional manager's** responsibility.



- ✓ **Shapes the organisation and its resources.**
- ✓ **Assesses the impact of environment.**
- ✓ Takes a **holistic view** of the organisation.
- ✓ Develops **overall objectives and strategies.**
- ✓ Concerned with the **long-term success.**
- ✓ **Senior management's** responsibility.



### Strategic Uncertainty



#### Meaning & Impact

#### Meaning:

- ✓ The strategic uncertainty is represented by a **future trend or event that has inherent unpredictability.**
- ✓ It can be judged by **Scenario Analysis.**
- ✓ Scenario analysis basically **accepts the uncertainty as given and uses it to drive a description of two or more future scenarios.**

#### Impact:

- ✓ Impact on **present, proposed, and even potential businesses.**
- ✓ Impact on **potential growth** as present market share, position, sales, profits, or costs may suffer.

**NEW!**

#### How to Deal with Strategic Uncertainty?

- ✓ **Flexibility**
- ✓ **Diversification**
- ✓ **Monitoring and Scenario Planning**
- ✓ **Building Resilience**
- ✓ **Collaboration and Partnerships**
- ✓ **Strategic grouping of Uncertainties**



**VVH** Relationship between Strategy Implementation and Formulation

- Strategy Formulation**
- ✓ Placing the forces before the action
  - ✓ Entrepreneurial activity
  - ✓ Focus on effectiveness
  - ✓ Rational process
  - ✓ Coordination among few individuals
  - ✓ Requires a great deal of initiative and logical skills

- Strategy Implementation**
- ✓ Managing forces during the action
  - ✓ Administrative task
  - ✓ Emphasizes on efficiency
  - ✓ Operational process
  - ✓ Co-ordination among many individuals
  - ✓ Requires motivational and leadership traits

**Matrix**

|                      |        |                         |                |
|----------------------|--------|-------------------------|----------------|
| Strategy Formulation | Sound  | A                       | B<br>(Success) |
|                      | Flawed | C                       | D              |
|                      |        | Weak                    | Excellent      |
|                      |        | Strategy Implementation |                |

**VVH** Relationship between Efficiency and Effectiveness

- Efficiency**
- ✓ Operational in nature
  - ✓ To do the things right
  - ✓ Defines relationship between inputs-outputs
  - ✓ Links with internal environment
  - ✓ Responsibility for efficiency lies with operational managers
  - ✓ Implementation viewpoint

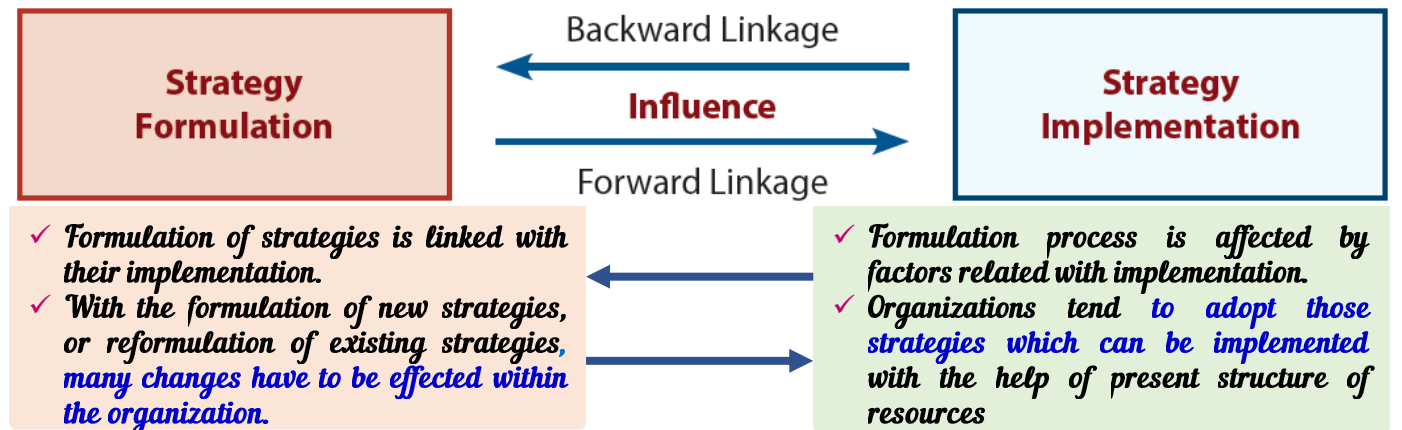
- Effectiveness**
- ✓ Strategic in nature
  - ✓ To do the right things
  - ✓ Concerned with the attainment of goals
  - ✓ Links with external environment
  - ✓ Responsibility for effectiveness lies with top managers
  - ✓ Formulation viewpoint

**Matrix**

**Strategic Management**

|                       |             |              |                  |
|-----------------------|-------------|--------------|------------------|
|                       |             | Effective    | Ineffective      |
| Operations Management | Efficient   | 1<br>Thrive  | 2<br>Die Slowly  |
|                       | Inefficient | 3<br>Survive | 4<br>Die Quickly |

Relationship between Strategy Implementation and Formulation



Issues Considered in Strategy Implementation

- ✓ Project Implementation
- ✓ Procedural Implementation
- ✓ Resource Allocation
- ✓ Structural Implementation
- ✓ Functional Implementation
- ✓ Behavioural Implementation





### Strategic Change

#### Steps to Initiate Strategic Change

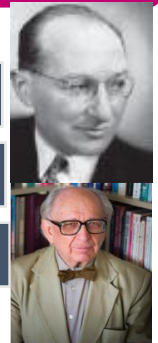
- Step 1: Recognize the need for change
- Step 2: Create a shared vision to manage change
- Step 3: Institutionalize the change

#### Kurt Lewin's Phases of Strategic Change

- Step 1: Unfreezing the Situation
- Step 2: Changing to new Situation
- Step 3: Refreezing

H C Kellman

- Compliance
- Identification
- Internalization



### Strategic Change Through Digital Transformation

#### Digital Transformation (DT)

A process of organizational change that enables an organization to use digital technology to create new value for customers.

#### Change Management

- ✓ A systematic approach to dealing with the transition of an organization's goals, processes or technologies.
- ✓ The purpose of change management is to implement strategies for -
  - ✓ effecting change,
  - ✓ controlling change and
  - ✓ helping to adapt to change.

#### 4 Essential Elements of Change Management in DT

- ✓ Defining the goals and objectives of DT.
- ✓ Assessing the current state of organization and identifying gaps.
- ✓ Creating a roadmap for change.
- ✓ Implementing and managing the change at every level of the organization.

Change Management Model has a clear vision, involves all stakeholders, puts change into action and keeps an eye on results.

#### Role of Change Management in DT

- ✓ Specify the parameters and goals of the DT.
- ✓ Determine which procedures and tools need to be modified.
- ✓ Make a plan for implementing the improvements.
- ✓ Involve staff members and parties involved in the transformation process.
- ✓ Track progress and make required course corrections.



### How to Manage Change during Digital Transformation?

| Strategies   | Explanation   |
|--|---|
| <ul style="list-style-type: none"> <li>✓ Specify the DT aims and objectives</li> </ul> | <ul style="list-style-type: none"> <li>✓ What is the intended outcome?</li> <li>✓ What are the objectives that must be accomplished? (Shared Planning)</li> </ul> |
| <ul style="list-style-type: none"> <li>✓ Always, always, always communicate</li> </ul> | <ul style="list-style-type: none"> <li>✓ Bottom-up Communication with stakeholders, including employees, clients, and other parties.</li> </ul>                   |
| <ul style="list-style-type: none"> <li>✓ Be ready for resistance</li> </ul>            | <ul style="list-style-type: none"> <li>✓ Have a strategy in place for dealing with any resistance that may arise.</li> </ul>                                      |
| <ul style="list-style-type: none"> <li>✓ Implement changes gradually</li> </ul>        | <ul style="list-style-type: none"> <li>✓ Give people time to become used to the new way of doing things.</li> </ul>   |
| <ul style="list-style-type: none"> <li>✓ Offer assistance and training</li> </ul>      | <ul style="list-style-type: none"> <li>✓ Workers will need guidance in the new procedures, software applications, etc.</li> </ul>                                 |



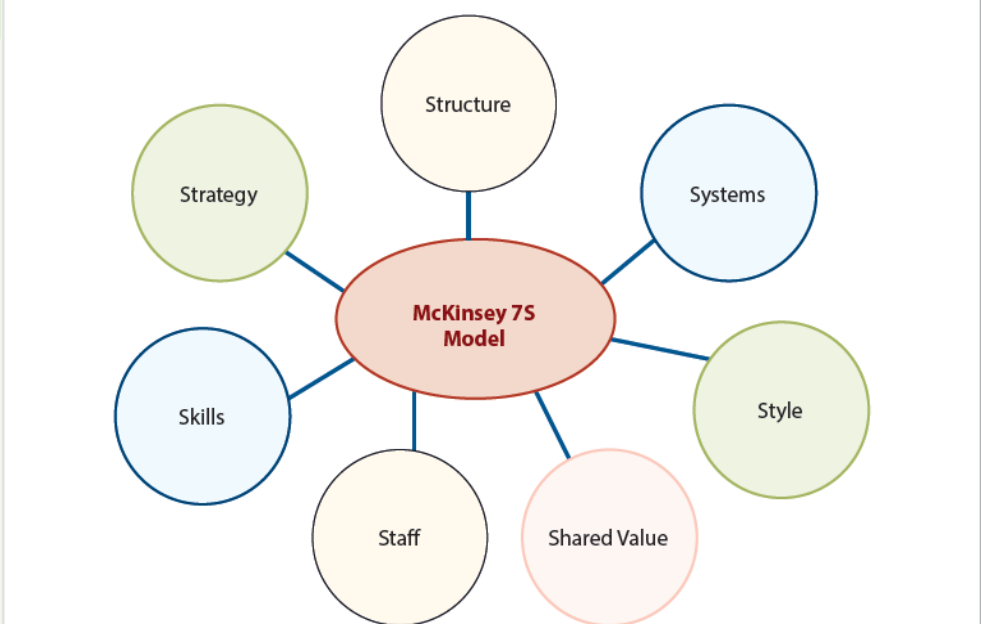


| Change Management Strategies for DT                      | Explanation   |
|--|---|
| i. Begin at the top                                      | <i>Investment, Top-Bottom Commitment, United Leadership &amp; Motivation.</i>   |
| ii. Ensure that the change is both necessary and desired | <ul style="list-style-type: none"> <li>✓ <i>Decision-makers</i> must be unaware of how to properly handle a DT.</li> <li>✓ <i>Organization</i> must have a <b>sound strategy in place.</b></li> </ul>   |
| iii. Reduce disruption                                   | <ul style="list-style-type: none"> <li>✓ <i>By dealing with Employees</i> perceptions &amp; their concerns about change.</li> <li>✓ <i>Through</i> early preparation to handle DT, knowledge and tools, training, creation of friendly environment, motivation &amp; IT Support.</li> </ul> |
| iv. Encourage communication                              | ✓ <i>Bottom-up Communication or Shared Vision</i> - Create channels to solve queries, <i>Inter-departmental</i> collaborations & sound culture of comm.   |
| v. Recognize that change is the norm, not the exception  | <ul style="list-style-type: none"> <li>✓ <i>Change readiness</i> - Prepare for change in advance and expect them.</li> <li>✓ <i>"the ability to continuously initiate and respond to change in ways that create advantage, minimize risk, and sustain performance."</i></li> </ul>          |



**NEW!** *Organizational Framework - McKinsey 7S Model*

- McKinsey 7S Model
- Strategy
  - Structure
  - Systems
  - Style
  - Shared Value
  - Staff
  - Skill



| Hard Elements    |  | Soft Elements        |   |
|------------------|--|----------------------|---|
| <i>Strategy</i>  | <i>Build on a core competency and achieve CA.</i>  | <i>Style</i>         | <i>Leadership Style.</i>  |
| <i>Structure</i> | <i>Centralized or Decentralized.</i>   | <i>Shared Values</i> | <i>Core values which get reflected within the organizational culture.</i> |
| <i>System</i>    | <i>Development of daily tasks, operations, and teams in the most efficient and effective manner.</i> | <i>Staff</i>         | <i>The talent pool of the organization.</i>                               |
|                  |  | <i>Skill</i>         | <i>The core competencies or the key skills of the employees.</i>          |



**NEW!**

### Limitations of McKinsey 7S Model

- ✓ Ignores External Environmental Factors
- ✓ Performance Evaluation Parameters are Missing
- ✓ Static Model
- ✓ Strategy Formulation and Execution Gap



### Organizational Structure

Organizational structure is typically *hierarchical arrangement of lines of authority, communications, rights and duties* of an organization.

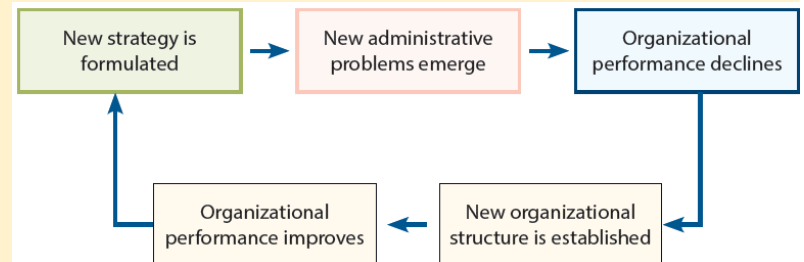
An organization is structured for two major reasons:

- ✓ Structure largely dictates *how objectives and policies will be established.*
- ✓ Structure dictates *how resources will be allocated.*
- ✓ *Small firms are functionally structured (centralized).*
- ✓ *Medium sized firms are divisionally structured (decentralized).*
- ✓ *Large firms are in SBU or matrix structure.*



### Chandler's Strategy-Structure Relationship

- ✓ Changes in strategy
- ✓ Leads to Changes in Structure
- ✓ Structures follow the growth strategies
- ✓ Growth strategies follow certain patterns to achieve Goals & Obj.



### Simple Structure

- ✓ Suitable for the companies that follow a *single-business strategy* and offer a line of products in a *single geographic market*. Implement *focused cost leadership* or *focused differentiation* strategies.

#### Characteristics

- ✓ *Owner-manager* makes all major decisions directly and monitors all activities.
- ✓ *Little specialization* of tasks, few rules, little formalization.
- ✓ *Unsophisticated information systems.*
- ✓ *Involvement of owner-manager* in all phases of *day-to-day operation.*
- ✓ *Communication* is frequent and direct.
- ✓ *Potential CA* - Innovation, greater structural flexibility, and an ability to respond more rapidly to environmental changes.

#### Issues or Limitations

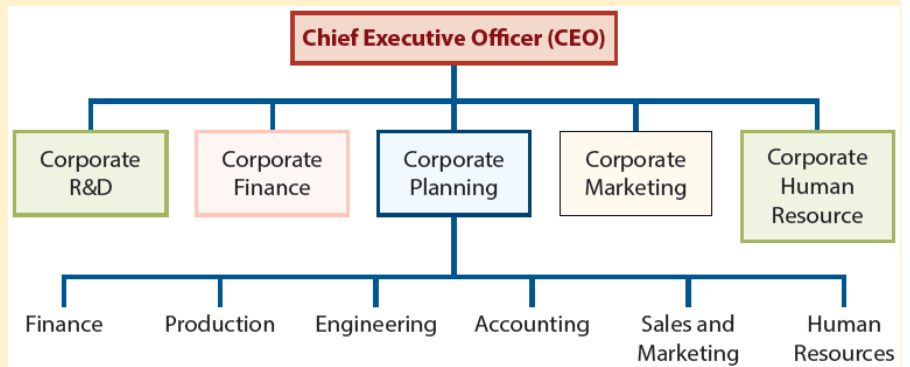
- ✓ Company outgrows the simple structure in case of *Growth.*
- ✓ Unable to process *competitively relevant information.*
- ✓ The above generated huge pressure on *owner-managers* due to a *lack of organizational skills or experience.*
- ✓ *Inconsistent with the company's strategy.*
- ✓ Unable to deal with *more complex organizational functions.*





### Functional Structure

- ✓ Functional Organization structure is a **hierarchical** type.
- ✓ People are grouped as per their area of **specialization**.
- ✓ Supervised by a functional manager with **expertise** in the same field.
- ✓ Promotes **specialization**.
- ✓ Workers are very skilled and efficient.
- ✓ Allows quick **decision-making**.
- ✓ **Expert** can manage each department.



#### Advantages

- ✓ Promotes **specialization**.
- ✓ Minimizes the need for an elaborate **control system**.
- ✓ Allows **quick decision-making**.
- ✓ Workers are very **skilled and efficient**, Expert of specialized activities and require specialists.
- ✓ **Better supervision**.

#### Disadvantages or Issues or Limitations

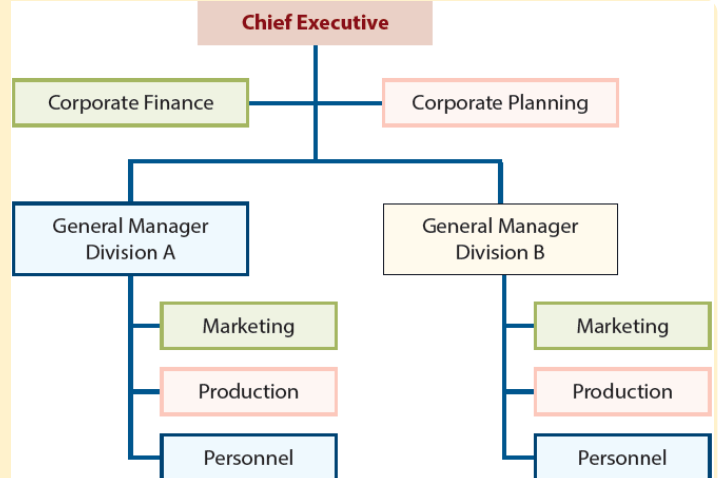
- ✓ **Accountability to the top** - Poor delegation.
- ✓ **Minimizes career development opportunities**.
- ✓ **Low employee morale** - line-staff conflicts.
- ✓ **Inadequate planning** for products and markets
- ✓ **Problems in communications and co-ordination**.
- ✓ **Specialists may develop narrow perspective**, losing sight of the company's strategic Intent.

### Divisional Structure

- ✓ More suited to every large enterprise.
- ✓ Independent divisions are created under the overall control of the HO.

#### Types of Divisions:

- ✓ Divisional by geographic area
- ✓ Divisional by product
- ✓ Divisional by customer
- ✓ Divisional by process



#### Advantages

- ✓ Promotes **accountability**.
- ✓ **Employee Morale**.
- ✓ **Career Development opportunities**.
- ✓ Allows better control of local situations.
- ✓ **Competitive climate**.

#### Disadvantages or Issues or Limitations

- ✓ Each division requires functional **specialists**.
- ✓ **Duplication** of staff services, facilities, and personnel.
- ✓ Requires an **elaborate and costly**, headquarters-driven control system.
- ✓ **Organizational policy is inconsistent** due to divisional bias and inequality.





## Multi-Divisional Vs. SBU Structure

### Multi-Divisional Structure

Multidivisional (M-form) structure is composed of operating divisions where *each division* represents a *separate business* to which the top *corporate officer delegates responsibility* for *day-to-day operations* and *business unit strategy* to division managers.

#### M-Form is Composed of:

- ✓ Creating separate divisions
- ✓ Each division would house its functional hierarchy.
- ✓ Division managers would be given responsibility for managing day-to-day operations.
- ✓ 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.

### SBU Structure

It is a *single business* or a *collection of related businesses* which offer scope for *independent planning* and which might *feasibly stand alone* from the rest of the organization.

- ✓ It has its own set of competitors.
- ✓ It has a manager who has responsibility for strategic planning and profit performance, and who has control of profit-influencing factors.
- ✓ Individual SBUs are treated as profit centres.
- ✓ It facilitates comparisons between divisions, improving the allocation of resources and can be used to stimulate managers of poorly performing divisions.
- ✓ SBU is a business tool whose main aim is to serve a clear and defined market segment with a defined strategy.



## Birth Conditions of M-Form and SBU Structure

- ✓ When the firm is less diversified, strategic controls are used to manage divisions.

#### Note on Strategic Control:

Strategic control refers to the operational understanding by corporate officers of the strategies being implemented within the firm's separate business units.

- ✓ An increase in diversification strains corporate officers' abilities to understand the operations of all its business units and divisions are then managed by financial controls, which enable corporate officers to manage the cash flow of the divisions through budgets and an emphasis on profits from distinct businesses.

#### Note Financial Control:

However, because financial controls are focused on financial outcomes, they require that each division's performance be largely independent of the performance of other divisions.

- ✓ So, the Strategic Business Units come into picture.

### Advantages

- ✓ Great level of synergy among all profit centre.
- ✓ Corporate HO can focus on Strategic Planning.
- ✓ Improved co-ordination & harmony in operations.
- ✓ Promotes accountability.
- ✓ Accurate monitoring of the performance of SBUs.
- ✓ Proper allocation of resources and portfolio management.

### Disadvantages or Issues or Limitations

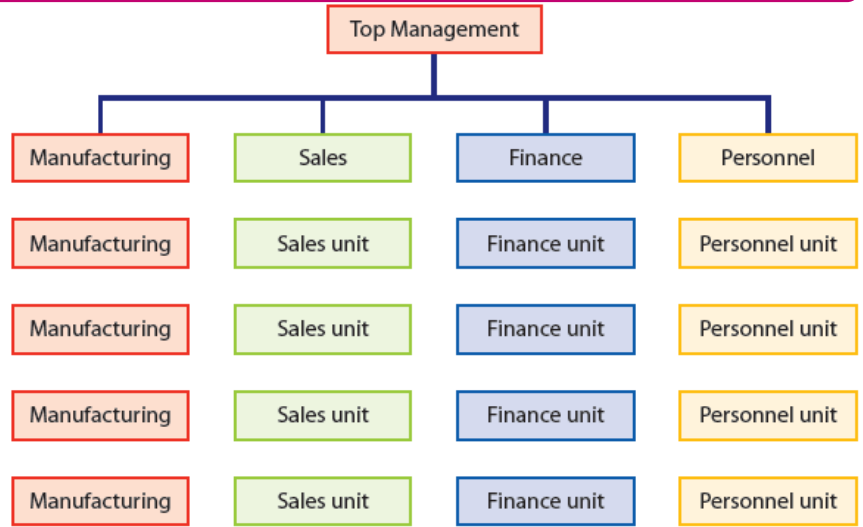
- ✓ Additional layer of management.
- ✓ Increases salary expenses.
- ✓ Difficult to define the autonomy of the group Vice President.
- ✓ Unhealthy competition for corporate resources.





### Matrix Structure

- ✓ Structure which aims at combining the advantages of vertical and horizontal flows of authority and communication.
  - ✓ Personnel who are deputed to work full time in different projects; sometimes in more than one projects under the overall guidance and direction of project managers.
- Employees have two superiors -
- ✓ Functional Manager (vertical flow) and
  - ✓ Project or Product Manager (horizontal flow)



### Phases for Development of Matrix Structure (As per Davis and Lawrence)

#### Cross-functional Task Force

- ✓ It is initially used when a new product line is being introduced. A project manager is in charge as the key horizontal link.

#### Brand Management

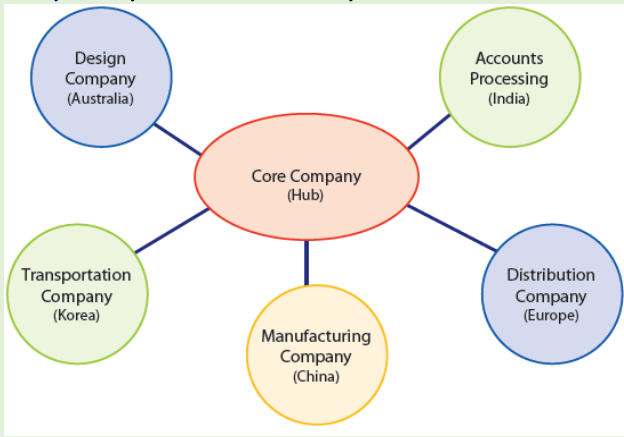
- ✓ If the cross-functional task forces become more permanent, the project manager becomes a product or brand manager.

#### Mature Matrix

- ✓ The functional and product structures become permanent and it involves a true dual-authority structure.

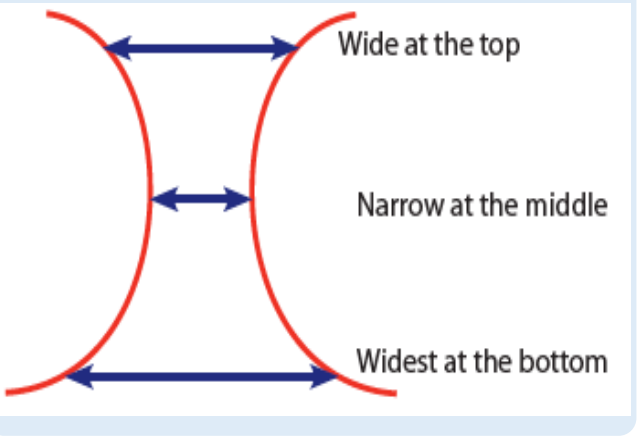
### Network Structure

- ✓ Many activities are outsourced.
  - ✓ Non-structure
  - ✓ Virtual Organization
  - ✓ Most Suitable in unstable environment
  - ✓ Acting as a broker.
- Example: Flipkart, Amazon, Snapdeal, etc.



### Hourglass Structure

- ✓ The tasks performed by middle management have been replaced by the information and Communication technological tools.
  - ✓ Short and narrow middle-management level.
  - ✓ IT links the top and bottom levels
- Example of IT behind HGS: CaaS, VOTP, etc.



VVH

## Strategic Leadership

### Strategic Leadership

Strategic leaders are those at the top of the company, the CEO, the members of the board of directors, the top management team, and division general managers.



### Responsibilities

- ✓ **Managing** human capital
- ✓ **Strategic Management**
- ✓ **Sustaining** high performance over time.
- ✓ **Willing** to make courageous decisions.
- ✓ **Seeking** feedback through face-to-face communications.



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Managing SM PDF

### Leadership Roles - Managers

- ✓ **Monitoring** Execution Progress
- ✓ **Promoting** High Performance culture
- ✓ **Change** Management
- ✓ **Focus** on CC and CA
- ✓ **Corporate** Ethics
- ✓ **Corrective** actions to ensure Strategic Success.



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MP's CM Focuses on CC

### Transactional Leadership

- ✓ **Focuses** more on designing systems and controlling the organization's activities and are more likely to be associated with improving the current situation.
- ✓ **Appropriate** in static environment, in mature industries, and in organizations that are performing well.

### Transformational Leadership

- ✓ **Uses** charisma and enthusiasm to inspire people to exert them for the good of the organization.
- ✓ **Appropriate** in turbulent environments, in industries at Intro Level of their life-cycles, in poorly performing organizations when there is a need to embrace major changes.

## Organizational Culture

### Corporate Culture

- ✓ **Management** practices
- ✓ **Ethical** standards
- ✓ **Official** policies
- ✓ **Dealings** and relationships
- ✓ **Traditions**
- ✓ **Employees'**
- ✓ **Legends**
- ✓ **Organization's** politics

### Role of Culture

- ✓ **Culture** promotes good strategy execution.
- ✓ **Nurtures** and motivates people.
- ✓ **Employees** are passionate about company's vision.

### Changing a Problem Culture

- ✓ **Diagnose** the present strategy non-supportive cultures.
- ✓ **Role** models for the desired cultural behaviour.
- ✓ **Replacing** key executives who are strongly associated with the old culture
- ✓ **Taking** every opportunity to communicate to employees

### How culture can promote better strategy execution of culture?

- ✓ **Recruiting** and **HIRING** new managers and employees who have the desired cultural values.
- ✓ **Altering** **INcentive** compensation praising and recognizing people who display the new cultural traits.
- ✓ **Communicate** to employees the basis for cultural change and its benefits to all concerned.
- ✓ **Identify** the supportive and non-supportive elements of the culture.
- ✓ **Hold** **Discussions** with all concerned about those aspects of the culture that have to be changed.



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Hiring In CID





## Role of Culture in Strategy Execution

- ✓ Listening to customers, encouraging employees, and giving a high degree of decision-making authority is very conducive to successful execution of a strategy.
- ✓ Shape the mood, temperament, and motivation the workforce.
- ✓ Affects organizational energy, work habits and operating practices, the degree to which organizational units cooperate, and how customers are treated.
- ✓ Nurtures and motivates people to do their jobs.
- ✓ Provides structure, standards, and a value system in which to operate.
- ✓ Promotes strong employee identification with the company's vision, performance targets, and strategy.



## Changing a Problem Culture

**NEW!**

**Step 1:** Diagnose which facets of the present culture are strategy supportive and which are not.

**Step 2:** Managers need to talk to all concerned about those aspects of the culture that have to be changed.

**Step 3:** Implanting the needed culture-building values and behaviour.

**Step 4:** Implementers must enlist the support of first line supervisors and employee opinion leaders, convincing them of the merits of practicing and enforcing cultural norms at the lowest levels in the organization.

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## Strategic Control

### Types of Control

#### Operational control

- ✓ Operational control systems are designed to ensure that day-to-day actions are consistent with established plans and objectives.
- ✓ Derived from the requirements of management control system.

#### Premise Control

- ✓ Based on certain assumptions or premises about the complex and turbulent organizational environment.
- ✓ Over a period of time these premises may not remain valid.
  - ✓ Internal Premise
  - ✓ External Premise

#### Management control

- ✓ Management control is the set of measurement, analysis, and action decisions required for the timely management of the continuing operation of a process.
- ✓ Ex: ROI, residual income, cost, product quality, etc.

#### Strategic Surveillance Control

- ✓ It is unfocused.
- ✓ It involves casual environmental browsing.
- ✓ It is general monitoring of various sources of information to uncover unanticipated information having a bearing on the organizational strategy.

#### Strategic control

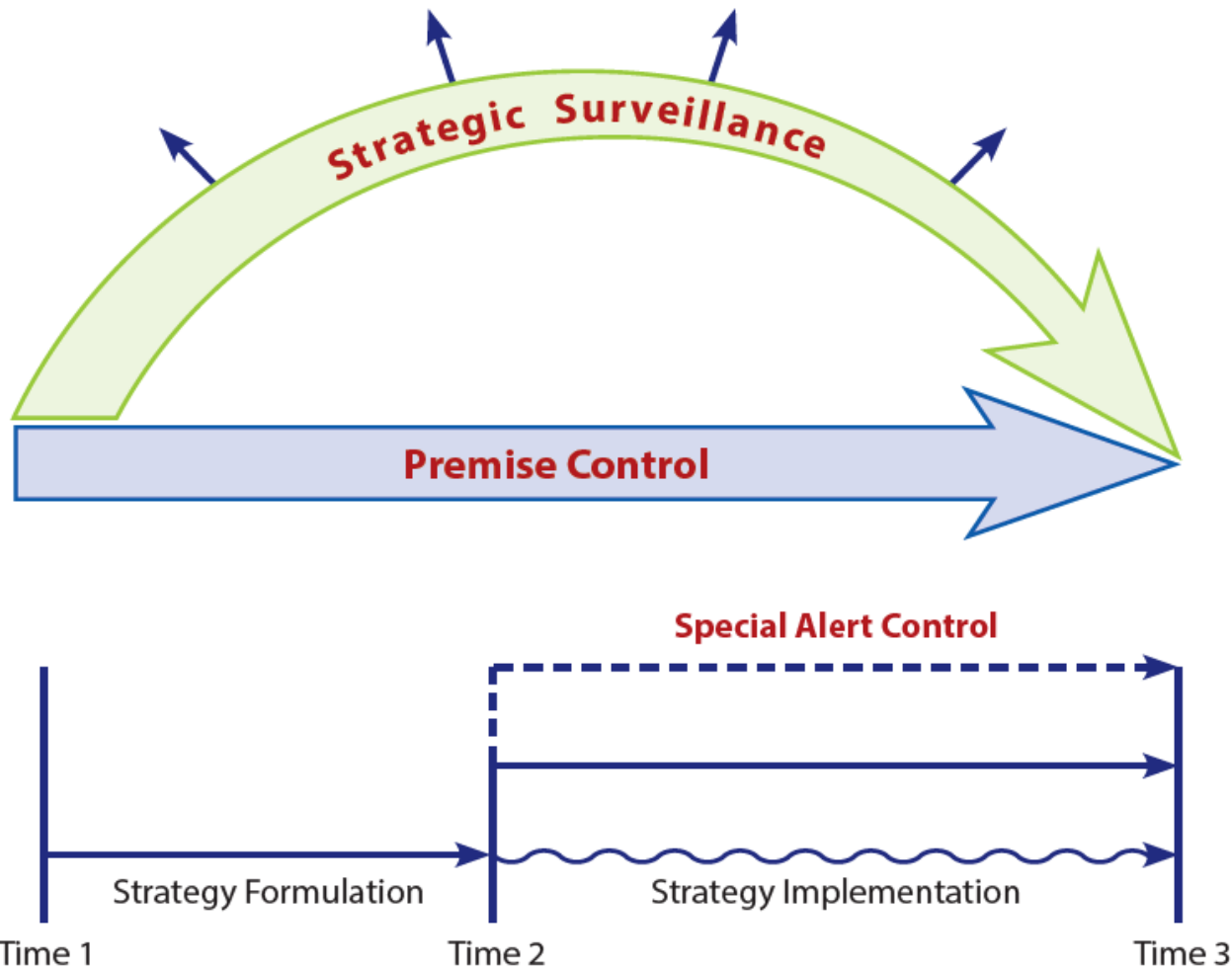
Strategic control focuses on the dual questions of whether:

- ✓ the strategy is being implemented as planned; and
- ✓ the results produced by the strategy are those intended.

#### Special Alert Control

Sudden changes in government, natural calamities, terrorist attacks, unexpected merger/acquisition by competitors, industrial disasters and other such events may trigger an immediate and intense review of strategy.





### Implementation Control

- ✓ Implementation control continuously monitors the basic direction of the strategy.
- ✓ It is directed towards assessing the need for changes in the overall strategy in the light of unfolding events and results associated with incremental steps and actions.

2 basic forms of implementation control:

- ✓ **Monitoring strategic thrusts:** Helps managers to determine whether the overall strategy is progressing as desired or whether there is need for readjustments.
- ✓ **Milestone Reviews:** All key activities necessary to implement strategy are segregated in terms of time, events or major resource allocation.
  - Involves a complete reassessment of the strategy.
  - Assesses the need to continue or refocus the direction of an organization.

### Question of the Day!

**SBQ 1:** Sanya Private Limited is an automobile company. For the past few years, it has been observed that the progress of the company has become stagnant. When scrutinized, it was found that the planning department was performing well but the plans could not be implemented due to improper use of resources, undesirable tendencies of workers and non-conformance to norms and standards. You are hired as a Strategic Manager.

*Suggest the elements of process of control to overcome the problem.*





## Strategic Performance Measures (SPM)

**NEW!**

### SPM

- ✓ SPM is a method that increases line executives' understanding of an organization's strategic goals.
- ✓ It offers a continuous system for tracking progress.
- ✓ Helps to eliminate silos.
- ✓ SPM are key indicators that organizations use to track the effectiveness of their strategies and make informed decisions about resource allocation.

### KPIs

- ✓ ROI, ROC, PE Ratio, TO Ratios, etc.
- ✓ KPIs must be created, selected, combined into reports, and acted upon so that strategy implementation can have tangible outcomes.
- ✓ There needs to be a clear cause and effect relationship between the indicators and strategic outcomes.
- ✓ KPIs need to be carefully chosen because they will influence the behaviour of people within the organization.
- ✓ However, managers should be aware of paralysis by over analysis.



## Types of Strategic Performance Measures (SPM)

**NEW!**

| Sl. No. | Types of Measures                     | Explanation   |
|---------|---------------------------------------|---|
| 1       | <b>Financial Measures</b>             | Financial measures, such as <b>revenue growth, return on investment (ROI), and profit margins</b> , provide an understanding of the organization's financial performance and its ability to generate profit.  |
| 2       | <b>Customer Satisfaction Measures</b> | Customer measures, such as <b>customer satisfaction, customer retention, and customer loyalty</b> , provide insight into the organization's ability to meet customer needs and provide high-quality products and services.                                  |
| 3       | <b>Market Measures</b>                | Market measures, such as <b>market share, customer acquisition, and customer referrals</b> , provide information about the organization's competitiveness in the marketplace and its ability to attract and retain customers.                               |
| 4       | <b>Employee Measures</b>              | Employee measures, such as <b>employee satisfaction, turnover rate, and employee engagement</b> , provide insight into the organization's ability to attract and retain talented employees and create a positive work environment.                          |
| 5       | <b>Innovation Measures</b>            | Innovation measures, such as <b>research and development (R&amp;D) spending, patent applications, and new product launches</b> , provide insight into the organization's ability to innovate and create new products and services that meet customer needs. |
| 6       | <b>Environmental Measures</b>         | Environmental measures, such as <b>energy consumption, waste reduction, and carbon emissions</b> , provide insight into the organization's impact on the environment and its efforts to operate in a sustainable manner.                                    |

### Importance of SPMs

- ✓ **Goal Alignment** - Strategy aligned to Goals.
- ✓ **Resource Allocation** - To the areas that will have the greatest impact on their performance.
- ✓ **Continuous Improvement** - Track progress and make an adjustments to improve performance.
- ✓ **External Accountability** - Providing clear picture of performance to stakeholders.

### How to Choose the Right SPM

- ✓ **Relevance** - To the organization's goals & Obj. - Information is actionable & meaningful.
- ✓ **Data Availability** - For Analysis
- ✓ **Data Quality** - Integrity, accuracy & reliability.
- ✓ **Data Timeliness** - Current, updated & available.





### Om Trivedi's Strategy for You

- ✓ Relationship between strategy formulation and implementation, strategic controls, strategic change management, digital transformation, SPMs are very popular among the question setters and the ICAT in both the categories - descriptive/practical questions and MCQs.
- ✓ It has been observed in previous attempts that the ICAT asks either of these topics in alternative attempts.
- ✓ You must read and practice all the study-material and "Mentor - Question Bank" questions to cover each and every aspect of such questions and their answers' presentation.



### Question of the Day!

**SBQ 2:** Connect Group was one of the leading makers of the mobile handsets till a few years ago and which went at the bottom of the heap. Connect Group didn't adapt to the current market trends which eventually lead to its downfall.

*Which would have helped Connect Group to change, adapt and survive? Explain the steps to initiate the change.*

**SBQ 3:** Delta is an organization specializing in Information Technology enables Services (ITeS) and Communications business. Previous year the organization had successfully integrated an Artificial Intelligence (AI) tool named 'Zeus' into the existing ERP system. The AI tool using Deep Learning technique provided a digital leap transformation in various business processes and operations. It has significantly diminished the role played by specialist managers of the middle management. This technological tool in addition to saving organisational costs by replacing many tasks of the middle management, has also served as a link between top and bottom levels in the organization and assists in faster decision making. The skewed middle level managers now perform cross-functional duties.

*Which type of organisational structure is the company transitioning into?*

**SBQ 4:** Jupiter Electronics Ltd. is known for its ability to come out with pathbreaking products. Though the work environment at Jupiter is relaxed and casual, yet there is a very strong commitment to deadlines. The employees believe in "work hard play hard" ethic. The organisation has moved away from formal and hierarchical set up to a more results-driven approach. Employees are committed to strategies and work towards achieving them. They guard innovations, maintain confidentiality and secrecy in their working. They are closely related to values, practices, and norms of organisations.

*What aspects of an organization that are being discussed? Explain.*

**SBQ 5:** Suraj Prakash and Chander Prakash are two brothers engaged in the business of spices. Both have different approaches to management. Suraj Prakash prefers the conventional and formal approach in which authority is used for explicit rewards and punishment. While, on the other hand, Chander Prakash believes in democratic participative management approach, involving employees to give their best.

*Analyse the leadership style followed by Suraj Prakash and Chander Prakash.*

**SBQ 6:** Rohit Seth in an informal discussion with his friend shared that he has to move very cautiously in his organisation as the decisions taken by him have organisation wide impact and involve large commitments of resources. He also said that his decisions decide the future of his organisation.

*Where will you place Rohit Seth in organisational hierarchy? What are the dimensions of the decisions being taken by him?*





































# Congratulations!

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|  | <b>SANCHIT</b>          | <b>72</b> | MARKS |  | <b>SONU AGRAWAL</b>    | <b>72</b> | MARKS |
|  | <b>TANYA BANSAL</b>     | <b>72</b> | MARKS |  | <b>ANURAG AGGRAWAL</b> | <b>71</b> | MARKS |
|  | <b>CHIRAG JAIN</b>      | <b>70</b> | MARKS |  | <b>NITESH LAHU</b>     | <b>70</b> | MARKS |
|  | <b>PARAS BANSAL</b>     | <b>70</b> | MARKS |  | <b>RAJSHREE</b>        | <b>70</b> | MARKS |
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