F.A.S.T
first attempt success tutorials

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"Let's fall in love..
With every chapter, With every page, With every concept.
Let's make it more interesting & fun in our own ways.
Let's open our hearts for this book in a new way."

CA AMIT SHARMA

01 CHAPTER
INTRO TO STRATEGIC MANAGEMENT

MEANING & NATURE OF STRATEGIC MANAGEMENT

Can we simply that Strategic Managemt is combination of two imp. terms :- STRATEGY and MANAGEMENT

Let's understand the term Strategy :-

Definition 1 :- It is the way the business decides to respond to dynamic & hostile external forces along with persuing their vission, mission, goals, objectives.

Definition 2 :- Strategy is the game plan that management of a business uses to conduct operations, satisfy and attract the customer, improve market position, compete successfully & acheive its objectives.

Definition 3 :- Strategy is the long term blueprint of the desired image of the organisation, its direction & destination i.e
- What it wants to be
- What it wants to do
- Where it wants to go
- How it wants to do

Strategy is considered consiously and designed with flexibility to show corporate's intent and action to :-

(i) Mobilise the resource
(ii) Handle events & problems
(iii) Direct effort & Behaviour
(iv) Evaluate & utilise opportunities
(v) Perceive threats & use resources to handle it.

Strategy can never be perfect, flawless and optimal as there is always scope of Improvement. Also Strategy is flexible, which means it can be changed as per need & it is pragmatic, hence deals with the problems in practical way, to take care of sudden emergencies, failures, miscalculations.

It is to be kept in mind, strategies are formed at each level :-

Corporate (Top) Level - for the entire company as a whole
Divisional (middle) Level - for seperate divisions (Hotels, ciggrates)
Functional (Lower) Level - for seperate functions like sales/HR

Let's understand the term Management

key group in an organisation which is incharge of affairs of organisations. We can say mgmt. is cheif organ entrusted with task of making entity productive and purposeful by bringing together disorganised resources - man, money, material and technology

It is also the set of inter-related functions & processes carried out by management of an organisation to attain the objectives.

These functions are - Planning, Organising, Directing, Staffing and Controlling.

Management, thus determines goals, designs organisation, acquire the resources, mobilise it and allocates task and resources among the personnel so as to acheive what was planned. It also formulates goals, objective & strategies to cope up with changing environment.

So finally we can say STRATEGIC MANAGEMENT :-
is set of activities that managers of firm to put their firms in best possible position. to compete successfully in market.
SM process includes - • developing firms vision & mission, objectives
• analysis of environment & various strategies
• Choosing the best strategy among various strategies
• Finally measuring & evaluating the performance to be ontrack.

Ques 1 :- Is strategy Reactive or Proactive ?
Reaction means the response given after event happened.
Proactive means acting in advance before event happens.

A strategy is a blend of proactive & reactive actions.
Proactive actions from the managers so as to improve the current market position & financial performance
Reactive actions to the various sudden, unanticipated changes in the external environment as it is dynamic.

How we can say a strategy is Proactive ??
Because a company's current strategy comes from previously initiated actions and business approaches which are working well and also new actions of managers to strengthen company's overall performance & position.

So strategy is Deliberate & Pro-active as product of mgmt's analysis of company's current situation and also its conclusion about how to position the company in market and compete with competitors.

How we can say a strategy is Re-active ??

Because managers cannot anticipate & plan everything in advance. There can be situations when market & competition takes an un-expected turn and the old strategy is of no use, so there is a revision in the old strategy required. And thus when there is a change in strategy as a reaction to the unexpected change in the market. Strategy is called as Re-active.

So Finally, Crafting a strategy involves stiching proactive strategy based on prior successful experience and reactive strategy which comes from succesful reactions to changed circumstances.

And thus we can say a strategy

- Solves complexity and reduces uncertainity caused by changes in environment.
- Identifies existing problem and solves them with the revolutionary ideas.

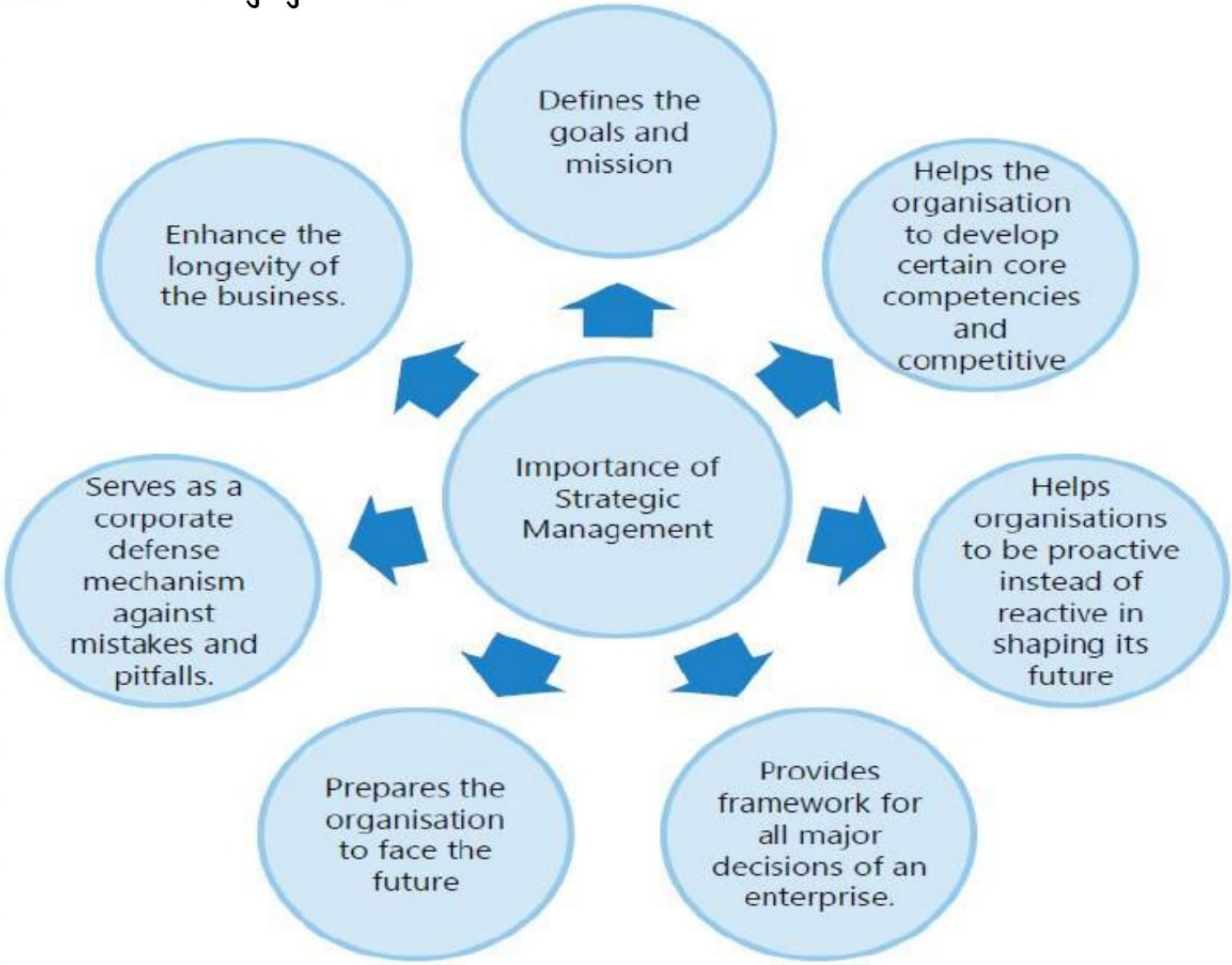
OVERALL OBJECTIVES OF STRATEGIC MANAGEMENT

1. To create competitive advantage. so that company can perform better than the competitors
2. To guide the company successfully through all changes in environment.

IMPORTANCE OF STRATEGIC MANAGEMENT

Charles Darwin said "Survival of the Fittest" and fittest means not the largest or strongest but one who can adopt and change as per changing circumstances.

Each business organisation has to build competitive advantage & win over its competitors else they will get extinct like Nokia, Bajaj, Kodak, Videocon.



LIMITATIONS OF THE STRATEGIC MANAGEMENT

1. ENVIRONMENT IS HIGHLY COMPLEX & TURBULANT

It is very difficult to exactly understand then complex environment and plan that where it will move in future. An organisation has to deal with supplier, govt, consumers etc and if it blindly relies on its strategy, then if environment is highly turbulant or changing, it will create a major problem. eg:- protests against electronic vehicles due to safety concerns even after govt. support.

2. TIME CONSUMING PROCESS

As we know SM starts with setting mission. vision etc, then analysing environment, the analysing strategies, choosing best Strategy and its implementation & evaluation. so a lot of time gets involved & actual scenarios may change.

3. COSTLY PROCESS

Experts having knowledge of SM charge hefty fees for the entire process and since this process requires properly analysis. a good fees on experts is spent making it difficult for small & medium organisations.

4. DIFFICULT TO PREDICT RESPONSE OF COMPETITORS

Since in today's world each and every one have access to all sources, so all organisations try to apply SM concepts and thus it becomes difficult to estimate the response of competitor against strategy of Firm. as they are made in the close doors by mgmt.

eg:- When Apple remove audio jack, focus on wireless speaker rose.

Ques 2:- So if there are so much limitations, then why to go for SM ?

Simply because ADVANTAGES OF SM > LIMITATIONS

STRATEGIC INTENT

- As we all know SM is a Dynamic Process of Analysing Environment, Identifying Strategies, Choosing Best, Implementing & Evaluating. so as the organisation achieves its Strategic Intent.

- Strategic Intent reffers to purpose, which organisation strives for. What and why management want to must be defined by senior management and why mgmt want to do is called as strategic intent.

- Intent forms philosophical base of SM. It gives perspective or view of the means which will help to acheive vision.

- It also gives idea of what organisation wants to acheive in future or long term market position it desires to create or opportunity to explore new possibilities.

- Intent also provides framework within which company can go in a predetermined direction to acheive its objectives

- Strategic Intent if expressed in broad term can be in form of Vision or Mission and if expressed in precise terms, it is the aim to be achieved i.e Goals & Objectives.

ELEMENTS OF STRATEGIC INTENT

- VISION
- MISSION
- GOALS & OBJECTIVES
- VALUES

VISION

- At the very start of strategy making, mgmt must decide the path it wants to focus on & How following that decided path will lead to change in product - market - tech - customer of company and this view of top mgmt about co's direction, product - market - tech - customer forms Strategic vision.

- Vision implies blueprint of company's future position. It describes where organisation wants to land & shows what it wants to become in future.

- It delineates management's aspirations for business, providing panormic view of where we are to go & why its good for co.

- It also communicates mgmt's aspirations to stakeholders and transforms energies of company personnel in common direction.

eg:- HDFC's vision is to world class Indian Bank.
Apple's vision is to make great products on earth.

ESSENTIALS OF STRATEGIC VISION

- Forming vision is an excercise in Intelligent Enterprenuership
- A properly designed vision creates enthusiasm among members of the organisation
- It showcases light on the direction in which the organisation is headed
- Thinking creatively about how to prepare company for future is enterprenurial challange.

MISSION

- It is an answer to the basic question :- Who we are ?? and what we do ??
- Mission statement is focused on current business scope.
- Firms must conceptualise & clearly express mission & business definition. else the fumble in identification of opportunities and making strategies to grab them.
- example :- Apple's mission is to bring best user experience
  HDFC's mission is to be preffered provider of Banking services for retail and wholesale customer.

WHY SHOULD ORGANISATION HAVE A MISSION

- Ensures uninamity of purpose within organisation.
- Basis for allocating organisational resources
- Serves as Focal point to identify purpose & direction
- Facilitates translation of goals into work structure
- Specify organisational purpose & translate it into goals meeting cost & time parameters
- Basis for motivating use of the organisation's resources.

GUIDELINES IN FORMULATING MISSION STATEMENT

Mission Statement should reflect philosophy of organisations that is seen by senior managers.

- It should be clear, distinctive, precise, feasible & motivating
- It gives organisation it own special identity, business emphasis & path for development
- Good mission statements are unique for each organisation.

A company's business is defined by :-

(i) What needs it is trying to satisfy
(ii) Which customer group its targeting
(iii) Tech & competencies it uses
(iv) Activities it performs

WHAT IS OUR MISSION ?? WHAT BUSINESS WE ARE IN ??

Peter Drucker and Theodore Levitt emphasized that first step in Business planning is to clearify corporate mission and define the business firm is engaged in.

The basic Questions to be answered to facilitate this are :-

- What is our mission
- What business we are in
- What kind of growth we seek
- What brings us to this business
- In what business would we be in future
- What is ultimate purpose
- What do we want to become
- Whom do we intend to serve
- What Human need we intend to serve.

Mission is an expression of growth ambition of firm. It is firm's future visualised and is sketch of how firm wants its future to look, irrespective of what it is today.

Peter Drucker says, "what business are we in" should have an answer in Marketing or Ext nal perspective and not restated to generic activity of Business.

COMPANY	PRODUCTION-BASED ANSWER	MARKETING-BASED ANSWER
INDIAN OIL	We produce oil and gas products	Provide safe and cost efficient energy.
LAKME	We make costmetics	We sell hope.

GOALS & OBJECTIVES

As discussed, vision & mission are broken down into goals and objectives. Even though both are synonyms but goals are open-ended & denote future outcomes and objectives are close-ended and more specified and translate goals to long term & short term perspective.

CHARACTERISTICS OF OBJECTIVES

Objectives are organisations performance targets – results or outcomes it wants to achieve & they act as yardstick to track the performance. Objectives should :-

- Define organisation's relationship with environment
- Provide basis for strategic decision making
- Provide standard for performance appraisal
- Concrete and specific
- Set within constraints of organisation's resources & env.
- Related to time frame
- Challenging
- Correlate with each other.
- Measurable and controllable
- Facilitate towards achievement of mission & purpose

NEED FOR BOTH SHORT-TERM & LONG-TERM OBJECTIVES

- Company's Financial & Strategic Objectives ought to include both short-term & long-term performance targets.

- Quaterly or Annual Objectives helps in immediate performance improv.

- So a company which has objective of Doubling its sales with 5yrs can't wait for 3rd or 4th year to begin growing its sale & base.

- These performance targets indicate speed at which longer-range targets are to be approached and shows what is to be done now to acheive the set position in next 3-5 years.

LONG-TERM OBJECTIVES

Long term objectives represents results expected from doing certain strategies and such strategies represents actions to be taken to complete long term objectives.

Time frame for objective & strategies be 2-5 years

So to acheive long-term prosperity, long term objectives were set in 7 areas :-

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

SHORT - TERM OBJECTIVES

They can be identical to long-term objectives if an organisation is already performing at targeted long term level. eg:- a co. planned to acheive 20% profit growth in 5 years and if it is already running at 20% growth rate.

But long term & short term objectives will surely differ if the organisation is trying to elevate performance & can't match it in short-term and then short-term objectives act as milestone to acheive long-term objective.

BENIFITS OF OBJECTIVES

- Provide Direction
- Allow Synergy
- Aid in evaluation
- Establish priorities
- Reduce Uncertainity
- Minimise Conflicts
- Stimulate Exertion

VALUES

A company's value sets the tone for how people think & behave especially when in confusion.

It creates a sense of shared purpose to build a strong foundation and focus on longetivity of company's success.

Employees work with employers whose value resonate with them i.e whom they can relate in daily & work life and Customers also prefer to buy products from companies that reflect their belief system. So values have Internal & External implication.

Ques :- INTENT v/s VALUES. which is broader concept ?

Intent is the purpose of doing business

Values are the principles that guide decision making of business.

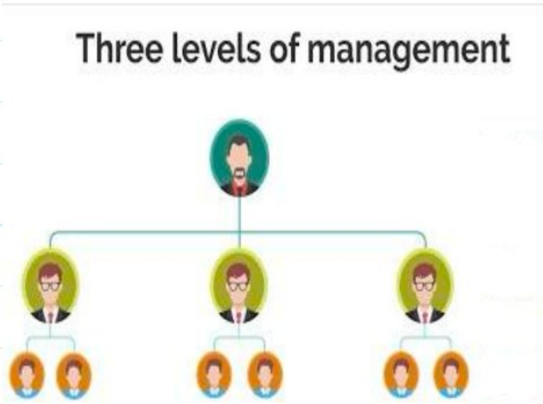
Even though both go hand in hand but values is wider than intent as intent is driven by values.

STRATEGIC LEVELS IN ORGANISATION

A large organisation can have multiple - divisions & each competing in different businesses. eg :- ITC has Hotels, Stationery, ciggarates, groccery, personal care division.

Three main levels of the management are :-

- Corporate (Top) Level
- Business (Middle) Level
- Functional (Lower) Level



CORPORATE LEVEL OF ORGANISATION

- It consists of CEO, Other senior executives, BOD, corporate staff.
- CEO is principal decision maker or general manager.
- They are guardians of shareholder's wealth as they have to focus that strategies of company maximises s/holder's wealth.
- They provide organisation level view of strategy which is further communicated to business level managers.

- Oversee develop of strategies for whole organisation
- Allocating resources among diff. business
- Define mission and goals of organisation
- Implementing Strategies
- Determine what business it should be in
- Providing Leadership

BUSINESS LEVEL OF ORGANISATION

- It consists of Divisional Managers & Staff.
- Here the general manager is Head of Division.
- They translate general statement of direction that comes from corporate level into concrete strategies for their business.

FUNCTIONAL LEVEL OF ORGANISATION

- They are responsible for specific business functions that constitute company or its divisions.
- Their role is to develop functional strategies in their areas.
- They convert the business level Strategy into functional level and also have close connect with customer, so they generate important ideas too that become imp. Strategy for company.

NETWORK OF RELATIONSHIPS BETWEEN THREE LEVELS

We know that corporate level decides what organisation wants to achieve. Business level then breaks down the same as per their respective division which further flows down to functional level to execute & achieve results.

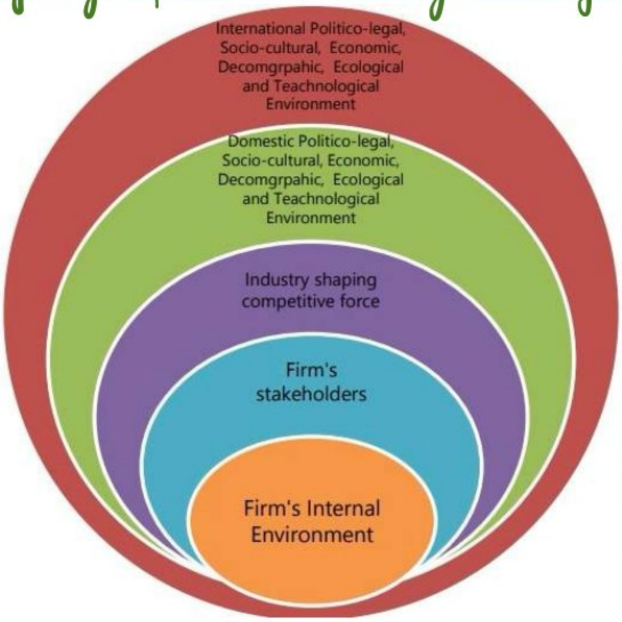
Further there can be various ways through which all the three levels will be interlinked and it mostly depends on organisation to decide what kind of Network of Relationship suits them.

The 3 major types of Network of Relationship are :-

FUNCTIONAL & DIVISIONAL	HORIZONTAL	MATRIX
Each division or function is run independently by division/function head who reports directly to corporate level manager.	A flat structure where everyone is at same level from top mgmt to lower level employee. Most suitable in Startups leads to transperancy.	A grid like structure where one team is formed with people from diff departments for temporary task.

02 CHAPTER — STRATEGIC ANALYSIS:- EXTERNAL ENVIRONMENT

There are various types of organisations operating, which are distinguished on the basis of size, type of product, market, geographical coverage, legal status.



But whatever the size is, they don't operate in vaccum and the organisations always act & react to whatever happens in external environment

Ques :- What is environment ?
External factors which management thinks of

Ques :- What is business environment ?
All the factors outside the business operations.

The entire process of Formulation of strategy starts with
Strategic Analysis :- Analysis of Internal & External environment.
Strategic Choices :- Choosing the best among various strategies avail.
Implement & Evaluate :- Implementing & continuously tracking.

Evaluation of external environment helps to understand the opportunities and Threats in market and evaluation of internal environment gives info. about our strength & weakness.

STRATEGIC ANALYSIS

Scanning & analysing the environment is a natural & continvous activity. It can be done both via formal and Informal means.

For example :- Learning about any tax ammendemt from news channel is Informal while reading the bare act is formal.

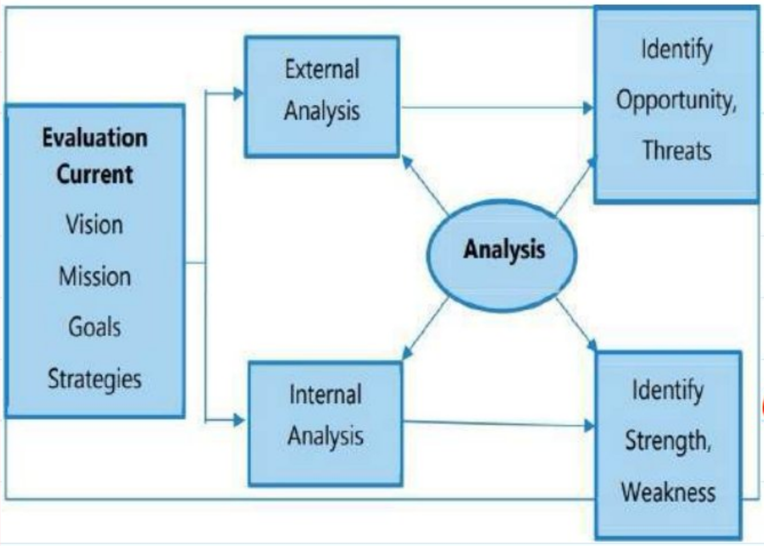
Also, both the Formal and Informal means should be used as only focusing on Informal means will expose organisations to unaticipated hazards and missed opportunities. Strategic Planning is used through various stages of Operations and makes organisation think about the rivals and stay ahead of Competition.

TWO IMPORTANT SITUATIONAL CONSIDERATIONS

(i) Industry and competitive Conditions

(ii) Organisation's own capabilities, resources, strength, weakness.

LIMITATIONS OF STRATEGIC ANALYSIS



(i) It gives organisation a lot of innovative options, but does not tell which one to pick. So options can be confusing, overlapping & difficult to implement.

(ii) It can be time-consuming, which disturbs overall organisational functioning & strain other efficient innovations such as developing new product/service.

ISSUES TO CONSIDER FOR STRATEGIC ANALYSIS

(i) STRATEGY EVOLVES OVER PERIOD OF TIME

Each strategic decision must balance all the factors that impacts & limits the strategy because the outcomes of everyday decision form key element of the strategic analysis.

The current strategy is result of several little choices taken over longer period of time. And strategy evolves over times because it is influenced by experience but has to be updated when results become clear.

(ii) BALANCE OF EXTERNAL & INTERNAL FACTORS

In strategic analysis a proper balance is required to maintained between external & internal factors. Management must consider opportunities, influences and constraints while taking a strategic decision.

There are factors that drive a decision like entering a new market or constraints that limit the option like presence of large opponent and each of them might have different level of impact. Also some can be under control of organisation & some not.

(iii) RISK

It is always required to maintain balance but complexity and interlinking of various variables in environment reduce the strategic balance.

Competitive Markets, Liberalisation, Globalisation, Booms, Recession all may pose different degree of risk. It is imp. to identify risk and assess its consequences.

External Risk :- Due to inconsistencies between strategy of the organisation and forces in the environment.

Internal Risk :- Due to forces within the organisation or directly interacting with the organisation on routine basis.

STRATEGIC RISKS THAT REQUIRE CONSIDERATIONS

	SHORT TIME	LONG TIME
EXTERNAL RISK	Strategic Failure due to errors in interpreting the environment.	Obsolescence of strategy due to changes in the environment.
INTERNAL RISK	Unable to cope up with strategic demand due to less organisational capacity	Inconsistencies with the strategy due to changes in internal capacities and preferences.

VARIOUS ANALYSIS TAKEN IN EXTERNAL AND INTERNAL ANALYSIS

EXTERNAL ANALYSIS

- **CUSTOMER ANALYSIS**: Segments, unmet needs, motivation
- **COMPETITOR ANALYSIS**: Objectives, strategies, culture, performance, cost structure
- **MARKET ANALYSIS**: size, growth, profitability, entry barriers
- **ENVIRONMENTAL ANALYSIS**: Technological, govt, economic, cultural, demographic

Opportunities, Threats, Trends & Strategic Uncertainities

INTERNAL ANALYSIS

PERFORMANCE ANALYSIS

Profitability, sales, Quality, HR, new product, relative cost, customer satisfaction

DETERMINANTS ANALYSIS

Past and current strategy, Strategic problems, organisational capabilities & constraints, strength and weakness

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Strength, Weakness, Problems, Constraints & Uncertainities

ECONOMIC CHARACTER OF INDUSTRIES VARY ACCORDING TO

- Overall size & market growth rate
- Pace of Technological Change
- Disposable Income of Prospective Buyer
- Marketing opportunities
- Type of Distribution channel
- Government Support
- Number & Size of Buyers & seller
- Geographical Boundaries of market.
- Whether seller's products are virtually identical of differentiated.
- Extent to which cost are affected by economies of scale.

An Industry's economic traits, competitive conditions and how they are expected to change determine whether its profit prospects are poor, average or excellent.

Both Industry and competitive conditions differ so much that sometimes leading companies in unattractive industries can't earn good profits but weak companies in attractive industries can achieve good performance.

STRATEGY AND BUSINESS ENVIRONMENT

The strategies are created considering both internal and external factors. Strategists provide an interface between organisational abilities and opportunities & challenges which it must deal within the larger environment.

There is a close and continuous interaction between business and its environment and it helps in strengthening the business firm and using its resources more effectively. It helps business in :-

(i) **DETERMINE OPPORTUNITIES AND THREATS** :- The interaction explains opportunities and threats to the business. It helps to find new needs, wants of consumer, change in laws or social behaviour and also tells us what products competitors are bringing in market.

(ii) **GIVE DIRECTION FOR GROWTH** :- It also helps to identify what are the areas for growth and expansion of activities and once business is aware of changes, it can plan and strategise to be successful.

(iii) **CONTINUOUS LEARNING** :- To meet the changes in the business, the managers are motivated to continuously update their knowledge, understanding and skills.

(iv) **MEETING COMPETITION** :- It also helps the business to analyse the competitors' strategies and formulate own strategies accordingly. The only aim is to beat competition for its products & services.

(V) IMAGE BUILDING :- Once the business organisation understands the environment, it helps it to improve its image by showing sensitivity to the environment in which they operate. It showcases that business is aware of needs of environment & responsive to it. It creates positive image & help win over competitors.

To flourish, a business must be aware of, assess and respond to many opportunities and threats present in its environment. Business need not only to be aware of various aspects of surrounding but also be able to handle & adapt to them. It must continuously evaluate its environment and modify its operative in order to thrive & expand.

MICRO AND MACRO ENVIRONMENT

The environment in which business operates can be defined :-

- In terms of opp. & threats operating in external environment.
- Strength and weakness existing in the internal environment.

The external environment can be categorised into two types :-

(i) MICRO ENVIRONMENT
(ii) MACRO ENVIRONMENT

MICRO ENVIRONMENT

- It is related to the small area or immediate peripherry of an organisation.
- It influences an organisation regularly & directly.
- It includes supplier, consumers, marketing, intermediaries, competitors etc.
- These factors are specific to each business.

Within the micro environment, following issues are to addressed :-

(i) Employees of the firm, their characteristics, how they are organised.
(ii) Existing Customer Base on which firm relies for business.
(iii) Ways in which firm can raise finance.
(iv) Who are suppliers of the firm and how link with them developed.
(v) Local Community within which the firm operates.
(vi) Direct competition and their competitive performance.

MACRO ENVIRONMENT

Macro Environment is the portion of the outside world that significantly affects how an organisation operates but is typically much beyond its direct control and influence. Further the factors in micro environment often relate an organisation to the macro issues influencing the way a firm reacts in market place.

ELEMENTS OF MACRO ENVIRONMENT

DEMOGRAHIC ENVIRONMENT

SOCIO - CULTURAL ENVIRONMENT

ECONOMIC ENVIRONMENT

POLITICAL LEGAL ENVIRONMENT

TECHNOLOGICAL ENVIRONMENT

Demographic :- These are characteristics of a population that have been classified and explained according to certain criteria, age, gender & income in order to understand features of specific group. Demographic analysis considers factors such as race, age, income, education possession of assets, house ownership, job position, region & degree of education. Marketers divide up populations based on their demographic makeup. Considering demographics is of immense importance for any business. Business Organisations need to address following issues :-

- What demographic trends will affect the market size of industry ?
- What demographic trends represent opportunities or threats ?

Socio - Cultural :- It represents complex group of factors such as social traditions, values & beliefs, level & Standards of literacy, the ethical standards & state of society, the extent of social Stratification, conflict and influences all enterprises in similar manner.

It is not characteristics of population rather behaviour & belief system of that population. Socio - cultural environment consists of factors related to human relationships and impact of social attitude & cultural values which impacts operations of organisation. These core beliefs tend to be persistent and it becomes difficult for a business to change these core values and thus it means business have to adjust to social norms to operate successfully. It primarily affects mission & objective setting.

Economic :- Economic conditions have a direct bearing over business strategy. The economic environment refers to overall economic situation around the business and include conditions at the regional, national & global levels. It includes conditions in markets for resources that have an effect on supply of inputs & outputs of business, their costs and Quality, dependability and availability.

It determines strength and size of market. The purchasing power in an economy depends on current income, prices, savings, circulation of money, debt and credit availability. The important point to consider is to find out effect of economic prospect, growth, inflation on operations of business.

For eg :- If interest rate increase, there are lower demand in real estate market. Economic factors that have great influence on business organis. include GDP, per capita income, market for goods & service, availability of capital, forex reserves, interest rates, unemployement, inflation etc. All these factors tell state of economy, whether it is performing poorly.

Political - Legal :- It takes into account elements like :-

(i) General level of political development
(ii) The degree to which business & eco issues have been politicised.
(iii) The degree of political morality
(iv) The state of Law & Order
(v) Political Stability
(vi) The political ideology and practices of ruling party
(vii) The effectiveness and purposefulness of govt agencies
(viii) Scope and Type of govt intervention in economy & industry.

It is partly general to all similar enterprise & partly specific to an individual enterprise. Type of govt running a country has a powerful influence on the business as business is highly guided & controlled by govt policies. Business must understand relevant laws relating to companies, competition, labour, forex, intellectual property

A business has to consider changes in regulatory framework and their impact on business. Taxes and Duties affect the business.

Business prefer to operate in a country where there is sound legal system.

There is great focus on Atmanirbhar Bharat & Make in India which encourages foreign business to open business in India and at the same time gives incentive to domestic business to open or expand.

Business must have a good working knowledge of major laws protecting consumers, competitons and organisations.

Technological :- Technology has changed the way people communicate, do things and operate now. Technology and business are linked and interdependent on one another.

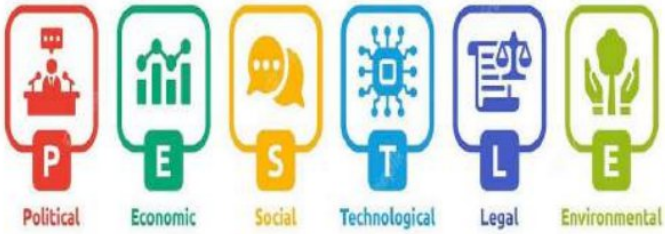
Business help society access outcomes of technological research & development, raising everyone's standard of living.

With use of technology, many organisations are able to reduce paperwork, schedule payments more efficiently, are able to co-ordinate inventories efficiently and effectively. This helps to reduce costs of companies and shrink time and distance, thus helps to achieve compet. advtange for co.

Technology is leading to many new business opportunities and is also making most of existing business products & services obsolete. It can act as opportunity if business adopts to it.

But technology can act as threat too. AI, Machine learning, Robotic process automation is some of the new technological tools that businesses are adopting & can act as both opportunity and threat to business.

PESTLE - A TOOL TO ANALYSE MACRO ENVIRONMENT



It is used to describe a framework for analysis of macro environmental factors and is used to assess the business environment in which the firm operates

Earlier the name the PEST, environment & legal were added later. It encourages mgmt into proactive and structured thinking in its decision making and it involves identifying political, economic, socio-cultural, technological, legal & environmental influences on an organisation and providing a way of scanning environmental influences that either affected earlier or likely to affect organisation or its policy.

Political Factors :- How & to what extent government intervenes in the economy and activities of business firms. It also influences goods & service which govt wants to provide or to be provided & those that govt does not want to be provided. Even govt has great influence on Health, Education & Infra of a Nation.

Social Factors :- It affects demand for company's product and how that company operates.

Economic Factors :- The money supply, Inflation, Credit Flow, Per Capita Income, Growth Rates have a bearing on the business decisions. For example The cost of capital affects how firm grows or the forex rates affects exports and price of Imported goods.

Technological Factors :- Determines Barriers to Entry, Influence the Outsourcing decisions, Minimum Efficient Prod. level and technological change can affect cost, quality & lead to Innovation.

Legal Factors :- Affects how a company operates, its cost & demand for its products, ease of business.

Environmental Factors :- Growing awareness to climate change affects how companies operate & products they offer. It is creating both new markets & destroying existing ones.

Political	Economic
♦ 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	♦ Economy situation and trends ♦ Market and trade cycles ♦ Specific industry factors ♦ Customer/end-user drivers ♦ Interest and exchange rates ♦ Inflation and unemployment ♦ Strength of consumer spending
Social	**Technological**
♦ Lifestyle trends ♦ Demographics ♦ Consumer attitudes and opinions ♦ Brand, company, technology image ♦ Consumer buying patterns ♦ Ethnic/religious factors ♦ Media views and perception	♦ Replacement technology/solutions ♦ Maturity of technology ♦ Manufacturing maturity and capacity ♦ Innovation potential ♦ Technology access, licensing, patents, property rights and copyrights
Legal	**Environmental**
♦ Business and Corporate Laws ♦ Employment Law ♦ Competition Law ♦ Health & Safety Law ♦ International Treaty and Law ♦ Regional Legislation	♦ Ecological/environmental issues ♦ Environmental hazards ♦ Environmental legislation ♦ Energy consumption ♦ Waste disposal

INTERNATIONALISATION OF BUSINESS

Entering inter-national market in search of greater earnings and less expensive resources. It helps business to achieve greater economies of scale and extend lifespan of its products. It is quite complicated due to additional variables and linkages, but can be approached with international strategic planning and scanning external environment.

CHARACTERISTICS OF GLOBAL BUSINESS

- Conglomerate of multiple units but all linked by common ownership
- Common strategy (besides managers, shareholders in diff) nations
- common pool of resources like money, credit, info, patents, trade names.

STEPS IN INTERNATIONAL STRATEGIC PLANNING

- Evaluate global opportunities & threats and rate as per internal capabilities
- Describe scope of firm's global commercial operations
- Create firm's global business objectives
- Develop distinct corporate strategies for the global business & whole organisation

WHY DO BUSINESS GO GLOBAL

The technological developments have made world-wide communication easier and also aided in implementing global strategy by linking corporate headquarters with abroad operations. Not only so but transporation has increased mobility of money, people, RM, FG. There can any or all of the following reason to go global :-

(i) Need to Grow. To fulfill this basic need, every firm tries to globalise to find growth opportunities in other part of globe.

(ii) Faster communication, Speedier transporation, growing financial flow of funds and rapid technological changes.

(iii) The Domestic market are no longer adequate as domestic competition may not be available internationally.

(iv) Cheaper source of Raw Materials or labour in other countries.

(v) Producing near the market where goods are sold, helps in saving huge transportation cost.

(vi) To generate higher sales & better cash flow companies look at oversees manufacturing plants to openup or grow big.

(vii) To form Strategic alliances with different companies across the world to ward off economic and technological threats and leverage respective comparative & competitive advantage.

INTERNATIONAL MARKET

Since for an International organisation number of products product and the geographic areas served increase, so the social, cultural, demographic, environmental, political, govt, legal, technological factors it faces are nearly limitless and their complexity increases multiple times. So assessment of external environment or international environment becomes important to identify the opportunities and capitalise them. It involves various global aspects like political risks, cultural differences, exchange rate fluctuations, legal compliances & taxation issues. This assessment can be done at following three levels :-

MULTINATIONAL ENV. ANALYSIS :- It involves Identifying, Anticipating, Monitoring significant components of global environment on large scale. Also understanding global developments is important and govt. can have free or interventionist tendencies which are to be evaluated on basis of present & expected future impact.

REGIONAL ENV. ANALYSIS :- In depth evaluation of critical factors or discovering market opportunities for goods. services in specific geographic area.

COUNTRY ENV. ANALYSIS :- It is a deeper look into important environment factors. Study of economic, legal, political & cultural dimensions customised for each of the countries to develop effective market entrance strategies

UNDERSTANDING PRODUCT AND INDUSTRY

A product is either Tangible goods or Service or an experience which an organisation sells. A product has following features :-

Products are Tangible or Intangible :-

A tangible product can be touched, felt and handled like pen, book etc. An intangible product can't be touched physically like teaching, repairs.

Product has a Price :-

Every company finds out the cost of producing good or providing services & then charges a price for them. The price is determined by demand and supply forces. Price to be paid is determined by market, quality, marketing, targeted group. But in today's world the price is give by market and business focuses on reducing costs to maintain or increase profit.

Product has certain features that deliver satisfaction :-

Feature is just that part of product which satisfies the customer's need. It also determines price. Features distinguish products in terms of function, design, quality, experience. The combined experience from purchase date to end of useful life of product is important component of product feature.

Product is Pivotal for Business :-

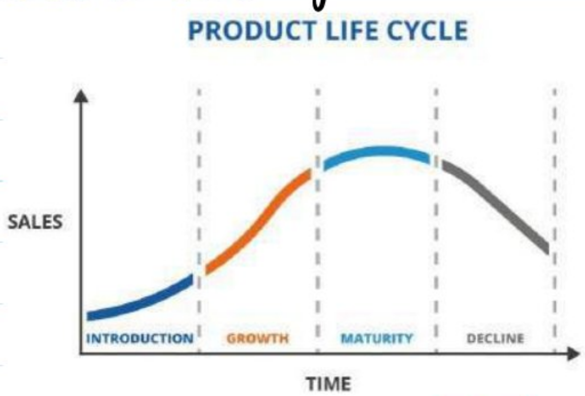
It is the reason, why the business exists. It is the centre of the business around which all strategies revolve and is the driving force behind business activities like production, sales, marketing, logistics.

Product has a useful life :-

Product has a life :- (a) After which it must be replaced.
(b) After which it is to be reinvented or cease to exist. eg:- Camera Films

PRODUCT LIFE CYCLE

It is an S-shaped curve which shows relationship between sales and time for a product and passes through 4 stages :- Intro, Growth, Maturity and Decline.



Introduction	Growth	Maturity	Decline
• Slow sales growth	• Demands expands rapidly	• Slowdown in growth	• Sharp fall in Sale
• Neglible competition	• Price fall	• Prices come down	• Profit falls
• Prices relatively high	• Competition Increases	• Competition tougher	• New products replace old ones
• Limited Market	• Market expands	• Market stabalises	• Combination of strategy to stay
• Customer has less knowledge of product	• Customer knows the product	• Organisation works to maintain stability	

Advantage of PLC :- It helps to Diognise a portfolio of products in order to find out, at which stage a product is. Then a particular strategy is formed for each respective stage.

Intro & Growth Phase :- Expansion is a feasible alternative.
Maturity Phase :- Use it as source of cash to invest in other business.
Decline Phase :- Combination of various strategies to stay in market

VALUE CHAIN ANALYSIS

Ques :- What is value chain?
Set of all those activities through which companies create value for the customer.

Ques :- What is value?
Value reffers to satisfaction derived from use/consumption of product.

Ques :- What is value chain analysis ?

Analysis of all those activities through which organisation delivers value to the customer so as to identify if there are any areas for improvement. It is done to find out whether an activity is adding value to a product or not. Then all those activities which do not add value to the product are tried to be removed.

The resources (man, machine, material, money) are of no use unless they are deployed into activities which create value to customer. Porter stated that to understand strategic capability identification of these sperate value activities is must. There are 5 Primary Activities :-

INBOUND LOGISTICS	OPERATIONS	OUTBOUND LOGISTICS	MARKETING AND SALES	SERVICE
Recieving, Storing, distributing inputs to product.	Transform inputs into Finished goods	Collect, store & distribute FG to customer	methods to make customer aware of product	Enhance or maintain value of product.
eg. material handeling, Stock control	eg:- packaging, machining, Testing	eg:- Transport, warehousing, Sports event	eg:- Selling, Advertisement	eg:- Repairs. Installation.

EACH PRIMARY ACTIVITY IS LINKED TO FOLLOWING 4 SUPPORT ACTIVITIES

Procurement	Tech. Develop	HR Management	Infrastructure
process to acquire resource inputs to the primary activities	All activities have a technology and can be concerned with product (R&D), resource (RM improv.)	Relates to Hiring, managing, training, developing, rewarding people in organisation	System of planning, finance, Qlty Control, Info management. Structure & Routine of organisation.

Industry Environment Analysis

Analysis done to get clear picture of key industry traits, competition intensity, industry change drivers, rival firm's market positions and tactics, competitive success & profit forecast. It helps to find out if Industry is lucrative or not.

The Goal of Industry Environmental Analysis is to estimate the amount of competitive pressure business is presently facing and expected to face in future. It sees firm in bigger framework. It also helps to get insights into wide range of elements within & outside the business, which further helps in aligning strategy with changing industry circumstances.

Porter Five Forces Model - Competitive Analysis

A powerful tool to systematically diagnose significant competitive pressure in market and assess strength and importance of each. It is the industry where competitive advantage is won or lost.

The character, mix of competitive forces are never same from one to another industry. Level of competition in an industry is a composite of competitive pressure operating in 5 areas of overall market :-

COMPETITIVE PRESSURE

- Due to rivalary amongst existing sellers in the industry.
- Coming from threats of entry of new rivals.
- Due to Bargaining Power of Buyers.
- Coming from Substitute products
- Stemming from Bargaining Power of suppliers.

Five Forces Model can be used to determine level of competition in an Industry

Step 1 :- Identify specific competitive pressure associated with each of the Five Forces

Step 2 :- Evaluate how strong the pressures comprising each of five forces are (fierce, strong, moderate, normal or weak)

Step 3 :- Determine whether collective strength of five competitive forces is conducive to earning attractive profits.

(i) THREATS OF NEW ENTRANTS

- They reduce industry's profitability as they cause increase in supply and even at low rates and erode existing firm's share.
- But they also act as Powerful source of competition because BIGGER THE ENTRANT, SEVERE COMPETITION EFFECT.
- And when new firms are restricted to enter the market, profit will be higher and share also more.
- Barriers to entry are raised by existing firms to prevent entry of new firms. Some common barriers are :-
  - Capital Requirement
  - Economies of Scal
  - Product Differentiation
  - Switch Cost
  - Brand Identity
  - Access to Distribution Channel

₹ CAPITAL REQUIREMENT

If large amount of capital is required to start the business like Real Estate firms that lack funds will not enter into the Industry. So profit of existing firms will be higher eg:- Pharma & Real Estate.

ECONOMIES OF SCALE

To reduce the per-unit cost many businesses focus on producing in bulk, which helps them to produce at low cost and sell at low price. A large firm can easily do so, hence will prevent new firm to enter into price war.

PRODUCT DIFFERENTIATION

The physical or perceptual differences or enhancements that make a product special or unique in eyes of customer. It acts as barrier because creating genuine product differences may be too high for new entrants. Mainly the cosmetics industry are engaged into it.

SWITCHING COST

To win over competitors, companies must be able to persuade customers of other companies to switch to its products. But in order to switch the customers may have to Test new company's products, Negotiate new purchase contracts, Train staff to use new equipments, Modify existing facilities and thus buyer has to bear these "Financial or Psychological Costs" in switching & if this switching cost is high, they are reluctant to change.

BRAND IDENTITY

Brand Identity becomes most important for products that are purchased infrequently and carry high unit cost to buyer and new entrants can't create brand identity easily because to do so they have to commit substantial resources over a long period. eg:- Brand image of Tata in case of cars, Brand image of Apple in Phones.

ACCESS TO DISTRIBUTION CHANNEL

Since the channels or medium to distribute products are lesser for the new entrants, so it acts as barrier. Even if the Internet is growing but many firm still rely on physical distribution channels and have much more significant influence over distribution channels. eg:- Bisleri

POSSIBILITY OF AGGRESIVE RETALIATION

Sometimes mere threat of some strong action by existing firms can act as barriers to entry. eg:- reducing prices to cut out new competition.

(ii) BARGAINING POWER OF BUYERS

The users of Industrial Products come together formally or informally to exert pressure on the producer which not only influences the price but also cost & investment of producer because powerful buyers bargain for better services which involve cost & investment on producer's side. Hence this pressure will be more clearly visible if :-

- Buyers have full knowledge of source of product and their substitutes.
- They are big buyers & spend huge amount in industry's product
- The product is not much critical to buyers need & can easily switch to substitute

(iii) BARGAINING POWER OF SUPPLIERS

The suppliers can also exert pressure over companies determing cost of RM & other inputs of industry and therefore industry attractiveness & profitability when :-

- Products are crucial to Buyer
- Substitutes not available
- High switching costs
- Suppliers are more concentrated

(iv) NATURE OF RIVALRY IN INDUSTRY

The rivalry among the existing players is competition. Competitors also influence Strategic decisions like prices being charged, advertising, pressure on cost etc. The intensity of rivalry in industry is significant determinant of profitability & Industry attractiveness and can influence cost of suppliers, distribution, cost of attracting customers. More Intense rivalry, less attractive Industry if :-

ⓐ **Industry leader** :- If an Industry already has a leader, smaller price wars can be avoided due to huge financial resources of leader leader can discipline initiators of such price wars

ⓑ **No. of competitors** :- If there more competitors, the competition will be intense because leader's ability to exert pricing discipline will be diminished by many players.

ⓒ **Fixed cost** :- If fixed costs are more, to cover it companies produce in bulk to reduce per unit cost and thus sell at bulk even at less price. So selling at lesser price reduces profitability for all firms.

ⓓ **Exit Barriers** :- Competition would simply decrease if some of the competitors leave the industry. So if an Industry allows easy exit of a firm like a firm can easily sell its asset at time of leaving to other firm, then level of competition will easily fall.

ⓔ **Product Differentiation** :- To avoid price wars firms differentiate their products & thus profits are higher when industry gives opportunity for differentiation unlike in memory chips, natural resources.

(f) **Slow Growth :-** If growth rate in Industry is slowing, rivalry is intense as firms fight hard to grow & keep their share. So less profitability.

(V) THREAT OF SUBSTITUTES

Subsitutes also play an important source of competition. Substitute products that offer a price advantage / performance advantage to customer can alter the competitive character of Industry suddenly. Firms should find out which products perform same or nearly same function as their existing product like Gold, Real Estate, Bonds substitute of Invest in Stocks.

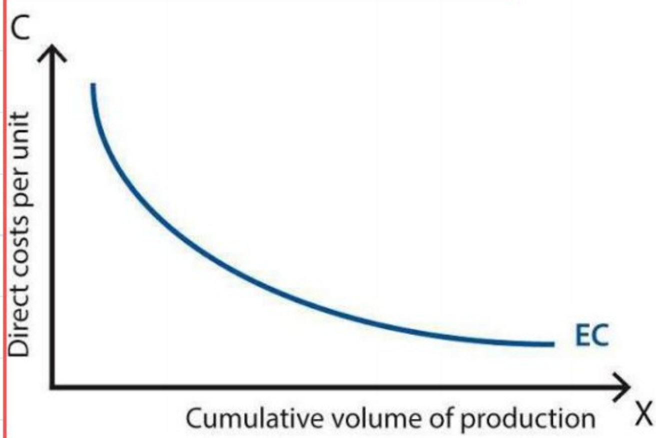
ATTRACTIVENESS OF INDUSTRY

Analysis of the Industry helps to find out the real attractiveness or un-attractiveness of Industry and whether chances of growth & profit exist or not. It is important to do so as a huge amount of capital is invested and factors on the basis of which conclusions about attractiveness are made are :-

(i) Whether chances of growth exist ?
(ii) Existing competition allows good profit ?
(iii) Competitive forces will become stronger or weaker in future ?
(iv) Profitability will be affected favourably or unfavourabely by current driving forces ?
(v) Competitive position of an organisation in industry and will it grow or not ?
(vi) Potential to capitalise on vulnerabilities of weaker rivals.
(vii) Can company defend factors that make industry unattractive ?
(viii) Degrees of Risk & Uncertainity in Industry's Future.
(ix) Severity of problems confronting industry as whole.
(x) Whether continued participation in current industry adds to firms' ability to be successful in other industries ?

Attractiveness is relative and not absolute which means that if an Industry is unattractive for a firm, it doesnot mean that it will be unattractive for another firm in same industry or a new entrant because all that matters is whether the firm can earn above average profit in that industry.

EXPERIENCE CURVE



Based on commonly observed phenomenon that as firms produces more units, gain more experience, per unit cost declines. We learn as we grow states that for the larger firms in Industry per unit cost will be lesser as compared to smaller firms and thus creating competitive advantage.

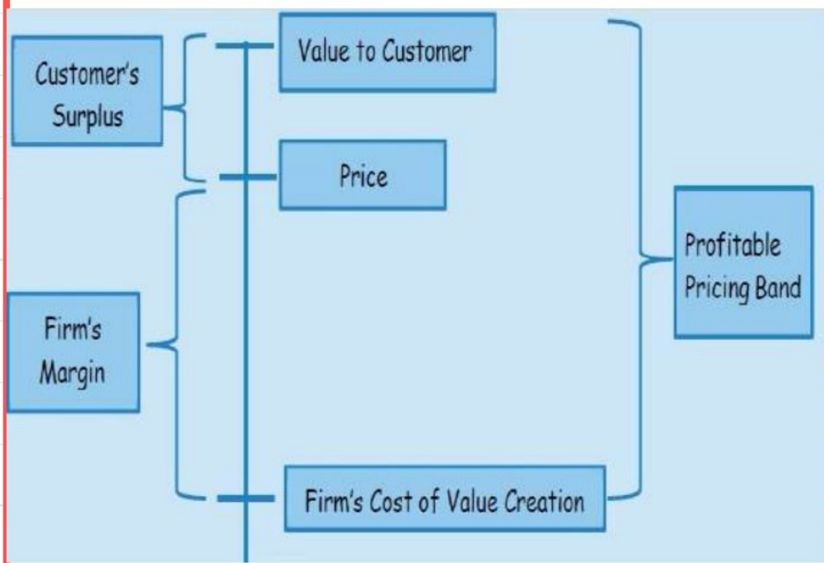
Experience curve results from economies of scale, learning effect, product redesign and technological improvements in production.

Features of experience curve :-

(i) Firms grow, they gain experience
(ii) Provides competitive advantage
(iii) Acts as barriers to entry

VALUE CREATION

Value creation is an activity or performance by firm to create value that increase value of goods, service or overall business system. It is measured by product's features, Quality, Availability, Durability, Performance for which customers are willing to pay. Business now focus on creating value, for both customers & stakeholders and gives competitive advantage. Further value shows utility, satisfaction customer gets from use of the product. And companies ultimately aim to achieve sustainable competitive advantage either via COST LEADERSHIP or PRODUCT DIFFERENTIATION i.e either selling at the lowest cost or selling differentiated products.



How profitable a company can become depends on :-

(i) Value customer places on company's product.

(ii) Price company charges for its products.

(iii) Cost of creating those products.

MARKET

Any place where buyers and sellers meet and exchange goods & services for a price. Market can be physical like vegetable market, virtual like amazon. Market can be stock market, fruit market, oil market etc.

Marketing includes wide range of operations like research, designing, pricing, promotion, transportation & distribution. The 4Ps of marketing are most important - Product - Price - Place - Promotion. The main aim is to identify needs of the customer and deliver satisfaction.

Product Marketing focuses around Product, Production, Sales, Customer.

- Product Oriented Business think customers choose products with best Quality, Design, Performance, Features
- Production Oriented Business thinks customers choose low Price Products.
- Sales Oriented Business think if they spend on advertisement, sales or promotion customers can be persuaded to make a purchase.
- Customer Oriented Business prioritise their efforts on customer. They learn from needs of customer and marketing dynamics.

CUSTOMER

Someone who buys goods from another organisation. They are most important as they provide REVENUE to firm. Customers are purchasers of goods & services but might not consume them. Consumers are the ones who actually consume the goods or services and thus it is not compulsory that he is payer also eg:- I bought diaper for AB junior. So customer is AB and consumer is AB junior.

CUSTOMER ANALYSIS

It is an essential market component and identifies target clients, determines their wants and then defines how the product meets those needs. In short it is evaluation of needs, desires, wants of consumer. Success business keeps monitoring behaviour of existing & prospective customers.

CUSTOMER ANALYSIS INCLUDES :-

(i) Administration of customer surveys.
(ii) Study of customer data.
(iii) Evaluation of market positioning strategy.
(iv) Development of customer profiles.
(v) Selection of Best Market Segmentation Techniques.

Finally an effective customer profile map be established which can reveal demographic information about customers.

CUSTOMER BEHAVIOUR

It is beyond identification of customers and explains how they purchase the products. It examines elements like shopping frequency, product preferences, and perception of our marketing, sales & service offerings. It enables the business to establish effective marketing & advertising campaigns, provide products and services as per needs of customer and retain customers.

Customer Behaviour is influenced by number of things :-

(i) External Influences :- Advertisement, Peer Recommendations or Social Norms have direct impact on psychological & internal process that influence consumer decision as they choose which products to use and which needs to satisfy.

(ii) Internal Influences :- These are psychological factors internal to customer and affect consumer decision making. And customer's decision is mostly affected by combination of these.

(iii) Decision Making :- A rational customer takes decision via series of steps :-

- Recognise problem
- Search for various alternative & list them
- Seek info of available alternative, weighs pros & cons
- Finally makes choice.

But these steps are mostly applied in case of big, significant purchases.

(iv) Post - Decision Process :- After purchasing the product, the customer finally evaluates outcome. Whether the product meets the satisfaction criteria. A happy customer will surely repeat the purchase but an unsatisfied customer will neither purchase again nor will recommend to others.

COMPETITIVE STRATEGY

Competitive Strategy of a business is concerned with How to compete in business areas in which organisation operates or in other words it is how a firm expects to create & sustain competitive advantage over competitors. Competitive Advant. means being profitable in long run. It is analysed using two criteria :-
(i) Creation of competitive advantage. (ii) protection of competitive advantage

An important component of competitive analysis involves finding the main source of competitive pressure and its strength. the competitive pressure can be diff. in different industries but a common analytical framework is used to find intensity of competitive forces.

Porter's Five Forces Model is best and easiest tool to analyse the pressure from competitive forces.

COMPETITIVE LANASCAPE

It is a business analysis which identifies direct or Indirect competitors. It is about identifying & understanding competitors and their vision, mission, core values, niche market, strength & weakness. It helps to improve competitive advantage.

STEPS TO UNDERSTAND COMPETITIVE LANDSCAPE

(i) Identify the competitor in the firm's industry and get actual data about their respective market share. It answers :-

- Who are our competitors and how big they are ??

(ii) Understand the competitors after identifying them and for this can use the market research report, newspaper, internet, social media so as to understand the products and services offered by them. It answers :- • What are their product and services ??

(iii) Determine strength of the competitors, what do they do well, what are the great products they offer and why customer are liking them or do they use marketing in a different way to reach more customers. It answers :-

- What are their financial position ?
- What gives them cost & price advantage ?
- What are they likely to do next ?
- How strong is their distribution network ?
- What are their human resource strengths ?

(iv) Determine weakness of competitors by going through consumer reports and reviews on social media or the financial weakness from annual reports to find out where they lack. It answers :-

- What are they lacking ?

(v) Put all the Info together and draw conclusions to find out what they are not offering and what firm can do to fill gaps. Also it can help to find out the areas to be strengthened by the firm. It answers:-

- What will business do with this info ?
- What improvements do firm need to make ?
- How can firm benifit from weakness of competitors ?

KEY FACTORS FOR COMPETITIVE SUCCESS

KSFs are those things that most affect industry members' ability to prosper in the marketplace i.e elements of strategy, attributes of products, resources, competencies, competitive capabilities and business outcomes. These all finally decide competitive success or failure or ultimately difference profit and loss.

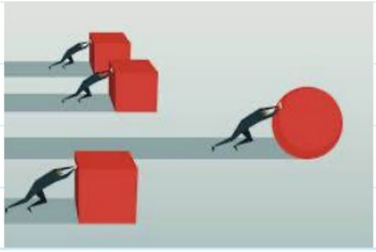
KSFs vary from industry to industry and even from time to time within the same industry as both competitive conditions and driving forces change. One Industry mostly have not more than 3-4 KSFs and out of them only 1-2 are of utmost importance. Identifying KSFs helps to make judgement about what is imp. for competitive success and what not. Companies can prepair their strategy by keeping industry's KSF in mind and devoting focus on it, more than the competitors. Hence using KSFs as cornerstone for company's strategy is a fruitful strategy.

THREE QUES. THAT HELP TO IDENTIFY INDUSTRY'S KEY SUCCESS FACTORS

On what basis customers choose between competing brands. What attributes of product are crucial to sales ?

What resources and competitive capabilities does a seller need to have to be competitively successful ?

What does it take for seller to achieve the long-term sustainable competitive advantage ?



NOTES

03 CHAPTER — STRATEGIC ANALYSIS:- INTERNAL ENVIRONMENT

Definition 1 :- It reffers to sum total of people (individual or groups), stakeholders, processes (input, throughput, output), physical infrastructure (space, equipments, physical condition of work), admin apparatus (lines of power & authority, responsibility, accountability, organisat. culture, values, ethics)

Definition 2 :- Internal Environment is specific to each organisation. It is based on its structure and business model & include all stakeholders like Top Mgmt, Investors, Employees, BOD, Investors etc.

Definition 3 :- It also involves understanding of ethics, principles, work environment, employee, friendliness, confidence of investors Other philosophical & cultural aspects of business which aim for success of organisation

UNDERSTANDING KEY STAKEHOLDERS

STAKEHOLDER reffers to all individuals and entities, internal or external to the firm which have interest in or can impact the business or strategy of the organisation. An organisation is coalition of various stakeholders and each exert different level of pressure on the organisation. eg :- Mgmt, employees, shareholder, customers, suppliers, govt etc. Some focus on Quick profits, some focus on long-term growth. A class of objectives of diff stakeholders can bring unfavourable consequences for the organisation.

EXAMPLE OF KEY STAKEHOLDERS & REQ. FOR OTT

STAKEHOLDERS	THEIR REQUIREMENTS
Shareholders	Return on Invest, Highest market share, Top Ranking of Firm, CSR, Innovation.
CEO & BOD	Prestige, Market Share, Revenue, Profit Growth, Market Rankings.
Major Vendors	Growth, Stability of ordering, Stable Margin
Consumer	New content, Better Deal, Value for Money, Continuous supply.
Employees	Wages & Benifits, Stability of employement, Pride of working for reputed organisation.

MENDELOW'S MATRIX

Also called as Stakeholder Analysis Matrix or Power Interest Matrix is a framework to help manage key stakeholders.

It suggests that one should analyse the stakeholder group based on power (ability to influency strategy) and Interest (how much interested they are in success of organisation). Some stakeholders may have lots of power & interst, some may have less power - less interest or more power - less interest or less power - more interest.

DEVELOPING GRID OF STAKEHOLDERS

KEEP SATISFIED :- They have high power but less interest & organisation should keep them satisfied with intended information on regular basis. eg :- Banks, Govt, customers

KEY PLAYERS :- They have High Power and High Interest and organisation should fully engage them, satisfy them, take their advice build actions & keep them informed with all info. on a regular basis. eg :- Shareholders, CEO, BOD etc.

LOW PRIORITY :- They have Less Power and Less Interest and organisation should monitor them only and no action to satisfy them. Only minimal efforts should be spent but an eye should be kept to check if their level of power or level of interest changes. eg :- media houses, business magazines.

KEEP INFORMED :- They have Low Power but High Interest and organisation should adequately inform group of people & communicate with them to check that no major issue arise and they can also help back with real time feedback and areas of improvement. eg :- employees, vendors, suppliers, expert.

But one of the most important thing to be kept in mind is that environment is highly dynamic and various things can happen which can make stakeholders move from one grid to another. eg :- If we don't pay Tax or Bank Dues on time they can move from High Power - Low Interest to High Power - High Interest group and media houses can move from Low Power - Low Interest to High Power - High Interest.

STRATEGIC DRIVERS

In internal env. analysis the most important part is analysis of current perform. of the business, for which strategic driver is important which includes :-

- INDUSTRY & MARKETS
- CUSTOMERS
- PRODUCTS & SERVICES
- CHANNELS

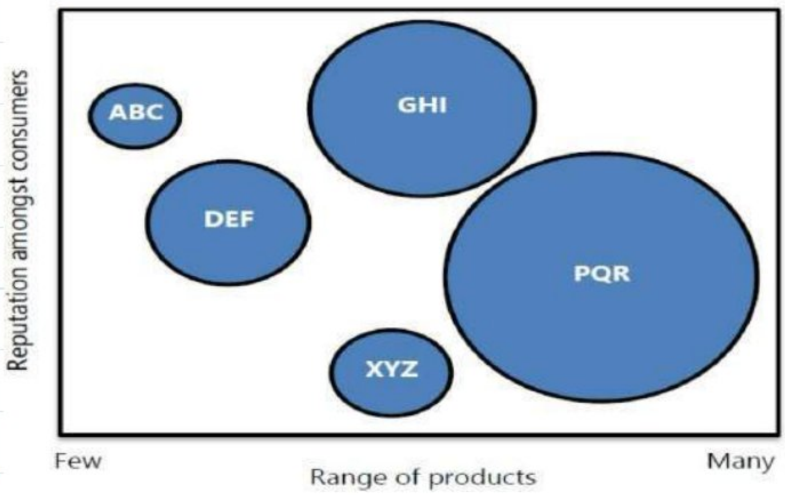
INDUSTRY AND MARKETS

Market is defined as sum total of all buyers & sellers in the area or region under consideration. It is any place where buyers & sellers meet to exchange the products for a price. But each business has its own set of customers and thus its own market.

When similar companies are grouped on the basis of primary product it makes or sells then it is called as Industry.

ANALYSING INDUSTRY AND MARKET

Analysing the Industry & Market is important to find out one's position as compared to competitor and tool used for this is called Strategic Group Mapping.



Strategic group consists of those rival firms having similar competitive approaches & position in the market. Companies in same strategic group resemble each other like same price, same quality, same technology, similar distribution chanels etc.

If all the competitors follow the same strategy, then there will be only one strategic group and there can be as many strategic groups as rival firms if all the competitors follow different strategy.

Step 1 :- Identify competitive characteristics that differentiates two firms in the industry (price - low, high ; area - local, national ; product categories - many, less ; use of distribution channel - one or all)

Step 2 :- Plot the firm on a two-variable map using different characteristics (Range v/s Reputation , Range v/s Price , Price v/s Quality etc)

Step 3 :- All the firms that fall in about same strategy space are allocated same strategic group.

Step 4 :- Draw circles around each strategic group making the circles proportional to size of group's revenue as compared to industry's total sales revenue.

CUSTOMERS

The different types of customers an organisation serve may have different types of needs and understanding their needs is first step in deciding product.

Companies can collect the data about the customer & sort it to get an idea about customer trends & profitability which can be used to find out the issues customers are facing and then target areas for growth can be found.

Customer :- One who pays price for Product. eg :- AB pays for kids diaper.

Consumer :- One who actually consumes it. eg :- Diaper used by AB junior.

PRODUCTS AND SERVICES

Every business identifies key products/services it is offering and how they are performing. Products stands for combination of good & services that company offers to target market. They can be differentiated based on shape, size, colour, packaging, brand names etc. Organisations try to show the customers that their products are different even if differentiation is real or imaginary.

For a new product, pricing strategy is prepared keeping in mind :-

(i) It must have customer-centric approach.

(ii) It must produce sufficient return over the cost.

(iii) It must increase the market share.

SOME IMPORTANT MARKETING STRATEGIES

(i) SOCIAL MARKETING :- When the advertisement is done to increase acceptability of social issues, ideas among a target group to bring in social change. eg:- Publicity campaign for prohibition of smoking showing places where one can smoke, where can't.

(ii) Augmented Marketing :- When some additional services or benifits are provided along side core product. eg :- Free repair services, Free screen replacement.

(iii) Direct Marketing :- If marketing is done through various advertising media that interacts directly with consumer, so that consumer can give direct response, it is called as Direct marketing. eg :- email, telecomputing, TV-shopping.

(iv) **Relationship Marketing** :- Here proper efforts are applied to create, enhance, maintain strong - value laden relationship with customer & other stakeholders. eg :- Lounge access for free at the airports for credit card holders.

(v) **Service Marketing** :- When the concepts of marketing applied for products are applied for the service industry i.e intangible form requiring different marketing strategies as the service can't be seperated from provider.

(vi) **Person Marketing** :- The activities undertaken to create, maintain, change the attitude & behaviour of target audience towards an particular person. eg :- Salman khan, Sanjay Dutt

(vii) **Organisation Marketing** :- The activities undertaken to create, maintain, change attitude & behaviour of target audience towards an organisation, be it profit oriented or NPO.
eg :- marketing of various political parties.

(viii) **Place Marketing** :- The activities undertaken to create, maintain, change the attitude & behaviour of target audience towards some particular place. eg :- Gujrat Tourism by AB.

(ix) **Enlightened Marketing** :- Company's marketing should support the best long run marketing system which breaks existing mind-set of people. It has 5 principles - value marketing, customer-oriented marketing, innovative marketing

Sense-of mission marketing & societal marketing.
eg :- Beauty campaign by Dove.

(x) Differential Marketing :- Different types of market segment and different product for each segment. eg :- Lifebuoy, Lux, Dove, Pears.

(xi) Synchro Marketing :- If the demand are irregular due to season or during some parts or hours of day, then synchro-marketing can be used to equalise or balance the demand.
eg :- Prices of morning show is less to invite more people as compared to evening movie show.

(xii) Concentrated Marketing :- Also called as Niche Marketing, it is done when company wants to focus on large share of one or few sub-markets. eg Rolls-Royce.

ROLLS ROYCE

(xiii) Demarketing :- When marketing is done to reduce the demand of some product temporarily or permanently. But must note that demand is never destroyed rather reduced or shifted.
Marketing done to avoid over-crowding of people in Ayodhya on 22nd January 2024 (Staphana diwas).

CHANNELS

These are the distribution system by which organisation distributes its products or services. The wider & stronger the channel the better chances a business has to win over its competitors and also acts as barriers to entry. eg :- Boat sells its products online, Lakme sells online, on its own stores & intermediary stores like Nykaa.

THERE ARE BASICALLY THREE TYPES OF CHANNELS

SALES CHANNEL

Intermediaries actually involved in selling the goods via physical stores or online or other ways.

PRODUCT CHANNEL

Intermediaries who actually handle the product on its path from producer to the end user like Blue-Dart

SERVICE CHANNEL

Entities that provide required support service as product moves through other two channels like technical install. team.

Chanel Analysis is important when business strategy is to scale up or to go beyond current markets. eg :- if a soft drink brand wants to acquire more customers, it has to place product in every physical store & online marketing.

ROLE OF RESOURCES & CAPABILITIES IN BUILDING CORE COMPETENCIES

An organisation has both resources & capabilities which are synergised to provide competencies. Core competency means such a capability which serves as source of competitive advantage over rivals or it is a collective learning in the organisation combining different production skills & multiple stream of technologies. Competency is combination of skills, techniques rather than individual skill and thus core-competency is also integration of many resources. Also it reffers to knowledge, skills & facilities required to design & produce core products.

- Core competencies are often visible in form of organizational functions. Like for HUL, its marketing & sales are core-competence.
- Core competencies are created by superior integration of technological, physical and human resources. They represent distinctive skills as well as intangible, Invisible, intellectual assets & cultural capabilities.

AS PER C.K. PRAHLAD AND GARY HAMEL, MAJOR COMPETENCIES ARE IDENTIFIED IN

(i) COMPETITOR DIFFERENTIATION
(ii) CUSTOMER VALUE
(iii) APPLICATION TO OTHER MARKETS

Competitor Differentiation is one of the main reason. If the organisation has some competence which is difficult for competitors to imitate, then it can clearly achieve competitive advantage as competitors can't copy. Also it is not neccessary that competence has to exist within the company, even if it doing slightly better than others, it can obtain core-competence. eg:- Tesla, Samsung.

When company sells products it has to deliver fundamental benifit or satisfaction to end customer and if it can do it better than its competitors, it has core-competence But the impact has to be real and should become reason to choose product, and if customer has purchased without this customer value then its not core-competence.

Company should be able to apply the core-competencies throughout the organisation. It cannot only be related to one particular skill and thus core competence is an unique set of skills & expertise which will be fundamental from the whole organisation's point of view.

And if all three above mentioned conditions are met, company can be said to have core-competency.

CRITERIA FOR BUILDING CORE COMPETENCIES

VALUABLE

Capabilities are valueable if they allow firm to exploit opportunities or avoid threats in external env.

RARE

Capabilities which are possessed by very few firms are rare or if they differ with what others have

COSTLY TO IMITATE

means the capabilities cannot be developed easily by competing firms like Intel

NON-SUBSTITUABLE

There must be no strategically equiv. valuable resources that are themselves not rare or imitable like Tata's low cost, Apple's IOS.

SWOT ANALYSIS (COMBINING EXTERNAL AND INTERNAL ALAYSIS)

Analysis of business's strength, weakness, opportunities and threats. Its main aim is to help organisation's develop full awareness of internal as well as external factors involved in making business decision.

It can be implemented before all company actions like exploring new initiatives, revamping internal policies, discovering strategies and leveraging strengths & opportunities to overcome weakness & threats.

Ques :- Is SWOT Analysis for Internal Environment or External Environment ?

Internal Analysis focuses on understanding the existing structure and competencies of business, showcasing Strength & Weakness.

External Analysis is about identifying and preparing for uncontrollabes which can be either Opportunities or threats, so its a combo of both.

SWOT Analysis just identifies complex issues for an organisation and puts them into simple framework. But one of the criticism is that it does not provide for evaluation of strength, weakness, opportunity & threats in competitive context (i.e How is SWOT of firm as compared to SWOT of rival) So it is useful for starting analysis only.

COMPETITIVE ADVANTAGE

Competitive Advantage is achieved when company's performance or profitability is better than the average profitability of firms in the Industry which happens when company's value creation strategy results in superior performance than rivals.

It is set of unique features of a company & its products that are perceived by the target market as better than the competitor. And competitive advantage is said to be achieved only when competitor firms try to duplicate or imitate but fail.

SUSTAINABILITY OF COMPETITIVE ADVANTAGE

By sustainability of competitive advantage we means the period for which the Company achieves advantage over competitor. It can be short term or long term. Following 4 major characteristics of resources and capabilities required are :-

(i) **DURABILITY** :- The period over which competitive advantage is sustained depends at the rate at which firm's resources & capabilities detoriate. Like if innovation is fast, patents become obsolete sooan and if the capability is due to mgmt. expertise then it will only last till the management is with company.

(ii) TRANSFERABILITY :- Even if the resources & capabilities are durable but are easily transferable and can be eroded by the competitor, lesser sustainable will be competitive advantage.

(iii) IMITABILITY :- When the resources and capabilities on the basis of which the competitive advantage is achieved cannot be easily copied or cannot be easily built or purchased, then competitive advantage will sustain for a longer period.

(iv) APPROPRIABILITY :- It reffers to firm's ability to appropriate returns on its resource base. So whether the returns are actually creating an advantage is a major issue.

PORTER'S GENERIC STRATEGIES

The generic strategies of the Micheal porter can be persued by any type of and any size of business firms even profit oriented or NPO

Competitive advantage can be gained from three different bases :-

- COST LEADERSHIP :- Standarised products, very low per unit cost and for price sensetive customers.
- DIFFERENTIATION :- Unique products for price insensetive customers.
- FOCUS :- Focus on needs of small groups of customers with very specific taste

COST LEADERSHIP STRATEGY

It aims at Broad Mass Market. It focus on cost reduction in various areas of procurement, production, storage & distribution of product or service.

The primary reason for pursuing forward, backward & horizontal integration is to gain cost-leadership benifits. The only focus is to sell at price less than the

No of cost elements affect relative attractiveness of generic strategies including :-

(i) economies or diseconomies of scale achieved.

(ii) learning & experience curve effects.

(iii) Percentage of capacity utilisation achieved.

(iv) Linkages with suppliers.

Low cost strategy is effective when

- market is composed of many price-sensetive buyers
- there are few ways to achieve product differentiation.
- buyers do not care much about difference from brand to brand.
- large no. of buyers with significant bargaining power.

Successful cost leadership passes through entire organisation and focuses on :-

High efficiency, Low overheads, Limited perks, Intensive screening of Request, Intolerance of waste, Wide span of controls, Rewards linked to cost curtailment & broad employee participation in cost control efforts.

HOW TO ACHIEVE COST LEADERSHIP

- Prompt forecasting of demand.
- Optimum utilisation of resources.
- Invest in cost saving technology.
- Achieving economies of scale.
- Standardisation of products.
- Resistance to differentiation

ADVANTAGES OF COST LEADERSHIP

(i) RIVALRY :- Since we are selling at very low price, so competitors donot enter into price wars.

(ii) BUYERS :- Powerful buyers can't exploit the firm as it is already selling at price lower than the others.

(iii) SUPPLIERS :- If supplier increases price, all firms will be affected due to rise but firms already selling at low can absorb shock better.

(iv) ENTRANTS :- Low cost in-itself is barrier to entry.

(v) SUBSTITUTES :- Low cost leaders mostly reduce cost to include other customer, invest in developing substitute & purchase patents.

DISADVANTAGES / RISKS IN COST LEADERSHIP

(i) May not last long as competitors may copy cost reduction technique.
(ii) Only benificial if selling huge volume of products.
(iii) Advancement of technology is a great threat.
(iv) Buyers interst may shift to other differentiating factor besides price.
(v) Since to reduce cost, advertisement & market research is reduced so it may have adverse impact in long term.

DIFFERENTIATION STRATEGY

It also aims at Broad mass market but involves creating products that are perceived unique by customers relating to product design, brand, features, customer service, technology. Customer service eg:- Domino's 30 minutes delivery. It helps the business to charge extra price due to customer loyalty.

But successful differentiation is only possible if competitors cannot imitate it and it exceeds the expectation of customers and should be perseud after careful examination of buyer's needs & preferences.

BASIS OF DIFFERENTIATION

PRODUCT

Giving innovative products can lead to competitive adv. But it may include high R&D and marketing cost. still payoff can be great

eg:- Apple Iphone

PRICING

Price fluctuate on basis of demand & supply. Companies can offer the product at lowest price or superiority through highest price.

eg:- Rolls Royce

ORGANISATION

Maximising power of brand, using location advantage, customer loyalty can provide additional ways of differentiation.

eg:- Apple Fanteam

ACHIEVING DIFFERENTIATION STRATEGY

- Improve performance
- Offer Higher Quality Products
- Rapid product innovation
- Taking steps for enhancing brand value.
- Fixing prices on basis of unique features.
- Offer utility to customers & match the product with taste/pref. of customer.

ADVANTAGES OF DIFFERENTIATION

(i) RIVALRY :- The customers are loyal to brand and are less-sensetive to price increase till the time firm satisfies needs of customers.

(ii) BUYERS :- Buyers don't negotiate for prices as they are getting special features & innovative options.

(iii) SUPPLIERS :- Since the firm is charging premium price, it can absorb the increase in prices of inputs by the supplier.

(iv) ENTRANTS :- Bringing Innovation is an expensive offer and new entrants can't afford them.

(v) SUBSTITUTES :- Substitute products can't replace differential products as they have high brand value & customer loyalty.

DISADVANTAGES / RISKS IN DIFFERENTIATION

(i) Uniqueness is difficult to sustain in long-term.
(ii) When firms charge too high prices for differentiation, then customers can switch to another alternatives.
(iii) Sometimes the basis on which differentiation is done is not valued by the customers. so differentiation fails.
(iv) Competitors may develop ways to copy differentiating features quickly.

FOCUS STRATEGY

Concentration on particular group of customers, geographical markets, or particular product-line segments in order to serve a well defined but narrow market, better than the competitors who serve broad market.
eg :- Jhonsons & Jhonsons, Ferrari. It is successful when customers have specific requirements and that is not dealt by rival firms.

FOCUSED COST LEADERSHIP

Competing based on prices to target a narrow market. Aim is to charge prices lower than firms competing in same target market.

FOCUSED DIFFERENTIATION

Offering unique features that fufill demands of narrow market. Firms can focus on specific sales channel like only on internet or particular demographic groups.

ACHIEVING FOCUSED STRATEGY

- Select specific niche not covered by cost leaders & differentiators
- Creating superior skills for catering the niche market
- Generating high efficiences to cater niche market.
- Developing innovative ways to manage value chain

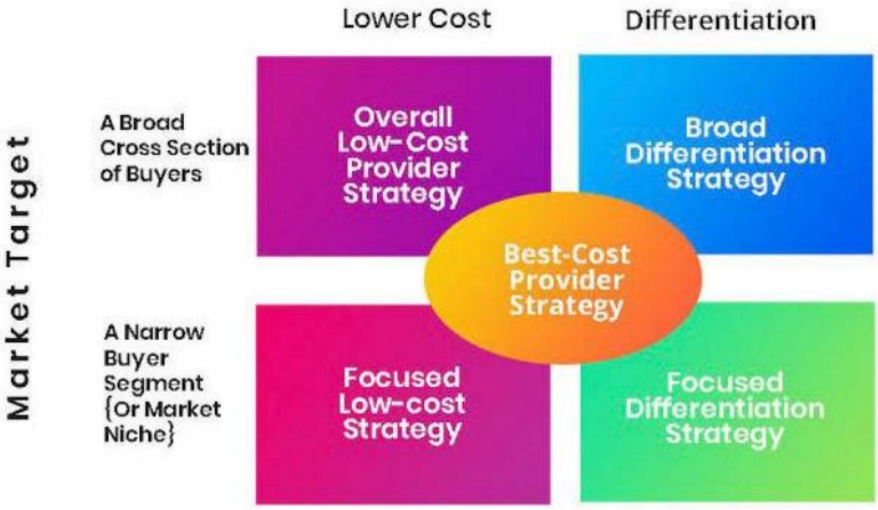
ADVANTAGES OF FOCUS STRATEGY

- premium prices can be charged for focused products
- Rivals & new entrants find difficult to compete due to trenmendous expertise in goods & service.

DIS-ADVANTAGES OF FOCUS STRATEGY

- If firms lack distinctive competencies they can't persue Focus Strategy.
- Costs get high and demand is limited which is an issue.

BEST COST PROVIDER STRATEGY



It involves providing the customers more value for money by emphasizing on lower cost & better quality. It is further development of above three generic strategies and can be done through :-

- Giving products at prices lower than the competitors with almost same features or same quality.

or

- Giving products with higher features or better quality than the competitor but charging same price

NOTES

04 CHAPTER — STRATEGIC CHOICES

Strategies are formulated at different levels of organisation :- corporate, business and functional. Top management makes strategic decision, it is delegated at middle level and at last functional level managers execute it.

STRATEGIC CHOICES

Four Grand Strategies / Directional Strategies / Generic Strategies by William F Glueck & Lawrence R Jauch at corporate level :-

(i) Stability (ii) Growth (iii) Retrenchment (iv) Combination

Competitive Strategies by Michael E. Porter :-

(i) Cost Leadership (ii) Differentiation (iii) Focus

Functional Strategies are meant for strategic mgmt of distinct functions :-

(i) Marketing (ii) Financial (iii) Human Resource (iv) Logistics (v) Production

Basic of Classification	Types
• Level	Corporate Level, Business Level, Functional Level
• Stages of Business Life Cycle	Intro Stage :- Market Penetration Strategy Growth Stage :- Growth / Expansion Strategy Maturity Stage :- Stability Strategy Decline Stage :- Retrenchment / Turnaround
• Competition	Competitive Strategies :- Cost leader. Diff. Focus Collaboration Strategies :- JV, Strategic Alliance, Merger

STABILITY STRATEGY

A strategy where firms puts the efforts to be at same level where it is and has no itention to grow or fall below the current level of sales/profit/share. It is for the firms who have reached maturity stage of PLC and wants to retain their marketshare.

CHARACTERISTICS OF STABILITY STRATEGY

(i) Stay in same business, same market, same functions, efforts as at present.
(ii) Not Redefinition of Business required.
(iii) Safe Strategy, maintains status Quo.
(iv) No Fresh Investment.
(v) Very less Risk
(vi) Core competencies developed as focus on existing resources.
(vii) If focus on Modest growth, go for stability strategy.
(viii) Improve functional efficiencies by better deployment & utilisation of resources.

REASONS FOR STABILITY STRATEGY

- Maturity stage of PLC reached
- Staff feels comfortable as less changes & risk
- If the env. o/s organisation is stable
- When expansion is perceived as threatning
- Firm has just done repaid expansion.

GROWTH STRATEGY

When firm is enlarging scope of business, increasing investment, exploring new products, new technology, new market it goes for expansion or Growth Strategy.

CHARACTERISTICS OF EXPANSION STRATEGY

(i) Stay in same business, same market, same functions, efforts as at present
(ii) Redefinition of Business required.
(iii) Highly versatile strategy. offers various permutation & combination of growth.
(iv) Fresh Investment, New Products. New Markets.
(v) High Risk involved, so chances of High Return.
(vi) Intensification & diversification are two methods to grow, difference lies only on how the firm wants to grow. (internally, self or with help of others.)
(vii) If focus on Mammoth growth, go for expansion strategy.

REASONS FOR EXPANSION STRATEGY

- Greater control over market & competitors.
- Strategists feel more satisfied with the prospects of growth
- When the environment demands increase in pace of activity
- Advantage from experience curve & scale of operation

TYPES OF INTERNAL EXPANSION STRATEGY

- Expansion through Intensification
- Expansion through Diversification

INTENSIFICATION

Organisation tries to grow internally by intensifying or increasing operations. It increases its internal capabilities & resources and adopts any of following :-

(i) Market penetration :- The focus is on existing product & existing market. Firm invests resources to reach wider audience in same market. eg:- Horlicks share is 30% and it focuses to increase share to 40%.

(ii) Market Development :- When the focus is to find the new market for the existing product by adding different chanels of distribution or content of advertising. eg :- Horlicks started selling in Dubai also.

(iii) Product Development :- The focus in on finding new product for existing market or modification of existing product for existing customers.

- Market Penetration :- Increase market share, product usage, Qty used, Frequency used, new uses of existing product
- Market Development :- Geographical expansion, new segments of market.
- Product Development :- New product features, New generation product.

DIVERSIFICATION

Entry into new products or product line or new markets, involving substantially different skills, tech and knowledge. Simply New product which can be related or not related to existing product and in new market. The two reasons for diversification are :-

(i) If the firm has excess capacity, funds, manpower, R&D.
(ii) If it can take synergy benifits and increase sales of existing products.

COCENTRIC DIVERSIFICATION	CONGLOMERATE DIVERSIFICATION	EXPANSION BY INNOVATION

COCENTRIC DIVERSIFICATION

The new business is related or linked to existing business through process, technology or marketing and is a spin off from existing facilities/process. eg :- Company making clothes enters into shoes industry. It can be further of two types :-

(i) VERTICALLY INTEGRATED COCENTRIC DIVERSIFICATION :- Here the firm remains in same process sequence but just moves forward or backwards in the chain and enters into new product/process and has a intention to make it new business for firm. Firm is in same product - process chain.

FORWARD INTEGRATION	BACKWARD INTEGRATION
Entering business lines that use products produced by the firm or entering into business of distribution channel. eg Fast Education acquires DTDC	Entering into business of Input providers to gain greater control over supply of Inputs at less cost. eg :- Fast Education opens printing press.

(ii) HORIZONTAL INTEGRATED COCENTRIC DIVERSIFICATION :- Firm acquire one or more business operating at same stage of production - marketing chain or integrate with firms producing complementary or by-products or taking over competitor's products.

CONGLOMERATE DIVERSIFICATION

The new business is not related or not linked to existing business through process or technology or marketing. It is totally unrelated diversification. eg :- Clothes making co. Starts making Furniture.

Ques :- Is it worth expanding so much that co. diversify into unrelated business ?
It creates access to new pool of customers, so increases customer base. It also allows access to new market & cross-sell products. So in this way even a loss making business can be made profitable.

Expansion Through Innovation

Upgradation of existing product lines or processes so as to increase market share, profit, sales and customer satisfaction. It offers following benifits :-

Helps to solve complex issue

Business find opportunities in problem & then try to solve it via innovation and developing customer centric solution.

eg :- Renewable Sources

Gives competitive advantage

Faster a business innovates, farther it goes from its competitor's reach. Innovative products need less marketing as they already are based on customer's needs.

Increases Productivity

Innovation simplifies tasks and repetative tasks are automated. It creates opportunity to further develop the process & products.

Types of External Growth Strategies

- Expansion through Merger & Acquisition
- Expansion through Strategic Alliance

Merger & Acquisition

It reffers to process of combining two or more organisations together.
In case of Merger this combination is done in a friendly manner and both the organisations share the profits in new entity and their strengths go up breaking the trade barriers.

But in the case of Acquisition one organisation takes over the control of all business operations of other organisation. Stronger one overpowers the other in an unfriendly manner and combined operation run under name of the powerful entity.

TYPES OF MERGER

HORIZONTAL	VERTICAL	CO-GENERIC	CONGLOMERATE
merger of the two rival firms in the same industry for eco. of scale, reduce duplication of function, decreasing wcap, FA eg:- Merger of Lipton India & Brook Bond.	merger of two firms in the same industry but at different stages of prod for increased synergies.	merger of firms assosiated in some way or the other to market or required tech. eg:- co. selling fridge merges with co. selling kitchen appliance	merger of firms not related with each other. No linkage of tech. or customer group or any functions.

STRATEGIC ALLIANCE

Relationship between two or more business that enables each to achieve certain strategic objectives which neither would be able to achieve on its own.
The entities maintain independent status and share benifits & control over partnership and continue to make contribution to alliance.

ADVANTAGES OF STRATEGIC ALLIANCE

(i) **Organisational** :- It helps to learn neccessary skills & capabilities from strategic partners. Such parntners also help to increase productivity, provide distribution system, extend supply chain.

(ii) **Economic** :- The costs & risks are reduced as they are distributed among partners. Economies of scale and benifits of specialisation leads to more production and reduced cost per unit.

(iii) **Strategic** :- Rivals instead of competing, join hands. They can take benifit of new technologies, pursue joint research and by pooling of resources and skills can together create competitive advantage.

(iv) **Political** :- Because of legal barriers to entry or local prejudices if a local business wants to enter into foreign market, it can do it by forming strategic alliances.

DISADVANTAGES OF STRATEGIC ALLIANCES

- The major problem is sharing of skills, resources & knowledge which would not have been done if no such alliance existed.

- When ally becomes opponent in future, it creates potential competition who also knows about our inner details.

STRATEGIC EXITS

These strategies are followed when firm wants to reduce scope of its activity. Firstly problematic areas are found out. Secondly steps are taken to solve the problem which gives birth to following strategies :-

- Turnaround Strategy if focus is to reverse the process of decline.
- Divestment Strategy if firm wants to close some division/branch/SBUs.
- Liquidation Strategy if firm has taken the final decision to shut down.

TURNAROUND STRATEGY

Internal Retrenchment where focus is to improve internal efficiency.

INDICATORS OF TURNAROUND

- Persistent Negative Cash Flows
- Uncompetitive products
- Declining market share
- Overstaffing
- Mismanagement

IMPORTANT ELEMENTS OF TURNAROUND

- Changes in Top Management
- Credibility Building Actions
- Quick Cost Reduction
- Revenue Generation
- Asset Sale to get cash
- Better internal co-ordination
- Neutralise external pressure

ACTION PLAN FOR TURNAROUND

S-I Assessment of current problem :- Find out root cause and extent of damage. Focus resources on areas to repair immediate issues.

S-II Analyse Situation & Develop a Strategic Plan :- Determine can business be revived ?. Prepare a preliminary plan of action, look for viable core business, bridge financing. Identify strength & weakness & prepare strategic plan.

S-III Implementing an emergency action plan :- Appropriate emergency plan is brought into action to stop bleeding if organisation is in critical condition. Positive operating cash flow must be established as quickly as possible. Plan includes HR, Marketing, Debt restructure, Improve working cap.

S-IV Restructure the Business :- Prepare Cash forecast, Analyse assets & debts, review profits and analyse other key financial functions for rapid improvement. Change in Product mix, immediate attention to core products, morale building, withdraw from some activities, market.

S-V Return to Normal :- Organisation starts to show signs of profit, ROI increase, New products are carefully added, customer service also improved, increasing market share.

DIVESTMENT STRATEGY

Selling major portion or division of Business or SBU. This is done when Turnaround was attempted but failed. Also business can directly go for Divestment Strategy.

MAJOR REASONS FOR RETRENCHMENT / TURNAROUND

- An acquired business proves to be mismatch so better to sell it.
- Persistent negative Cash flow from one particular business affecting others.
- Severity of the competition and inability of firm to deal with it
- Business can't do Technological upgrade required to survive.

The fund so released are invested in another best alternative.

CHARACTERISTICS OF DIVESTMENT STRATEGY

- It is integral part of corporate strategy without any sigma attached.
- Divestment of some of the activities in a given business of the firm or sell out some business

Ques :- Is turnaround applicable "only" to loss making entities ?

Turnaround applies when company is experiencing poor performance. And by poor performance it doesnot neccessarily means loss. it can be lower growth rate or lower sales or lower profit than expected.

STRATEGIC OPTIONS

Primarily used for competitive analysis and corporate strategic planning in multi-product and multi-business firms. But can also be used in less diversified firms. The main advantage is, resources can be channelised to the business that possess a great potential.

ANSOFF'S PRODUCT MARKET GROWTH MATRIX

Given by Igor Ansoff it is useful tool that helps the business to decide about the growth in case the market is new or old and the product is either new or old. It is a portfolio planning tool.

(i) Market Penetration :- Selling existing products in the existing market. More focus on advertise.

(ii) Market Development :- Existing product sold in new market. Focus to find new geographical market, new distribution channel.

(iii) Product Development :- New product into existing market. Focus on modification.

(iv) Diversification :- New products in new market. Focus to start business outside current products & market but can be bit risky.

ADL MATRIX

AXIS Y: Competitive Position	Embryonic	Growth	Mature	Ageing
Dominant	-Grow Fast -Build barriers -Act offensively	-Grow Fast -Aim for cost leadership -Defend Position -Act offensively	-Defend Position -Increase the importance of cost -Act offensively	-Defend position -Focus -Consider Withdrawal
Strong	-Grow Fast -Differentiate	-Lower cost -Differentiate -Attack small firms	-Lower cost -Differentiate -Focus	Harvest
Favorable	-Grow Fast - Differentiate	-Lower Cost -Differentiate -Attack small firms	-Focus -Differentiate -Hit smaller firms	Harvest
Tenable	-Grow the industry -Focus	-Hold on or withdraw -Niche -Aim for growth	-Hold on or withdraw -Niche	Withdraw or Divest
Weak	-Search for a niche -Attempt to catch others	Niche or Withdraw	Withdraw or Divest	Withdraw or Divest

AXIS X: Stage of Industry Maturity

Derived its name from Aurther D. Little this portfolio analysis technique is based on product life cycle. It is a two dimension matrix. One is Stages of Industry Maturity and Firms competitive position.

Firstly in which stage of PLC does the Industry fall. Introduction, Growth, Maturity or Decline.

Secondly what is the competitive position of firm in Industry.

- Dominant :- It is rare & happens due to monopoly, strong technical leadership
- Strong :- Firm has freedom over choice of strategy and acts without being threatened by competitor
- Favourable :- When Industry is fragmanted and no competitor stands out clearly. Reasonable degree of freedom.
- Tenable :- They just justify their existence, they are vulnerable to the increased competition from stronger co.
- Weak :- Performance is unsatisfactory, but chances of improvement exist.

BCG GROWTH SHARE MATRIX

Simplest way to potray company's portfolio of investment. Also called Cow & Dog methaphors is used for resource allocation in a diversified company. Co. classifies its business on a two dimensional growth-share matrix.

(i) The vertical axis :- shows market growth rate and provides measure of market attractiveness.

(ii) The Horizontal Axis :- shows relative market share & serves as measure of the company strength in the market.

Using BCG matrix organisation can identify 4 different types of SBUs/products.

STAR :- are rapidly growing product/SBUs. They need heavy investment to maintain their position and finance growth potential. They represent best growth opportunities. Growth & Market share both high.

CASH COW :- Low growth but high market share. They not only generate cash but also have low cost. Established products so less invest to maintain market share. In long term star become cash cows.

QUESTION MARK :- Low market share in high growth market. Called as problem child or wildcat, heavy investment needed but low potential to generate cash and if left unattended they became cash trap. But if focused they can be converted to star & then cashcow.

Dogs :- Low market share in low growth market. They have no future and can generate only cash for survival or sometimes even may need cash for survival. Best decision is to Divest them.

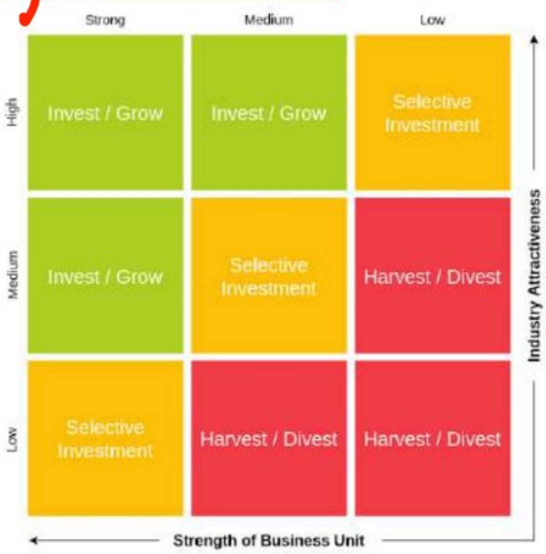
ONCE CATEGORY IS IDENTIFIED, APPLY THESE STRATEGIES

- **BUILD**: Increase market share even by forgoing short term earnings.
- **HOLD**: Preserve the current market share
- **HARVEST**: Increase short term cash flow & forget out long term effect
- **DIVEST**: Sell/liquidate business and use resources elsewhere.

DRAWBACKS OF BCG

- Unwise expansion
- Time consuming
- Costly to implement
- Difficult to define SBU
- No focus on future planning

GE MATRIX



Used by General Electric Co. also called as Business Planning Matrix, GE Nine Cell Matrix & GE Model. Inspired from Traffic light, this model uses two factors while taking Strategic Decision – Business Strength & Market Attractiveness.

The vertical axis indicates – Market attractiveness measured by • Size of market • Market Growth Rate • Industry profitability • Competitive intensity

- Pricing Trends
- Overall Risk in Industry
- Opportunity for differentiation
- Segmentation
- Demand variability
- Distribution structure

The Horizontal axis shows – Business Strength and is measured by :-

- Market Share
- Market Share Growth Rate
- Profit Margin
- Brand Image
- Distribution efficiency
- Ability to compete on price & Quality
- Customer loyalty
- Production capacity
- Technological capability
- Relative cost position

GREEN SECTION :- The Business is at advantageous position. So try to expand, invest & grow

YELLOW SECTION :- Needs caution & managerial discretions for making strategic choices.

RED SECTION :- Leads to losses, so appropriate strategy is divestment, liquidation or retrenchment.

BCG	v/s	GE
Market Growth		Market Attractiveness (broader)
Market Share		Competitive Strength

NOTES

05 CHAPTER — STRATEGY IMPLEMENTATION AND EVALUATION

INTRODUCTION
STRATEGIC MANAGEMENT
] Already covered in Chapter 1 to 4.

STAGES IN STRATEGIC MANAGEMENT

Developing vision, mission (Stage1)	Environment Analysis (Stage 2)	Formulation of Strategy (Stage 3)	Implementing Strategy (Stage 4)	Evaluation & Control (Stage 5)

IMPLEMENTATION OF THE STRATEGY

Most time consuming part of SM process. Organisational change, Motivating the people, Build & Strengthen company competencies, competitive capabilities is required. It includes following principle aspects :-

(i) prepare budgets to apply resources to activities.
(ii) Staffing organisation with needed skills & expertise.
(iii) Ensuring policies & procedures facilitate strategy execution rather than object.
(iv) Use best known practices to perform core business activities.
(v) Install Info & operating system to carry out day to day roles effectively.
(vi) Create culture & co. environment suitable for successful implementation.
(vii) Motivate people to persue target objectives energetically.

A good strategy execution creates strong fit between :-

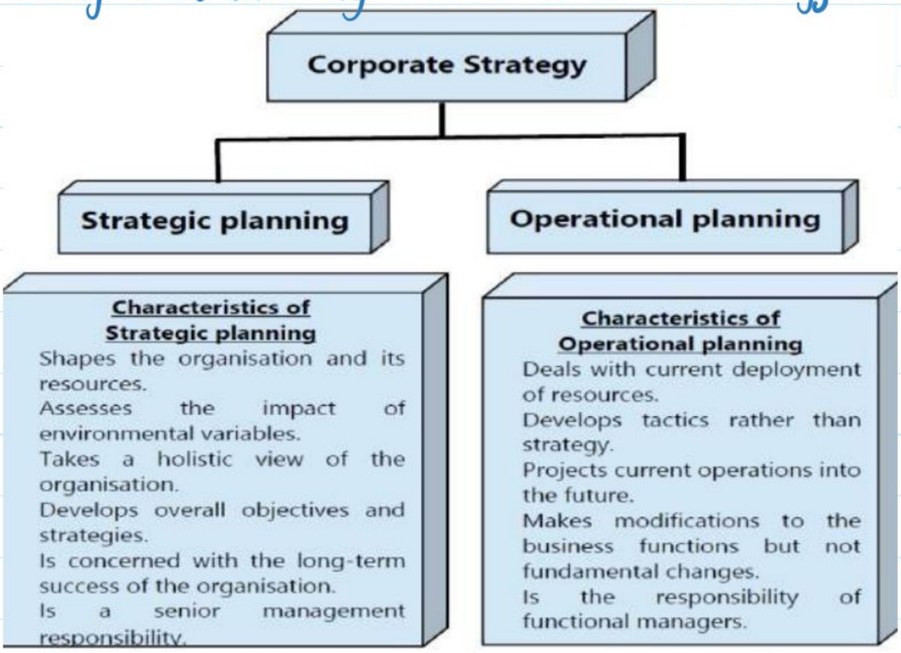
- Strategy & organisation capabilities
- Strategy & internal oper. system
- Strategy and reward structure.
- Strategy and organisation's work culture.

Strategy Evaluation and Control

The last stage is about finding what is the progress of the co., what is the impact of new external develop and making corrective adjustments if any. If strategy matches industry & competitive conditions and meets all the performance target, everything's perfect. But if it doesnot then evaluation is done if poor performance is due to poor strategy or its poor execution or both. So if there are change in external or internal factors, a company may need to change its direction, objectives or strategy.

Corporate Strategy

Planning means deciding what is to be done in the future and creating action plan for it. Choosing path of action to achieve defined goals is part of planning. Corporate Strategy is the game plan that directs the company towards success. Planning can be Strategic if the strategic plans are prepared for the entire organisation after SWOT analysis. Operational plan are prepared at middle or lower level management showing how to use resources effectively.



STRATEGIC UNCERTAINITY

Unpredictibility of the future events and the circumstances that can impact the organisation's strategy & goals. It can be due to change in external factors and dealing with this unpredictibility a firm requires flexibility, resiliance and agility to quickly responsd to changes & minimise the effect.

Flexibility	Diversification	Build Resiliance	Collaborate	Monitoring
Quickly adopt to Changes in environment	Diversifying product portfolio, market, customer base reduces impact of uncertainity	Stengthen oper. process, increase financial flexibility improve RM capability	Partner with other supplier, firm, customer to share risk access new market	Regularly check indicators of Change & Conduct Scenario Planning

IMPACT OF UNCERTAINITY

What is the impact of strategic uncertainity will finally depend upon the SBU being impacted. Certain SBUs are more important due to their higher sales, profit, costs but also potential growth, sales, profit be focused to get true value.

STRATEGY IMPLEMENTATION

It is concerned with managerial excercise of putting freshly chosen strategy into action, supervising strategy, making it work, improving competence with which it is executed & showing measurable progress in achieving target results (rest page 1)

RELATIONSHIP OF STRATEGY IMPLENTATION WITH FORMULATION

Many manargers fail to distinguish between both and success of organisation lies in good strategy formulation & proper implementation. Shown below is the difference between sound/flawed strategy formulation and excellent/weak strategy implementation.

STRATEGY FORMULATION AND IMPLEMENTATION MATRIX

Square A - co. formed a very good strategy but could not implement properly due to lack of resources or the leadership so co. should try to more from square A to B

Square B - Perfect situation as co. has both sound strategy & smooth implement.

Square C - Here co. not only does have flawed strategy, but also is poor in the implementation. They need Business Model Redesign & execu. readjust.

Square D - Strategy Formulation is flawed but co. has excellent implement. skills. First thing to do is Redesign the strategy.

ANOTHER APPROACH WHEN ORGANISATION LACKS STRATEGIC DIRECTION

At times of stress organisation may focus on efficiency, relationship between input & output rather than effectiveness which focus on achieving organisation goal.

Cell 1 :- organisation thrives as excellent input/output ratio

Cell 2 & Cell 4 :- Organisation is doomed unless it finds strategic direction.

Cell 3 :- Survives as atleast effectiveness exist even if too much input used.

Imp. point :- Effective means DOING RIGHT THINGS, Efficient means DOING ANYTHING IN RIGHT MANNER.

If focus only on efficiency is completely wrong. There are various stakeholders in the organisation and each have different interest like Tax to Govt, Divid to s/holder, Int to Debt-holders. So even the best plan will not work if the same is not implemented effectively. Hence focus should be on implementation also as only planning (formulation) is easy & actually doing (implem) is tough.

Strategy Formulation Vs. Strategy Implementation

Strategy Formulation	Strategy Implementation
Strategy Formulation includes planning and decision-making involved in developing organization's strategic goals and plans.	Strategy Implementation involves all those means related to executing the strategic plans.
In short, Strategy Formulation is **placing the Forces before the action**.	In short, Strategy Implementation is **managing forces during the action**.
An **Entrepreneurial Activity** based on strategic decision-making.	An **Administrative Task** based on strategic and operational decisions.
Emphasizes on **effectiveness**.	Emphasizes on **efficiency**.
Primarily an **intellectual and rational process**.	Primarily an **operational process**.
Requires co-ordination among few individuals at the top level.	Requires co-ordination among many individuals at the middle and lower levels.
Requires a great deal of **initiative, logical skills, conceptual intuitive and analytical skills.**	Requires specific **motivational and leadership traits**.
Strategic Formulation precedes Strategy Implementation.	Strategy Implementation follows Strategy Formulation.

Formulation of strategy is same for each type of organisation but implement. varies as per size & type. Further there are two types of LINKAGES between strategy formulation & implementation.

FORWARD LINKAGE

It simply states that first strategy is formulated and then organisation adjusts itself for adjustment of the strategy formed.

eg :- Strategy is formed leading to Change from labour to machine mode

BACKWARD LINKAGE

But when the formulation of strategy is given back seat and first it is seen whether strategy can be implemented with existing resources & then formed.

eg :- Since co. don't have enough funds to buy machine so that idea dropped

ISSUES IN STRATEGY IMPLEMENTATION

Implementation is the test of strategist's ability to allocate resources, design the organisational structure, formulate functional policy & provide strategic leadership.

(i) Strategies by themselves donot lead to action. They are statement of intent & by implementation that intent is realised. So a strategy is activated by implement.

(ii) Strategies lead to formulation of Diff. kinds of Programme which includes goals, policies, steps to put plan into action.

(iii) Now programme leads to formulation of projects. Projects are highly specified programme with time & cost boundation.

Sequence of Issues :- Project Implem. → Procedural Implement. → Resource Allocation → Structural Implement. → Functional Implement. → Behavioural Implement.

Some activities can be repeated or performed simultaneously. In small organisation going from formulation to implement. stage means going from Strategist role to role of Functional / Divisional Manager. And problem arise when task of implement. is given suddenly or as a surprise to Functional / Divisional and when they were not involved in formulation, so it becomes difficult for them to implement. Thus F/O managers should be included into strategy form. and Strategist be included in implementation.

Management issues to strategy implementation include :-

- establish annual objectives
- Devise Policies
- Allocate Resources
- Restructure
- Alter existing organ. structure
- Reengineering
- Revising Reward Plans
- Downsizing
- Develop Effective HR system

Employees are motivated more by Personal Interest rather than Organisational Interest so firm should try to coincide both. Proper training to both managers & employees be given to ensure they have neccessary skills.

STRATEGIC CHANGE (THROUGH DIGITAL TRANSFORMATION)

To stay competitive, shifting digitally is imp. For this change management is also crucial. Let's understand function of change manag. in digital transformation.

Change Management is a process of set of tools and best practices used to manage changes in organisation. It helps to implement changes in safe & regulated environment by reducing detrimental effects on co. Now when environmental forces change it requires business to make modifications in their existing strategies focusing on new product, market, ways of doing business called as Strategic Change.

STEPS TO INITIATE STRATEGIC CHANGE

- Recognise the need for change
- Create a shared vision to manage change
- Institutionalise the change

Step 1 :- Identify if current corporate culture supports strategy or not in short perform SWOT analysis and scan internal & external environment.

Step 2 :- Objectives of individuals & co. should match. It is only possible if both share the shared vision. Top mgmt needs to motivate members and actions of mgmt must show their intention of new initiatives clearly.

Step 3 :- Finally implement changed strategy, the new attitude should not allow firm to slip back to old thinking. The change process should be regularly monitored & reviewed & any discrepency be brought to notice of the person concerned.

KURT LEWIN'S MODEL OF CHANGE

To make changes last longer & moving organisation from current to future :-

(i) Unfreezing situation :- It is process of breaking down old attitude & behaviour for a clear start by doing meetings, announcement. Change should not come as suprise to Individuals and thus it prepares them about neccessity for change.

(ii) Changing to new situation :- After unfreezing, the members are ready for change so behaviour pattern be redefined as per H.C kellman

- Compliance - Reward for good work, punishment for Bad work can make change in behaviour.
- Identification - Members are asked to Identify role models whose behaviour they would like to adopt & try it.
- Internalisation - Internal changing of Indvidual's thought process by giving freedom to learn & adopt new behaviour.

(iii) Refreezing :- To make new behaviour, new way of life. Changes must be continuously reinforced so that this new acquired behaviour doesnot extinguish.

Change is a continuous process, so this cycle of Unfreeze - change - refreeze keeps on repeating.

HOW DOES DIGITAL TRANSFORMATION WORK

Digital Transformation is use of technology to develop fresh, improved goods or services. Since it requires a lot of changes so change mgmt comes into the picture to tackle obstacles in implementing digital transformation by and it consists of 4 basic elements :-

- Define goals & objectives of transformation.
- Assess current state of organisation & find gaps.
- Create roadmap showing steps to reach desired goal
- Implement & manage change at every level.

Finally the change management can help the organisation to :-

(i) Specify goals and parameter of digital transformation
(ii) Determine which tools need to be modified.
(iii) Make plan to implement improvement.
(iv) Involve staff members involved in transformation.
(v) Track progress and make required course correction.

CHANGE MANAGEMENT STRATEGIES FOR DIGITAL TRANSFORMATION

Currently there are changes in technology, sudden new market opportunities, changes in customer preference. So firm must be able to manage changes smoothly. Best 5 practices for managing change in small & medium sized business are :-

(i) **Begin at the Top** :- The acceptibility of change should start from Top level. A focused, united leadership that is on same page about Co.'s future is reflected in change.

(ii) **Ensure change is both neccessary & desired** :- For digital transformation, the organisation should ensure that it has proper strategy in place because too much and too fast will be an issue in future.

(iii) **Reduce Disruption** :- What will be the after-effects of change and employee's perception about it differs rank wise or dept wise so it can create conflicts / disruption. But can be handled by:-

- Getting word out early & be ready for interruption.
- Give members detailed knowledge & tools to change.
- Create an environment that encourages change
- Empower the agents of change (like team leads / project managers)
- Ensure IT-Dept is informed of changes in Techn. or Infra & is ready.

(iv) **Encourage Communication** :- Workers might have queries or complaints, so create channels where they can raise issues. Encourage dept collaboration to propagate ideas as communicates promotes efficiency and has power to influence culture.

(v) **Recognise change is norm and not the exception** :- Being ready for change means continuously respond to changes in such a way that minimises risk, creates advantage, sustain performance. Business must prepare for changes in advance.

HOW TO MANAGE CHANGE DURING DIGITAL TRANSFORMATION

(i) Specify what are aims and objectives of digital transformation :-
What are the objectives that must be accomplished ? Everyone should be on same page and pursuing the same aim.

(ii) Communicate Always :- Communicate objectives of digital transformation and how they will affect stakeholders, including employees, clients & other parties.

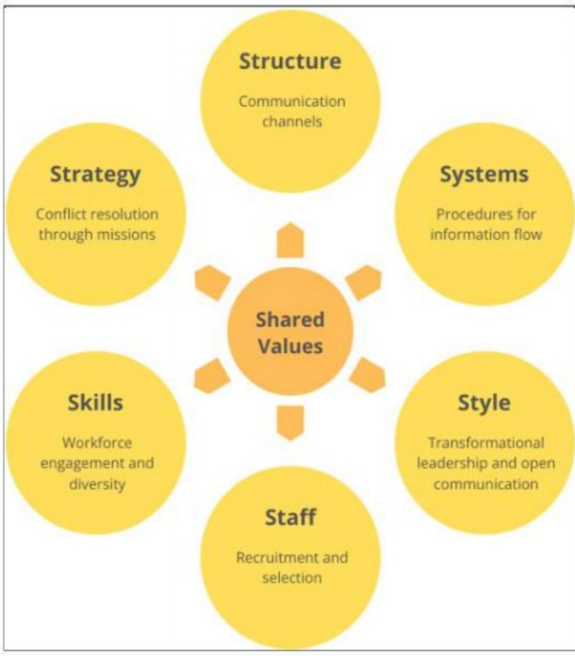
(iii) Be ready for resistance :- Changes brings resistance and can be challenging for people and firm must have a strategy in place to deal with resistance.

(iv) Implement changes gradually :- Changes should be implemented one by one and not all at once to avoid overwhelming invid. with too much change at once.

(v) Offer Training & Assisstance :- For implementing change, trainings about new system, software must be given.

ORGANISATIONAL FRAMEWORK

The Mckinsey 7s Model is a tool that analyses company's "organisational design". It shows how effectiveness can be achieved by interaction of Hard & Soft elements. All the 7 elements are inter-related and modification in one element has series of changes on other elements to maintain balance.



Hard elements are:

Strategy: What steps does the company intend to take to address current and futures challenges?

Structure: How is work divided, how do different departments work and collaborate?

Systems: Which formal and informal processes is the company's structure based on?

Soft elements are:

Shared Values: What is the idea the organization subscribes to? Is this idea communicated credibly to others?

Staff: This elements refers to employees development and relevant processes, performances and feedback programs etc.

Skill: What is the company's base of skills and competencies?

Style: This depicts the leadership style and how it influences the strategic decisions of the organization.

Hard Elements controlled by management directly :-

- Strategy :- Direction of organisation, blue print to lead industry, to achieve core competency & competitive advantage
- Structure :- On basis of resources available & degree of CENTRALISATION and DECENTRALISATION, it choose among various organisation structure.
- System :- Development of daily task, team, operations to execute goals and objectives in most effective & efficient manner.

Soft Elements governed by the culture are :-

- Shared Values :- Core values reflected in culture of organisation & code of ethics of management.
- Style :- Leadership style and How it affects strategic decision of organisation.
- Staff :- Employees / Talented pool of resources.
- Skills :- Core competencies or key skills of employees.

Limitations of 7s Model

- Ignores importance of external environment
- Does not clearly explain organis. effectiveness
- It is more Static & less flexible for decision making
- Misses gap in conceptualisation & strategy exec.

Organisation Structure

It is place where ideas filter up as well as down and merit of ideas carries more weight than source and where the participation and shared objectives are valued more than executive order.

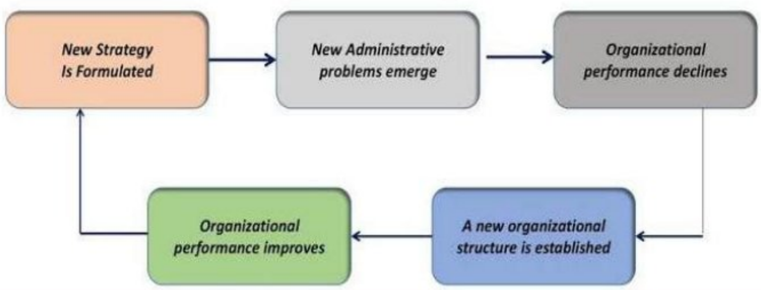
If there is change in strategy. Change in organisation structure also required :-

(i) Because structure dictates how policies & objectives will be formed

(ii) How resources will be allocated to such objectives. eg:- if organisational Structure is based on geography like ICAI, resources will be allocated accordingly.

There is no fixed organisation structure for one Strategy because what is good for one organisation may not suit other else everybody would have used that to get successful. (eventhough successful firms of an industry have similar structure)

Chandler's Strategy-Structure Relationship



Various factors influence firm but firm doesnot respond to each as it lead to chaos but if firm does and Changes strategy. Old organisation become ineffective like too many meeting, too many level of mgmt. too much focus on Interdept doubts, too many unachieved Objectives.

Since change in strategy needs change in organisation structure too but it should be noted that change in organ. structure cannot make bad strategy good or make bad products sell.

Can Organisational Structure also influence strategy? Yes, if a strategy require massive organisational change, then it wont be considered and thus here structure affected strategy.

Organisation Structure is the company's formal configuration of its intended role, procedures, governance mechanism, authority & decision making process. It is influenced by factors such as age & size of organisation.

SIMPLE STRUCTURE

- For companies offering products in one geographical market or follow into single business strategy. or if co. implements FOCUS strategy
- Owner is the manager and makes all decision. Staff only acts as executor.
- Little specialisation, less formalisation, Few rules, owner involved in all activities. Direct and frequent communication
- New products introduced Quickly in market and helps to create competitive adv. for small co. relative to larger counterparts.
- But once they get competitive advantage, they become big and many problem increases like info processing load to owner cum manager, so it is better to abandon the structure & move to functional structure.

FUNCTIONAL STRUCTURE

- Used because of simplicity and less cost, it divides tasks by business functions like (prod, sales, HR, marketing)

- Promotes specialisation of labour, encourages efficiency, allows rapid decision making, minimizes need for elaborate control system.

- Consists of CEO, or MD, limited corporate staff and functional managers for each function. They help company overcome issues of simple structure.

- But here problem is communication gets affected, thus CEO must co-ordinate actions of overall business across functions.

- Functional structure may develop narrow perspective, losing sight of vission & mission so company should go for Multi-Divisional Structure.

DIVISIONAL STRUCTURE

- Divisions can be formed on basis of :-
  (i) geographic area (ii) product/service (iii) customer (iv) process

- Functional activities are performed both centrally & at each division

- Divisional Structure based on geographic area is appropriate for firms whose Strategies are formed to fit needs of customers in diff. geographic areas.

It allows local participation in decision making & improved coordination in region
eg :- ICAI.

- Divisional Structure based on products is appropriate for firms who offer few products & services or products differ substantially. Major focus is on products or services and requires skilled management control. Eg Proctor & Gamble.

- Divisional Structure based on Customer is appropriate for firm who focus on the different types of customer and applicable when different types of customers are provided different types of services. eg :- Banks, Airlines.

- Divisional Structure based on process is same to functional structure because the activities are organised according to way work is done. Functional dept are not responsible for profit but Divisional process dept are.

ADVANTAGES OF DIVISIONAL STRUCTURE

(i) Career develop. opportunity for managers
(ii) Local control of local situations
(iii) Competitive climate within organisation
(iv) Employee morale is higher
(v) New Business or products added easily
(vi) Accountability is clear.

DIS-ADVANTAGES OF DIVISIONAL STRUCTURE

- Costly, as each division needs functional specialist.
- Duplication of services, staff personnel
- Well Qualified managers because divisional design forces delegation of authority.
- Certain region / product may receive more focus than others and not consistent company wide practices.

Multi- Divisional Structure

- M-form structure is composed of operating divisions where each division represents seperate business to which responsibility for day-2-day operation is delegated by top management

- Functional dept faced problem in co-ordinating priorities among different products. Costs were not allocated to individual product so profit on individual product couldn't be found.

- Top mgmt was over-involved in short-term problems & neglected long term issues.

- So multi-divisional structure was formed :-

(i) with diff divisions & each division representing diff business.
(ii) Each division had own functional hierarchy.
(iii) Divisional managers handled day-2-day operations.
(iv) Small Corporate office determines long term strategic direction of firm and excercise financial control over semi-autonomous division.

- So performance of each division could be found out, comparison with the other divisions could be done, allocate resources, managers of poor performing divisions can correct themselves.

- In less diversed firms, strantegic controls (i.e operatinal understanding by corporate officers of strategies being implemented) are used to manage divisions and when diversification increase, financial controls are used to manage divisions.

STRATEGIC BUSINESS UNIT (SBU)

- Grouping of related business which is relevant / appropriate for composite or combined planning treatement. Here entity having multiple businesses groups its business into few distinct business units in scientific way.

- The only aim is to provide effective strategic planning treatement to each products / business

Most imp characteristics of SBU :-

(i) single business or combination of multiple business which offer scope for the planning & are diff. from rest of organisation.

(ii) Has its own set of competitors

(iii) Manager is responsible for strategic planning & profit performance.

- Top corporate office is responsible for formulating & implementing overall corporate strategy & manage SBU. So it is like Strategic business units as authority & responsibility delegated to senior executive who reports to CEO.

- It has 3 levels :-

Corporate Head Quarter at top.

SBU at second level.

Divisions at third level grouped by relatedness.

- So performance of each division could be found out, comparison with the other divisions could be done, allocate resources, managers of poor performing divisions can correct themselves.

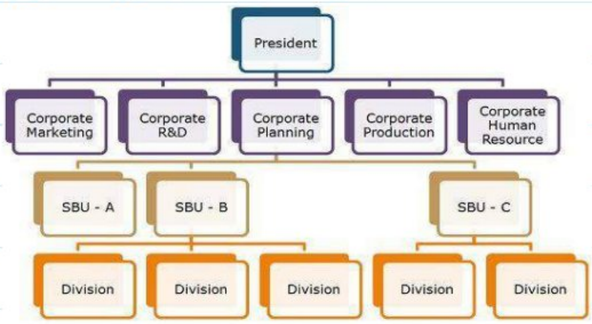
- SBUs are not related to each other but within a SBU all divisions are related to each other. Each SBU is a profit centre controlled by corporate head quarter for strategic decisions only.

- Some Benifits of SBU structure :-

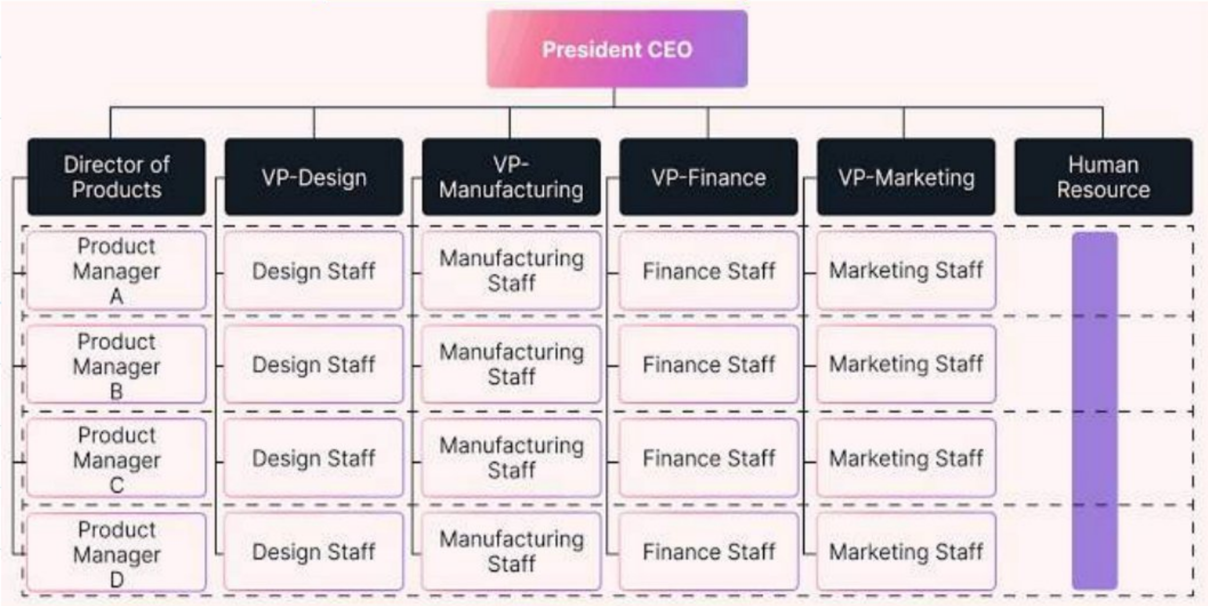
(i) Scientific method of grouping a multi business corporation
(ii) Improvement over grouping on basis of teritory
(iii) Each SBU receive different treatement from other SBU but all products in one SBU receive same treatement.
(iv) Unrelated products are seperated, if they can be formed part of any SBU on any criteria then its done else new SBU is made.
(v) Each SBU has seperate competitor, CEO, Manager, Seperate Business.

- A Question arises at corporate level as to whether have related set of SBU or unrelated set of SBU and How to relate ??

(i) SBUs might build on similar technologies or all provide similar sort of product or services.
(ii) SBUs might be serving similar or different market. Even if technology or products differ, it may be that customers are similar. eg :- washing powder, underpinning frozen food, margarine production sold through retail store.
(iii) Or it may be that other competencies on which competitive advantage of different SBUs are built have similarities.



MATRIX STRUCTURE



- Functional and Product forms are combined simultaneously at same level of organisation and every employee has two superior - one is project manager and other is functional manager.

- There are people from Permanent departments (production/marketing/eng) which are temporarily transfered to one or more projects which act as division

- It is most complex of all designs as there are both horizzental & vertical flows of authority and communication. There is Higher overload as there are more management positions.

- Some characteristics of matrix structure :-
  - Dual lines of Budget Authority
  - Shared Authority
  - Dual sources of reward & punishment
  - Dual reporting Channel
  - Extensive and effective communication system needed

- Some advantages are :-

(i) Project objectives are clear
(ii) Many channels of communication
(iii) It is used when product, customer, tech, geography, functional area all are strategically equally important.
(iv) It is mostly useful when external environment (tech & market specially) are complex & changeable.

- It produces conflicts around duties, authority and resource allocation. If the goals are vague and technology poorly understood a continuous battle for power between product & functional manager exist.

- It is used when business wants to add new customers, products or tech. to range of activities and it gives rise to product - functional - geographical managers eg :- in construction, healthcare, defense industry.

- Matrix is found in organisation or within SBU if following conditions exist:-

(i) Ideas need to be cross-fertilised across projects or products.
(ii) Resources are scarce
(iii) Abilities to process information and to make decisions need to be approved.

Changing organizational design

Old Organizational Design	New Organizational Design
♦ One large corporation	♦ Mini-business units and cooperative relationships
♦ Vertical communication	♦ Horizontal communication
♦ Centralised top-down decision making	♦ Decentralised participative decision making
♦ Vertical integration	♦ Outsourcing & virtual organizations
♦ Work/quality teams	♦ Autonomous work teams
♦ Functional work teams	♦ Cross-functional work teams
♦ Minimal training	♦ Extensive training
♦ Specialised job design focused on individual	♦ Value-chain team-focused job design

To Develop Matrix Structure Davis & Lawrance have proposed 3 distinct phases :-

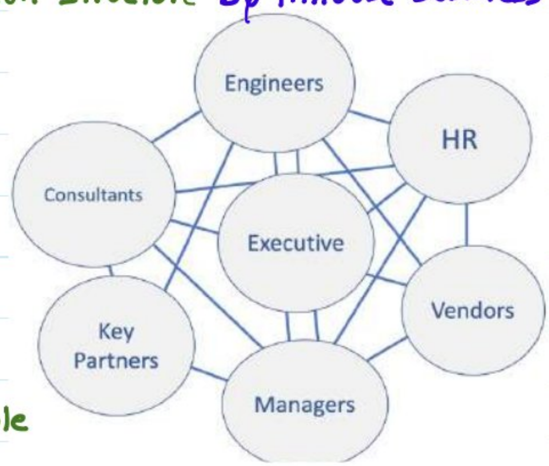
(i) Cross Functional Task Force :- Temporary cross-functional task forces are initially used when a new product line is being introduced. A project manager is in charge as the key horizontal link

(ii) Product / Brand Management :- If cross-functional task forces become more permanent, the project manager becomes a product or brand manager and a second phase begins. Here function is still primary organisational structure but product / brand managers act as the integrators of semi-permanent product or brand.

(iii) Mature Matrix :- It involves a True Dual-authority structure. Both functional and product structure are permanent. All employee are connected to both vertical functional superior and a horizontal product manager. Both managers have equal authority and must work together. But this structure has difficulty in implementation & trouble in managing.

NETWORK STRUCTURE

- It is an example of what could be termed as non-structure by inhouse business functions as many activities are outsourced.



- It is a virtual organisation composed of series of project groups or collaboration linked by non hierarchical, cobweb-like network.

- Most useful when environment of firm is unstable and expected to remain so.

- There is need for Quick response and so instead of salaried employees, the firm get into contract with people for specific project or time. Long term contract with suppliers & distributers replaces services co. could provide for itself through vertical integration.

- It provides organisation with increased flexibility and adaptibility to cope with rapid technological change and shifting patterns of international trade and Competition. It also allows co. to focus on its distinctive competencies while gathering efficiences from other firms who are expert in their respective field.

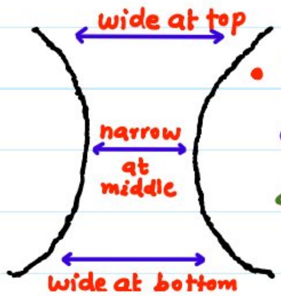
- Disadvantages of Network Structure :-

(i) Numerous partners for outsourcing can be a trouble as company can miss out any benifit of synergy.

(ii) If firm overspecialises only on few functions there is risk of choosing wrong functions and becoming noncompetitive.

(iii) Contracted Employees may feel less motivated and lack level of confidence neccesary to participate actively.

- The organisation is in effect only a shell with a small headquarters acting as broker, electronically connect to some completely owned divisions, partially owned subsidiaries and other independent organisation.



HOURGLASS STRUCTURE

- Info tech and communication have significantly altered the functioning of organisations and role played by middle level management is diminishing. And their tasks are replaced by Technological tools.

- It consists of 3 layers and middle layer is constricted because top & lower level are linked by info tech. The middle level managers are generalist and also perform wide variety of tasks.

- Advantages are :- Reduced cost , simplified decision making as decision making authority is shifted more close to source of info.

- Disadvantages are :- Promotion opportunities for lower level diminishes significantly, lack of Interest as motivation level is less but it can be solved by assigning challenging tasks , having proper reward system.

ORGANISATION CULTURE

Every organisation has its own unique culture , own philsophy and principles , its own history , values and rituals , its own ways of approaching problems and making decisions , its own work climate or environment reffers to corporate culture.

WHERE DOES CORPORATE CULTURE COME FROM

(i) It is manifested in values and business principles that management preaches and practices , in its ethical standards and official policies . in its stakeholder relationship , in the tradition it maintains , in its supervisory practices. , in peer pressure that exist

(ii) All sociological forces , some of which operate quite subtly , combine to define an organisation's culture , beliefs and practices that become embedded in co's culture can orginate anywhere.

(iii) It can orginate anywhere :-

- from one influential individual, workgroup, dept or division.
- from the bottom of organisation hierarchy or the top.

(iv) A significant part of a company's culture emerges from stories that get told over and over again to illustrate to newcomers the importance of certain value and belief and ways of operating.

CULTURE IS ALLY OR OBSTACLE TO STRATEGY EXECUTION

- Culture is either important contributor or an obstacle to successful strategy exec.
- The belief, vision, objectives & business approaches & practices underpinning a Co.'s strategy may or may not be compatible with its culture.
- When they are compatible, the culture becomes a valuable ally in strategy implementation and execution.
- When culture is in conflict with some aspect of company's strategy the culture becomes a stumbling block that impedes successful strategy implementation & execution.

WHAT IS ROLE OF CULTURE IN STRATEGY EXECUTION

- Strong culture promotes strategy execution if there is a fit and impedes execution if no fit.
- If organisation has same culture as needed for good strategy execution, it energies people in entire co. to work in support of strategy hence adding more power to strategy execution (eg:- whether organisation has culture of keeping wastes low, optimum utilisation so it is best for low-cost strategy or if culture is listening to customers & giving employees high degree decision [illegible], or itp helps executing strategy of giving superior value to customer)

- A strong strategy supportive culture :-

→ Shapes mood, temperament and motivates workforce and thus positively affecting organisation's energy.

→ Nurtures people to do their job in way that helps in effective execution of the strategy and promotes identification of employee with company's vision, target.

- All these finally make employees feel happy and better about their jobs & work environment and do their job with enthusiam to bring strategy to function.

PERILS/PROBLEMS OF STRATEGY - CULTURE CONFLICT

- If culture doesnot match with what is needed for strategy execution - the culture has to be changed as rapidly as can be managed, assuming that the strategy is correct and issue is with culture.
- While correcting strategy - culture conflict, strategy is sometimes revamped to produce cultural fit or revamping mismatched cultural features to make it strategy fit.
- A sizable & prolonged strategy - culture conflict weakens and may even defeat managerial efforts to make strategy work.
- The more entrenched (stubborn) mismatched aspects of culture, the greater the difficulty of implementing new or different strategies.

Strategy maker's responsibility is to select - strategy compatible with the unchangeable parts of prevailing corporate culture.

And it is strategy implementer's task, once strategy is choosen then can change any facets of corporate culture for effective execution.

CHANGING A PROBLEM CULTURE

- Changing company's culture for strategy execution is toughest management task because people cling emotionally to old values & habits and it takes period of time to replace unhealthy culture with healthy ones.

- First Step :- Diagnose which part of present culture support strategy & which not.
- Next :- Managers talk openly to all concerned about those aspects of culture that have to be changed, followed by actions to modify culture.
- Process :- Revising Policies and Procedures which help cultural change.
  Altering incentive compensative to reward desired cultural behaviour.
  Visibly praising and recognizing people who display new cultural traits, hiring new employees, who can serve as role model for desired cultural behaviour and replacing key executives who are assossiated with old culture.

- Sincere, sustained commitment by CEO through both words & deed. neither Charisma nor personal magnetism is essential.

- Bigger the organisation and greater the cultural shift needed to produce a culture-strategy fit, the longer it takes like 2-5 years.

- So it is tougher to reshape culture not strategy supportive than it is to instill a strategy-supportive culture from scratch in a brand-new organisation

- If excessive focus on hard management will result in linear improvement in performance and if focus is on soft side performance can improve exponantially and proper balance between hard & soft mgmt is required.

STRATEGIC LEADERSHIP

A manager as strategic leader has to play many leadership roles

- Cheif enterprenuer.
- Cheif administrator.
- Culture builder.
- Resource acquirer.
- capabilities builder.
- process integrator.
- Crisis manager.
- policy maker.
- Head cheerleader.
- Visionary.
- Negotiator.
- Motivator.

Strategic leader is change agent to initiate strategic changes in organisation and ensure that changes successful implemented. For the most part, major change efforts have to be Top-Down and Vision Driven

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

(i) Staying on Top of what is happening, monitoring progress, discovering issues and learning what obstacles lay in path of good execution.

(ii) Promoting a culture and espirit de corps that mobilises and energizes the organisational members to execute strategy.

(iii) keeping the organisation responsive to changing conditions, alert for new oppor.

(iv) Excercising ethics leadership and focusing that co. conducts its affairs like a model corporate citizen.

(v) Pushing corrective actions to improve strategy execution & overall strategic perform.

A Strategic leader has several responsibilities, including the following :-

- Making Strategic Decisions
- Formulating Policies & action plans to implement Strategic decision.
- Ensuring effective Communication in organisation.
- Managing Human Capital & Managing change in organisation.
- Creating & Sustaining strong corporate culture & high performance over time.

TRANSFORMATIONAL LEADERSHIP STYLE

- It uses charisma & enthusiasm to inspire people to work for good of co.
- It may be appropriate

in turbulent env	in industries at start or end of their lifecycle	in poorly performing organ. where there is need to inspire co.

- Such leadership motivates followers to do more than originally planned by increasing their self-confidence and offers excitement, vision, personal satisfaction.
- They inspire involvement in a mission giving followers a dream or vision of a higher calling so as to elicit more -dramatic changes in organisational performance.

TRANSACTIONAL LEADERSHIP STYLE

- It focuses on designing system and controlling organisation's activity and thus associated with improving current situation.
- It tries to build on existing culture & enhance current practices.
- Uses authority of its office to exchange rewards such as pay and status
- A formalised approach to motivate, give reward or penalty.
- It may be appropriate :-

In static or settled environment	In growing or the matured industry	In organisations that are performing well.

STRATEGIC CONTROL

- Controlling is a function intended to ensure and make possible the performance of planned activities and to achieve pre-determined goals & results.

- It includes :-

monitoring activity ⟶ measuring results against pre-established standards, analysing & correcting deviations. It makes organisation continuously learn from [illegible] and to improve its capability to cope up with demand.

- The process of control has following elements :-

(i) Objective & Characteristics of the system which could be operationalised into measurable & controllable standards.

(ii) Mechanism for monitoring & measuring characteristics of system.

(iii) A mechanism :-
  - For comparing actual results with reference to standards.
  - For detecting deviations from standards.
  - For learning new insights.

(iv) There are three types of organisation control :-
  - Operational Control
  - Management Control
  - Strategic Control

OPERATIONAL CONTROL

- Main focus is on Individual Tasks as against aggregat management functions.
  eg :- purchasing inventory v/s Inventory management.
- There should be clear cut & little bit measurable relationship between the
- Inputs & outputs which could be estimated.
- Many of control system in organisation are operational & mechanistic.
- Here control activities consits of regulating processes within certain tolerance irrespective of effects of external conditions on formulated standards/plans
- Example :- Stock / Qlty / production / cost / Budgetory control.

MANAGEMENT CONTROL

- More Inclusive & Aggregative than operational control wrt embracing the integrated activities of a complete dept / division / entire organisation. The basic purpose is to achieve Short term - long term goals in effective and efficient manner.

Management control is the process by which manager assures, resources are obtained and used effectively & efficiently to fulfill objectives of organisation

STRATEGIC CONTROL

- It focuses on :- whether strategy implemented as per plan and.
  Desired results produced by strategy or not.
- There are gap between strategy formulation & implementation and strategy might get affected due to changes in Internal & External environment.
- So strategic control is process of evaluating strategy as it is formulated and implemented and focuses on identifying problem and making required neccessary changes.

TYPES OF STRATEGIC CONTROL

PREMISE CONTROL

Every strateges is formed on the basis of certain premises/assumptions about the complex & turbulant environment and they may not remain valid over period of time. Premise control is thus systematic & continuous monitoring of environment to verify validity & accuracy of premises on which strategy is build and it involves monitoring 2 types of Factors :-

- Environmental Factors (economic/social/legal etc)
- Industry Factors (competitors, suppliers, substitutes)

No need to focus on all premises, only focus on premises which will change and would severly affect functioning of organisation.

STRATEGIC SURVEILLANCE

It is unfocussed and involves general monitoring of various source of info to uncover unanticipated info. affecting organisation strategy. eg :- readings newspaper, ...gazeines . attending meeting.

SPECIAL ALERT CONTROL

Sometimes due to unexpected events like govt change, natural calamity, merger by competitor etc immediate review of strategy is required. To cope up with such eventualities, organisations form crisis management teams to handle situation.

IMPLEMENTATION CONTROL

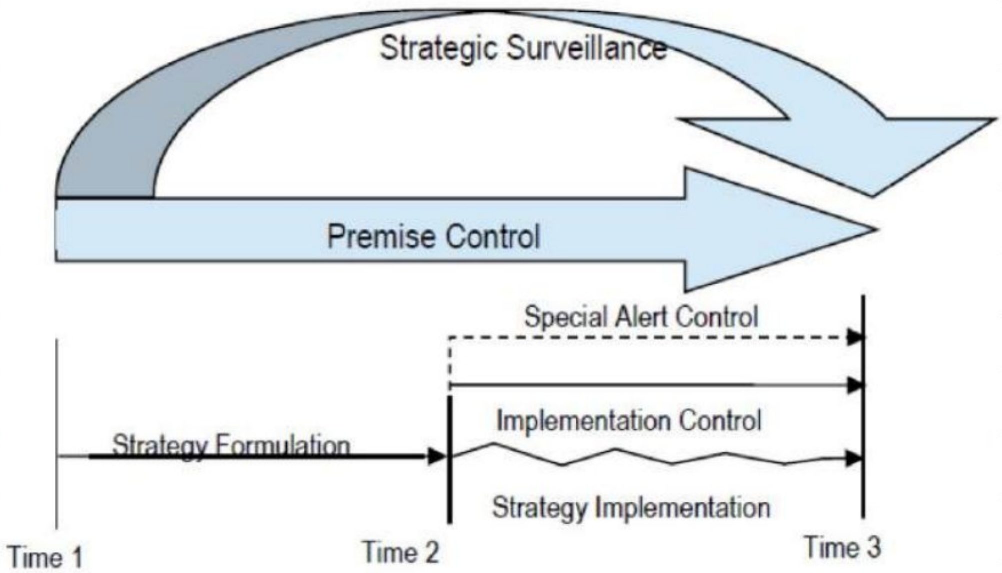
It is directed towards assessing need for changes in overall strategy in light of unfolding events and results associated with incremental steps and actions but it is not replacement of operational control. Two basic forms are :-

Monitoring Strategic Thrust

Helps managers to decide if overall strategy is progressing as planned or any readjustment required.

Milestones Reviews

All key activities neccessary to implement strategy are segregated in terms of time, event or major resource allocation and involves complete re-assess of strategy.



Strategic Performance Measure

SPM is a method that increases understanding of organisation's strategic goals by line managers and offers continuous system for tracking progress towards these objectives using clear cut performance measure.

They are the key Indicators that organisation use to track effectiveness of their Strategies and make informed decision about resource allocation. It provides a Snapshot of organisation's performance so that neccesary adjustments can be made to improve the performance if needed. They need to be created, selected & combined in form of reports so that implementation can have outcomes.

Firstly clear cause & effect relationship between indicators & strategic outcomes.

Secondly KPIs be chosen carefully as they affect behaviour of people in organisation

Type of Strategic Performance Measure

Financial :- ROI / Sales / profit showing financial performance and ability to generate profit

Customer Satisfaction :- Customer Retention, Satisfaction, loyalty showing ability to meet customer's needs & providing high Quality products.

Market :- Market share, customer acquisition, customer refferal showing the firm's Competetiveness in market place & ability to attract customer.

Employee :- Employee Satisfaction, Turnover rate, employee engagement showing the organisation's ability to attract and retain talented employees and create positive work environment.

Innovation :- R&D, patent application, new product launch showing organisation's ability to innovate and create new products as per customer's needs.

Environmental :- Energy consumption, waste reduction, carbon emission showing organisations impact on environment and its efforts to operate in ainable manner.

IMPORTANCE OF SPM

GOAL ALLIGNMENT
allign strategies with goals & object.

RESOURCE ALLOCATION
Find which areas have greatest impact on the performance, allocate resources to them.

CONTINUOUS IMROV
Spm provides framework for continuous improv. by keeping track of the progress and make the adjustment to improve.

EXTERNAL ACCOUNTABILITY
Spm helps firm show its accountability to s/holders, govt, regulatory bodies by providing clearpicture of their performance.

Ques :- How to Choose Right SPM.

Choose such SPM that alligns with goals & objectives of firm and provide relevant actionable info. Consider following factors :-

- Relevance - measure be relevant to organisation's goals & objectives.
- Data Availability - measure be based on data readily available.
- Data Quality - measure be based on High Quality, reliable & accurate data.
- Data Timeliness - Data should be current, up to date and enable the organisation to make informed decisions in timely manner.