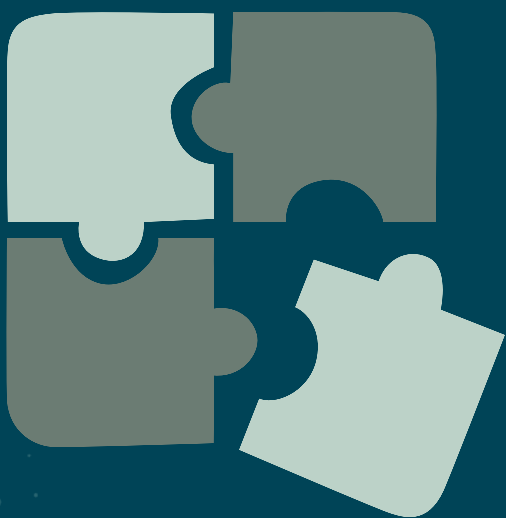
CA INTER

Strategic Management

Knowledge pack



CA Harish Krishnan

Knowledge Pack

The Knowledge Pack is designed as a comprehensive and strategic resource for CA Inter students preparing for the Strategic Management exam. By integrating RTP,MTP and past CA exam questions, this book provides a focused and exam-oriented approach, helping students understand the pattern, weightage, and complexity of questions.

This resource is not just a compilation of theory but a structured guide to mastering key concepts through practical application. By practicing with real exam questions, students can refine their problem-solving skills, boost confidence, and enhance retention. The Knowledge Pack serves as a bridge between conceptual understanding and exam success, making preparation more effective and efficient.
"The will to succeed is important, but what's more important is the will to prepare."

Success in CA exams demands not just hard work but also the right guidance and strategic preparation—this “Knowledge pack” is your step in that direction!

Wishing you all the best!
CA HARISH KRISHNAN

Dear Students,

We've worked really hard to make this book as accurate and error-free as possible. We even went through multiple rounds of proofreading to ensure everything is clear and correct. But, being human, there's always a chance that some small errors might have slipped through.

If you do come across any, let us know and help us improve future editions of the book!

Thank you for your trust and support and wishing you all clarity, confidence and success

Warm regards,

CONCENTRATE
GUYS

FOREWORD

The journey of a Chartered Accountancy student is one of immense dedication, resilience, and unwavering commitment. The path is filled with challenges, late-night studies, and an unrelenting pursuit of knowledge. However, true success is not merely about memorizing concepts—it is about understanding, applying, and mastering them. With this belief and a deep admiration for CA students, I present this book, dedicated to those who aspire to excel in Strategic Management.

This book is more than just a study resource; it is a product of love and effort, designed to make learning Strategic Management structured, practical, and effective. Recognizing the complexities of this subject, I have meticulously curated the content to ensure clarity, relevance, and an exam-focused approach. My goal is to provide a resource that not only simplifies learning but also strengthens the analytical skills essential for real-world decision-making.

Throughout this book, I have strived to bridge the gap between theory and practical application, enabling students to grasp concepts effortlessly and apply them confidently. Whether you are beginning your preparation or revising for the final time, this book will serve as your trusted companion on this journey.

I extend my deepest gratitude to all students, mentors, and fellow professionals who have inspired me in this endeavor. I hope this book not only aids in exam preparation but also cultivates a strategic mindset that will benefit you throughout your professional career.

Remember, "Success is not just about hard work; it is about persistence, strategy, and the willingness to adapt."

Wishing you success and excellence in your CA journey!
CA HARISH KRISHNAN

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1. INTRODUCTION TO STRATEGIC MANAGEMENT

1. CONCEPT OF MANAGEMENT

MANAGEMENT' is used in two senses such as

Definition (A)	Management refers to a key group responsible for overseeing an organisation's affairs.
Role in an Organisation	Acts as the chief organ ensuring the organisation is purposeful and productive.
Integration of Resources	Brings together and integrates manpower, money, material, and technology into a functioning whole.
Unified System	Creates a unified functioning system by mobilising and utilising diverse resources efficiently and effectively.
Success Factors	The survival and success of an organisation heavily depend on the competence and character of its management.
Adaptation	Facilitates organisational change and adaptation for effective interaction with the external environment.

Definition (B)	Management refers to a set of interrelated functions and processes carried out by an organization's management team to achieve its objectives.
Key Functions	Planning: Setting goals. Organising: Designing the structure. Directing: Guiding and motivating staff. Staffing: Hiring and managing personnel. Control: Monitoring and ensuring goals are met.
Scope of Functions	✓ Determining goals. ✓ Designing the organization structure. ✓ Mobilizing resources. ✓ Allocating tasks and resources among personnel and activity units. ✓ Setting up control systems to achieve planned objectives.
Management as Influence	Management is an influence process to make things happen, backed by power, competence, knowledge, and resources. It involves: ✓ Gaining command over situations. ✓ Inducing and directing events and people in specific ways.
Role of Managers	Formulate goals, values, and strategies. Adapt to behavioral and environmental changes.

2. CONCEPT OF STRATEGY

Definition of Strategy	Strategy refers to the ways a business decides to respond to external forces while pursuing its vision, mission, and ultimate objectives. It helps reduce uncertainty caused by changes in the environment and aligns goals with actions.
Role of Strategy	Strategy is a game plan that helps businesses: Take a market position. Attract and satisfy customers. Compete successfully. Achieve organizational objectives.
Definitions of Strategy	Strategy is a long-range blueprint for an organization's desired image, direction, and destination. It answers: What it wants to be, do, and how. Where it wants to go. Igor H. Ansoff: The common thread among activities and product-markets that defines the organization's future business. William F. Glueck: A unified, comprehensive an integrated plan to achieve basic objectives of business.
Strategy's Purpose	Strategy gives direction, focus, and cohesiveness to an organization. It helps: - Identify opportunities and threats. - Utilize resources and strengths. - Address weaknesses.
Strategy vs. Management	Strategy is NOT A SUBSTITUTE for good management. It must be flexible and pragmatic to handle emergencies and unforeseen events, with allowances for miscalculations and unanticipated situations.
Levels of Strategy	Strategies are formulated at: Corporate Level: Top managers set plans for growth, mergers, diversification, and investment. Divisional and Functional Levels: Operational strategies for product lines, pricing, and promotion.

<u>Proactive vs. Reactive Strategy</u>

Strategy is partly proactive and partly reactive: A company's strategy is a blend of:

Proactive Strategy: Planned actions to improve market position and performance.

Reactive Strategy: Adaptive reactions to unforeseen circumstances and changing conditions.

A company's current strategy flows from both previously initiated actions and business approaches that are working well enough to merit continuation, as well as newly initiated managerial decisions and actions that strengthen the company's overall position and performance. Thus, strategy partly is deliberate and proactive, standing as the product of management's analysis and strategic thinking about the company's situation and its conclusions about how to position the company in the marketplace and tackle the task of competing for buyer's patronage. However, not every strategic move is the result of proactive planning and deliberate management design. Things happen that cannot be fully anticipated or planned for. When market and

competitive conditions take an unexpected turn some kind of strategic reaction or adjustment is required. Hence, partially, a company's strategy is always developed as a reasoned response to unforeseen developments in the business environment as well as the situations within the firm. Crafting a strategy thus involves stitching together a proactive/intended strategy based on prior successful experience and then adapting pieces of successful reactions as circumstances surrounding the company's situation change or better options emerge - a reactive/adaptive strategy.
<u>Example of Strategy</u> UPI (Unified Payments Interface) is a true example of Made in India for the world, is a well-planned strategy that identified a problem, formulated a plan, and executed it effectively, changing India's digital payments landscape. It demonstrates strategic execution.

3. CONCEPT OF STRATEGIC MANAGEMENT

Definition of Strategic Management	Strategic management is the process of: 1) Developing a strategic vision. 2) Setting objectives. 3) Crafting a strategy. 4) Implementing and evaluating the strategy. 5) Making corrective adjustments if needed. The process is cyclic and continuous.
Origin and Emphasis	Originally called business policy, strategic management focuses on: ✓ Monitoring and evaluating external opportunities and threats. ✓ Designing strategies for survival and growth based on a company's strengths and weaknesses.
Importance of Strategic Management	Strategic management helps an organization perform better than competitors and its own past performance. It aims to deliver: ✓ Superior value to customers. ✓ Superior returns to investors. ✓ Superior performance to employees, suppliers, government, and society.
Overall Objectives	The two main objectives of strategic management are: 1) To create competitive advantage (something unique and valued by customers). 2) To guide the company through changes in the environment and react appropriately.
Influence of Environmental Changes	✓ Organizational operations are impacted by the rapid changes in the external environment, which can be driven by: Technology, Deregulation, Globalization. ✓ Changes can be internal or external to the firm.
Tasks in Strategic Management	The tasks of crafting, implementing, and executing strategies are central to business management.

4. Importance of Strategic Management

Formulation and implementation of strategies are essential for survival and growth in a turbulent business environment. The concept of 'survival of the fittest' applies, meaning the organizations that adapt to changes succeed.

Examples of Extinct Companies

Many companies like Bajaj Scooters, Nokia, Kodak, and Videocon failed because they couldn't manage drastic changes in the business environment. These examples emphasize the need for strategic management.

Business Warfare

In business, it's a win or lose situation, and companies must build their competitive advantage to win. This requires following the process of strategic management: analysis, formulation, implementation, and evaluation of strategies.

5. Benefits of Strategic Management

Strategic management provides the following benefits:

1) Direction and focus: Helps define realistic goals and the company mission, ensuring objectives align with the company's vision.
2) Proactive approach: Enables companies to shape their future and control their destiny rather than just react to changes.
3) Guidance for major decisions: Provides frameworks for decisions related to businesses, products, markets, etc.
4) Preparation for future opportunities: Identifies business opportunities and helps the company reach them.
5) Defence against mistakes: Protects against costly errors in decisions like product-market choices or investments.
6) Longevity of business: Helps businesses ensure they are not surviving by luck but by strategy, enhancing long-term survival.
7) Core competencies and competitive advantage: Develops the strengths needed to survive and grow.

Superior Organizational Performance

The goal of strategic management is to deliver superior performance, which means outperforming competitors and achieving above-average performance.

Non-Strategic Decisions

Some actions, like diversity, inclusion, or improving affordability of products, may be important, but they are not always strategic decisions in the strict sense of the term.

6. Limitations of Strategic Management

i. Complex and Turbulent Environment
The environment is difficult to predict, and changes can impact strategic plans. External factors like suppliers, customers, and governments affect the organization. A strategy can fail if the environment is turbulent.

iii. Costly Process : Engaging experts, analyzing environments, devising strategies, and implementation add high costs to the organization, especially for small or medium enterprises with limited resources.

ii. Time-Consuming Process Strategic management requires significant time for preparation and communication, which can delay day-to-day operations. Spending too much time on planning can reduce actual execution and success. Similar to students spending too much time planning their study schedules without getting much studying done.	**iv. Difficult to Estimate Competitive Response** In a competitive environment, it's hard to predict how competitors will react to a strategy because their plans are made secretly by top management.

Why do businesses opt for strategic management even with its limitation?

Strategic Management is a time consuming and costly process, yet all organization's want to do indulge into it? Why? Because even though it has its limitations, its importance outweighs its shortcomings. A business cannot operate and succeed without proper strategic management.

7. STRATEGIC INTENT (VISION, MISSION, GOALS, OBJECTIVES AND VALUES)

Strategic Intent

The purpose or goals an organization strives to achieve. It defines the direction for growth and success. It represents the long-term goals and market position the organization desires to attain.

Importance of Strategic Intent

Strategic intent provides the framework for achieving objectives. It helps guide an organization towards its vision. It answers the question: What does the organization stand for?

Vision

Strategic Vision

A Strategic vision is a road map of a company's future – providing specifics about technology and customer focus, the geographic and product markets to be pursued, the capabilities it plans to develop, and the kind of company that management is trying to create.

Purpose of Strategic Vision

Strategic vision delineates management's aspirations for the business, providing a panoramic view of the "where we are to go" and a convincing rationale for why this makes good business sense for the company. Strategic vision thus points out a particular direction, charts a strategic path to be followed in future, and moulding organizational identity.

Importance of Strategic Vision

A well-articulated strategic vision communicates aspirations to stakeholders and unites the company's personnel. It serves as a guide for decision-making and helps mobilize resources.

Essentials of a strategic vision

Entrepreneurial Challenge	Developing a strategic vision requires creative thinking to prepare the company for the future.
Intelligent Entrepreneurship	Forming a strategic vision is an exercise in smart decision-making and entrepreneurial insight.

Creating Enthusiasm	A well-articulated strategic vision generates enthusiasm among company members and motivates them towards the common goal.
Clear Direction	The best vision statement clearly illuminates the company's future direction, providing a clear path forward.

Mission

A mission answers the fundamental question, "What business are we in?" and "What do we do?"

Importance of Clarity

Firms must clearly define their mission and business definition to avoid confusion and missed opportunities.

Consequences of Ambiguity

Firms lacking clarity in their mission and business definition often struggle to identify opportunities and fail to create effective strategies.

Strategic Planning

A clear mission and business definition are essential for strategic planning and must not be overlooked by companies aiming for successful management.

Why should an organisation have a mission?	
Unanimity of Purpose	Ensures everyone in the organisation is aligned with a common goal.
Resource Allocation	Provides a standard for distributing resources effectively within the organisation.
Motivation	Motivates the **use of resources** to achieve organisational goals.
Organisational Climate	Sets the tone for business operations and **fosters** a business-like atmosphere.
Focal Point for Employees	Serves as a **reference for employees** who resonate with the organisation's purpose and direction.
Goal Translation into Tasks	Helps translate goals into actionable tasks assigned to responsible individuals.
Purpose Translation into Goals	Specifies organisational purposes and turns them into measurable goals with parameters like cost, time, and performance for assessment and control.

A company's mission statement is typically focused on its present business scope – "who we are and what we do". Mission statements broadly describe an organisations present capability, customer focus, activities, and business makeup.

Characteristics of a Good Mission Statement	
Clarity & Feasibility	A good mission should be clear, precise, and achievable.
Distinctiveness	Sets the organisation apart from competitors, defining its special identity and business path.
Uniqueness	Mission statements should be tailored to reflect the unique characteristics of the organisation.

Key Points for Writing a Mission Statement	
Special Identity and Development Path	The mission statement should give the organisation its unique identity, business focus, and growth path, setting it apart from competitors.
Business Definition	A company's business is defined by: • Needs it aims to satisfy • Customer groups it targets • Technologies and competencies used • Activities it performs
Uniqueness of Mission	A good mission statement is unique to the organisation it represents.

What is our mission? And what business are we in?	
Experts	**Peter Drucker** and **Theodore Levitt** emphasized the importance of clarifying the corporate mission in business planning.
Business Planning	The first step in business planning is to define the corporate mission and accurately describe the business focus.
Key Task for Firms	Firms must raise and answer certain basic questions to define their business and corporate mission clearly.

1. What is our mission?
2. What is our ultimate purpose?
3. What do we want to become?
4. What kind of growth do we seek?
5. What business are we in?
6. Do we understand our business correctly and define it accurately in its broadest connotation?
7. Whom do we intend to serve?
8. What human need do we intend to serve through our offer?
9. What brings us to this particular business?
10. What would be the nature of this business in the future?
11. In what business would we like to be in, in the future?

Business Management in the Past	When Drucker and Levitt raised these questions, business management was still a relatively simple process.
Evolution of Understanding	Over time, business leaders worldwide began to realize the importance of the seemingly simple questions raised.
Corporate Mission	The corporate mission represents the firm's growth ambition and visualizes its future. It reflects the company's dream and the future path it desires.
Mission Purpose	The mission explains why the firm exists, what it seeks to achieve, and justifies its presence in the market.
Importance of the Right Perspective	According to Peter Drucker, companies must ask, "What business are we in?" and provide a correct, meaningful answer, with an external marketing perspective.

Company	Production-Oriented Answer	Marketing-Oriented Answer
Indian Oil	We produce oil and gasoline products.	We provide various types of safe and cost-effective energy.
Indian Railways	We run a railroad.	We offer a transportation and material-handling system.
Lakme	In the factory, we make cosmetics.	In the retail outlet, we sell hope.

Goals and Objectives

Goals vs Objectives	Goals: Open-ended attributes denoting future states or outcomes. Objectives: Close-ended attributes, precise and specific, translating goals into long-term and short-term perspectives.
Definition of Objectives	Objectives are performance targets – the results and outcomes an organisation aims to achieve. They track performance and progress.
Interchangeable Use	Some theorists use the terms goals and objectives interchangeably, so both are often treated synonymously.
Purpose of Objectives	Provide meaning and direction to organisational efforts. - Guide the design of structure and activities. Help allocate resources to achieve desired outcomes. - Serve as benchmarks for evaluating performance.
Unending Process	The pursuit of objectives is continuous, ensuring the organisation remains relevant and sustainable over time.
Strategic Focus of Objectives	Objectives aim to strengthen the organisation's business position and competitive vitality.

Characteristics of Objectives	Benefits of Established Objectives
✓ Define the organisation's relationship with the environment. ✓ Facilitate achievement of mission and purpose. ✓ Provide basis for strategic decision-making. ✓ Offer standards for performance appraisal. ✓ Be concrete and specific. ✓ Relate to a time frame. ✓ Be measurable and controllable. ✓ Be challenging. ✓ Correlate with other objectives. ✓ Be set within the resource and environmental constraints of the organisation.	✓ Provide direction ✓ Enable synergy ✓ Aid in evaluation ✓ Establish priorities ✓ Reduce uncertainty ✓ Minimize conflicts ✓ Stimulate effort ✓ Aid in resource allocation and job design.

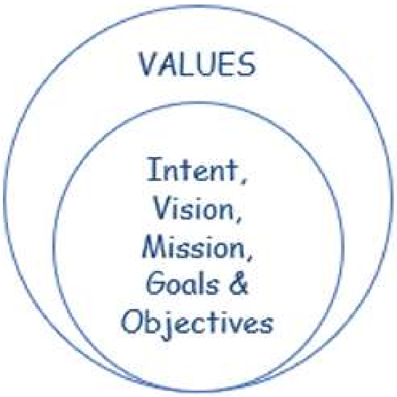
Need for Short-term and Long-term Objectives	Short-term objectives (quarterly or annual) focus on immediate performance improvements. Long-term objectives (3-5 years) encourage actions now for future growth and better performance.
Example	A company aiming to double sales in 5 years must also set annual or quarterly targets to track progress and ensure timely actions.

Long-term Objectives	Strategic planners establish long-term objectives in these seven areas: 1. Profitability 2. Productivity 3. Competitive Position 4. Employee Development 5. Employee Relations 6. Technological Leadership 7. Public Responsibility
Purpose of Long-term Objectives	Represent results expected from pursuing strategies over a consistent time frame (usually 2-5 years).
Short-term vs Long-term Objectives	Identical Objectives: When the organisation is already performing at the target long-term level (e.g., consistent 15% profit growth annually). - Differing Objectives: When short-term objectives act as steps toward achieving long-term targets, especially when elevating performance.
Time Frame	Both objectives and strategies usually align with a 2-5 year period.

VALUES

"Business, as I have seen it, places one great demand on you: it needs you to self-impose a framework of ethics, values, fairness and objectivity on yourself at all times." Ratan N Tata

Examples of Values	Common values include Integrity, Trust, Accountability, Humility, Innovation, and Diversity.
Importance of Values	Guide behavior: Values shape how employees think and act, especially in situations of dilemma. Create a shared purpose to ensure a strong foundation and long-term success.



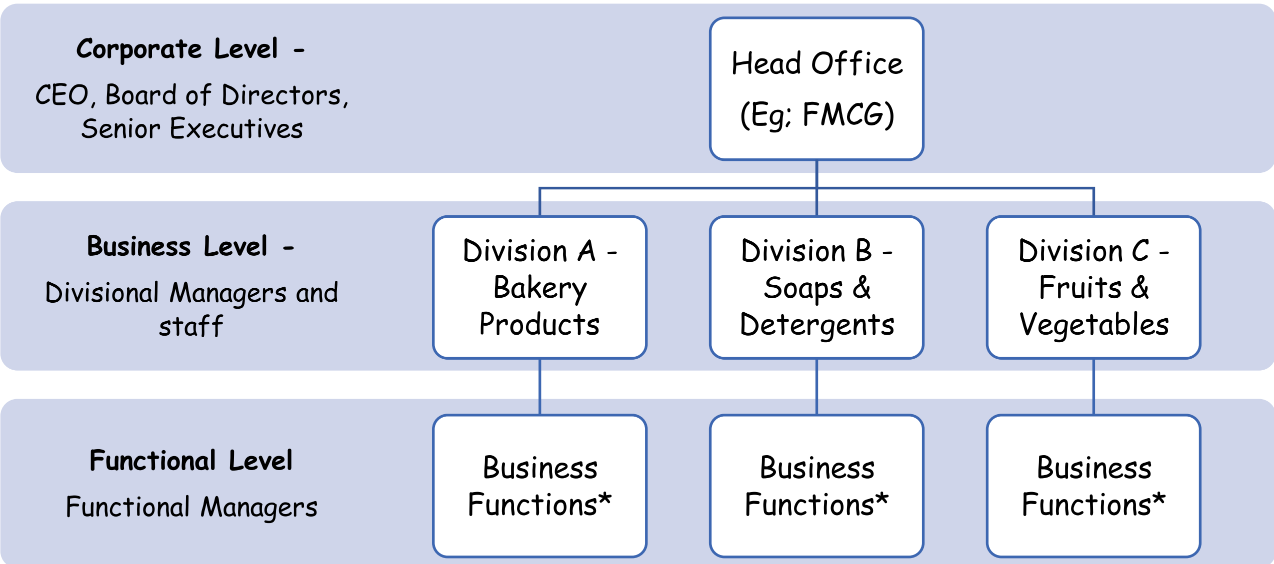
Employee Preference	Employees prefer to work with employers whose values resonate with them and align with their daily work and personal life.

Consumer Preference	Most consumers prefer to buy from companies whose purpose and values reflect their own belief system.
Internal and External Impact	Values impact both internal culture and external perception of the company.
Example: COVID-19 Pandemic	During the COVID-19 pandemic, many organisations upheld their core values by prioritizing people over profits, demonstrating the strength of their foundation.

Intent vs Values - Which is a broader concept?
Sandeep, a human resource manager thinks that Intent is a bigger concept than Values. Is he right? Sandeep is not right, as Values and Intent are two different concepts. Intent is the purpose of doing business while values are the principles that guide decision making of business. They both go hand in hand, while the intent is sometimes driven by values. So values more or so is wider than Intent.

8. STRATEGIC LEVELS IN ORGANISATIONS

Large Organization Structure	A large organization is typically a multi-divisional organisation that competes in various different businesses.
Divisional Management	Each business is managed by separate, self-contained divisions, ensuring focused operations for each segment. Such divisions are called Strategic Business Units (SBUs).



* Business Functions: Marketing, Financial, Production, Logistics, R & D, Human Resource

Corporate Level	Business Level	Functional Level
✓ Role is to oversee the development of strategies for the whole organization. ✓ Includes defining the mission and goals of the organization, determining what businesses it should be in ✓allocating resources among the different businesses, ✓formulating and implementing strategies that span individual businesses, and ✓providing leadership for the organization.	✓ Role is to translate the direction and intent that come from the corporate level into concrete strategies for individual businesses. ✓Corporate-level managers are concerned with strategies that span whole organisation, business-level managers are concerned with strategies that are specific to a particular business.	✓ Responsible for the specific business functions or operations. ✓ A functional manager's sphere of responsibility is generally confined to one organizational activity, whereas general managers oversee the operation of a whole company or division. ✓ Develop functional strategies in their area. ✓ Provide information that makes it possible for business- and corporate-level general managers to formulate realistic and attainable strategies. ✓ generate important ideas that subsequently may become major strategies for the company. ✓ Responsible for strategy implementation, execution of corporate and business-level plans.

Which is better - Top Down Approach or Bottom-Up Approach?
A top-down approach to decision making is when decisions are made solely by leadership at the top i.e. corporate level of management, while the bottom-up approach gives all teams across the levels a voice in decision making.

Network of relationship between the three levels

Corporate, Business, and Functional Levels	Corporate level: Decides goals and aspirations for the business. Business level: Develops plans to achieve corporate goals. Functional level: Executes plans and delivers results. The relationship between these levels depends on the organisation's culture and aspirations.

Types of Relationships	
Functional and Divisional Relationship	Independent relationship: Each function or division is managed independently by a business-level manager. Example of functions: Finance, HR, Marketing. Example of divisions: For a toy company - kids toys, teenager toys. Division heads report to the business head at the corporate level.
Horizontal Relationship	Flat structure: All positions (from top management to staff) are considered at the same hierarchical level. Encourages openness, transparency, and idea sharing. Suitable for startups where speed and innovation are crucial.
Matrix Relationship	Grid-like structure: Teams consist of people from various departments working on temporary projects. Useful for large organisations (e.g., conglomerates) to manage complexity. Multiple business-level managers oversee each functional-level team. Complex for smaller organisations.

Multiple Choice Questions

1. Strategy is a game plan used for which of the following? (a) To take market position (b) To attract and satisfy customers (c) To respond to dynamic and hostile environment (d) All the above	2. Which of the following is correct? (a) Strategy is always pragmatic and not flexible (b) Strategy is not always perfect, flawless and optimal (c) Strategy is always perfect, flawless and optimal (d) Strategy is always flexible but not pragmatic
3. Strategy is- (a) Proactive in action (b) Reactive in action (c) A blend of proactive and reactive actions (d) None of the above	4. Reactive strategy can also be termed as- (a) Planned strategy (b) Adaptive strategy (c) Sound strategy (d) Dynamic strategy
5. Formulation of strategies and their implementation in a strategic management process is undertaken by- (a) Top level executives (b) Middle level executives (c) Lower-level executives (d) All the above	6. Which of the following are responsible for formulating and developing realistic and attainable strategies? (a) Corporate level and business level managers (b) Corporate level and functional level managers (c) Functional managers and business level managers (d) Corporate level managers, business level managers and functional level managers
7. Which of the following managers' role is to translate the general statements/ strategies into concrete strategies of their individual businesses- (a) Supervisor (b) Functional Manager (c) CEO of the company (d) All the above	8. Which statement should be created first and foremost? (a) Strategy (b) Vision (c) Objectives (d) Mission
9. Strategic management enables an organization to __________ instead of companies just responding to threats in their business environment. (a) be proactive (b) determine when the threat will subside (c) avoid the threats (d) defeat their competitors	10. Read the following three statements: (i) Strategies have short-range implications. (ii) Strategies are action oriented. (iii) Strategies are rigidly defined. From the combinations given below select an alternative that represents statements that are true: (a) (i) and (ii) (b) (i) and (iii) (c) (ii) and (iii) (a) (i), (ii) and (iii)
11. What involves formulating, implementing, and evaluating cross-functional decisions that enable an organization to achieve its objectives?	12. Strategic management allows an organization to be more (a) Authoritative (b) Participative

(a) Strategy formulation (b) Strategy evaluation (c) Strategy implementation (d) Strategic management	(c) Commanding (d) Proactive

Answers to Multiple Choice Questions

1	(d)	2	(b)	3	(c)	4	(b)	5	(d)	6	(d)
7	(b)	8	(b)	9	(a)	10	(a)	11	(d)	12	(d)

Scenario Based Questions

Scenario Based Question 1: **MTP May24**

Swati is the marketing manager at a software company. She is responsible for developing and implementing marketing strategies for the company's products. Swati leads a team of marketing professionals and works closely with the product development and sales teams to ensure that the company's products are effectively promoted in the market. She also analyzes market trends and customer feedback to refine the marketing strategies. Which level is she working at, discuss the roles and responsibilities of this level in organization?

Answer:

Swati operates at the functional level of management, specifically as the marketing manager at a software company. Functional managers like Swati oversee specific departments or functions within an organization, such as marketing, finance, or operations.

- Their primary responsibilities include implementing corporate strategies and policies within their area of expertise and ensuring that daily operations are conducted efficiently and effectively.
- In Swati's case, as a marketing manager, her role involves developing and executing marketing strategies for the company's products.
- This includes leading a team of marketing professionals, collaborating with product development and sales teams, and analyzing market trends and customer feedback to refine strategies.
- By working closely with these teams, Swati ensures that the company's products are effectively promoted in the market and that marketing efforts align with overall business goals.
- Functional managers like Swati play a critical role in the organization by bridging the gap between corporate strategy and daily operations.
- They are responsible for translating high-level strategic goals into actionable plans for their departments and ensuring that these plans are executed effectively.
- Additionally, they are often key decision-makers within their areas of responsibility, making strategic choices that impact on the company's success.

Overall, Swati's role as a marketing manager exemplifies the importance of functional managers in driving the success of their organizations.

Scenario Based Question 2:

ABC retail chain regularly monitors consumer trends and supply chain flexibility. The retail chain tracks consumer trends to adjust its offerings, ensuring they meet customer needs. Simultaneously, it maintains a flexible supply chain to respond swiftly to demand fluctuations. This strategy enables ABC retail chain to anticipate market shifts and adapt to them effectively, ensuring its competitiveness and customer satisfaction. Which type of strategy is the retail chain employing?

Answer:

- The retail chain employs a strategy that combines both proactive and reactive elements. Monitoring consumer trends and adjusting product offerings accordingly demonstrates a proactive approach to anticipate and meet customer needs.

- On the other hand, maintaining a flexible supply chain to respond quickly to changes in demand reflects a reactive strategy to address unforeseen shifts in the market.
- This combination allows the retail chain to both anticipate future trends and react effectively to immediate market changes, making its strategy partly proactive and partly reactive.
- This dual strategy of proactive trend monitoring and reactive supply chain flexibility enables the retail chain to anticipate market shifts and adapt to them effectively, ensuring its competitiveness and customer satisfaction.

Scenario Based Question 3: **MTP May24**

Imagine you are a strategic consultant advising a retail company that is facing increasing competition from online retailers. The company is considering several strategic options to improve its market position. Using the concept that strategy is partly proactive and partly reactive, explain how the company can develop a strategic approach to address this challenge.

Answer:

The retail company can develop a strategic approach that is both proactive and reactive to address the challenge of increasing competition from online retailers. To achieve this, the company can:

- **Proactive Strategy:** The company can proactively analyze market trends and customer preferences to identify opportunities for growth. For example, it can invest in market research to understand what customers value in a retail experience and tailor its offerings to meet those needs. This proactive approach can help the company stay ahead of competitors and attract new customers.
- **Reactive Strategy:** In addition to proactive measures, the company should also be prepared to react to changes in the market environment. For example, if a competitor launches a new online shopping platform, the company should quickly assess the impact on its business and develop a response. This reactive strategy can help the company adapt to changing market conditions and maintain its competitiveness.

  By combining proactive and reactive strategies, the retail company can develop a comprehensive approach to addressing the challenge of increasing competition from online retailers. This approach will allow the company to capitalize on opportunities for growth while also mitigating risks and responding to threats in the market.

Scenario Based Question 4: **RTP Sep '24**

Tech Innovators Inc., a rapidly expanding technology company, aims to lead in artificial intelligence (AI) and machine learning (ML). With recent growth, the company is evaluating which organizational structure will best support its vision for innovation and leadership in AI technologies.

They are considering three options: the Functional and Divisional Relationship for specialization, the Horizontal Relationship for flat, collaborative management, and the Matrix Relationship for cross-functional teams.

Which of these relationships— Functional and Divisional, Horizontal, or Matrix—will most effectively achieve Tech Innovators Inc.'s strategic goals, and why?

Answer:

The Matrix Relationship is the most effective structure for Tech Innovators Inc. to achieve its vision of leadership in AI technologies. This structure promotes cross-functional collaboration, essential for managing complex AI projects and fostering innovation. By integrating expertise from various departments into temporary, task-based teams, the Matrix Relationship supports dynamic project management and aligns well with the company's strategic goals for advancing AI technologies. Despite its complexity, this approach provides the flexibility and collaboration necessary for a leading-edge AI and ML focus.

Relationship	Benefits	Drawbacks	Suitability for AI Leadership
Functional and Divisional	Specialization, clear management of functions and products.	Potential for departmental isolation, limited collaboration.	**Less effective for cross-functional AI projects.**
Horizontal	Open communication, encourages innovation and fast idea sharing.	Hard to scale, unclear roles and responsibilities.	**Suitable for startups, less for large AI initiatives.**
Matrix	**Facilitates cross-functional collaboration, flexible resource management for complex projects.**	**Complex reporting structures, potential conflicts.**	**Ideal for managing diverse, innovative AI projects.**

Scenario Based Question 5: MTP Sep'24

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

Answer:

Feelgood brand of cosmetics may have the following vision and mission:

Vision: Vision implies the blueprint of the company's future position. It describes where the organization wants to land. Mr. Raj should aim to position "Feelgood cosmetics" as India's beauty care company. It may have vision to be India' largest beauty care company that improves looks, give extraordinary feeling and bring happiness to people.

Mission: Mission delineates the firm's business, its goals and ways to reach the goals. It explains the reason for the existence of the firm in the society. It is designed to help potential shareholders and investors understand the purpose of the company:

Mr. Raj may identify mission in the following lines:

- To be in the business of cosmetics to enhance the lives of people, give them confidence to lead.
- To protect skin from harmful elements in environment and sun rays.
- To produce herbal cosmetics using natural ingredients.

Scenario Based Question 6:

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

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

Answer:

Yummy foods is proactive in its approach. On the other hand, Tasty Food is reactive. A proactive strategy is a planned strategy whereas reactive strategy is an adaptive reaction to changing circumstances. A company's strategy is typically a blend of proactive actions on the part of managers to improve the company's market position and financial performance and reactions to unanticipated developments and fresh market conditions.

If organisational resources permit, it is better to be proactive rather than reactive. Being proactive in aspects such as introducing new products will give you an advantage in the mind of customers.
At the same time, crafting a strategy involves stitching together a proactive/intended strategy and then adapting first one piece and then another as circumstances surrounding the company's situation change or better options emerge-a reactive/adaptive strategy. This aspect can be accomplished by Yummy Foods.

Scenario Based Question 7: MTP-Sep'24,Jan'25 RTP-May' 24

Ramesh Sharma has fifteen stores selling consumer durables in Delhi Region. Four of these stores have been opened in last three years. He believes in managing strategically and enjoyed significant sales of refrigerators, televisions, washing machines, air conditioners and like till four years back. With shift to the purchases to online stores, the sales of his stores came down to about seventy per cent in the last four years. Analyze the position of Ramesh Sharma in light of limitations of strategic management.

Answer:

Ramesh Sharma is facing declining sales on account of large-scale shift of customers to online stores. While he is using the tools of strategic management, they cannot counter all hindrances and always achieve success.
There are limitations attached to strategic management as follows:-

- ✓ Refer Topic-6 - **Limitations of Strategic Management** on **Page-4**

Scenario Based Question 8:

Dharam Singh, the procurement department head of Cyclix, a mountain biking equipment company, was recently promoted to look after sales department along with procurement department. His seniors at the corporate level have always liked his way of leadership and are assured that he would ensure the implementation of policies and strategies to the best of his capacity but have never involved him in decision making for the company. Do you think this is the right approach? Validate your answer with logical reasoning around management levels and decision making.

Answer:

- Functional managers provide most of the information that makes it possible for business and corporate level managers to formulate realistic and attainable strategies.
- This is so because functional managers like Dharam Singh are closer to the customers/suppliers/ operations than the typical general manager is. A functional manager may generate important ideas that subsequently may become major strategies for the company. Thus, it is important for general managers to listen closely to the ideas of their functional managers and invoice them in decision making.
- An equally great responsibility for managers at the operational level is strategy implementation: the execution of corporate and business level plans, and if they are involved in formulation, the clarity of thoughts while implementation can benefit too.
- Thus, the approach of Cylcix Corporate management is not right. They should involve Dharam Singh, as well as other functional managers too in strategic management.

Scenario Based Question 9: MTP-Sep'24 RTP-Jan '25

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

Answer:

The role of Chief Executive Officer pertains to corporate level.

The corporate level of management consists of the Chief Executive Officer (CEO) and other top-level executives. These individuals occupy the apex of decision making within the organization.

The role of Chief Executive Officer (Top Management/Corporate Level Managers) is to:

1. oversee the development of strategies for the whole organization;
2. defining the mission and goals of the organization;
3. determining what businesses it should be in;
4. allocating resources among the different businesses;
5. formulating, and implementing strategies that span individual businesses;
6. providing leadership for the organization;
7. ensuring that the corporate and business level strategies which company pursues are consistent with maximizing shareholders wealth; and
8. managing the divestment and acquisition process.

Descriptive Questions

Question 1: **RTP Sep '24, May'24-Exam**

What is Strategic Management? What benefits accrue by following a strategic approach to managing?

Answer:

The term 'strategic management' refers to the managerial process of developing a strategic vision, setting objectives, crafting a strategy, implementing and evaluating the strategy, and initiating corrective adjustments were deemed appropriate.

The overall objective of strategic management is two-fold:

- To create competitive advantage, so that the company can outperform the competitors in order to have dominance over the market.
- To guide the company successfully through all changes in the environment.

The following are the benefits of a strategic approach to managing:

- ✓ Refer Topic-5 - **Benefits of Strategic Management** on **Page-4**

Question 2:

Explain the difference between three levels of strategy formulation.

Answer:

A typical large organization is a multidivisional organization that competes in several different businesses. It has separate self-contained divisions to manage each of these. There are three levels of strategy in management of business - corporate, business, and functional.

- The corporate level of management consists of the chief executive officer and other top-level executives. These individuals occupy the apex of decision making within the organization. The role of corporate-level managers is to oversee the development of strategies for the whole organization. This role includes defining the mission and goals of the organization, determining what businesses it should be in, allocating resources.
- The development of strategies for individual business areas is the responsibility of the general managers in these different businesses or business level managers. The strategic role of business-level manager, head of the division, is to translate the general statements of direction and intent that come from the corporate level into concrete strategies for individual businesses.
- Functional-level managers are responsible for the specific business functions or operations such as human resources, purchasing, product development, customer service, and so on. Thus, a functional manager's sphere of responsibility is generally confined to one organizational activity, whereas

general managers oversee the operation of a whole company or division.

LEVEL UP TO EXAMS

Question 1 **RTP May' 24**

ABC Pharmaceuticals, a leading pharmaceutical company, is in the process of formulating its strategic intent. The top management of ABC Pharmaceuticals wants to define the company's future direction, objectives, and goals. Their aim is to create a vision that sets the organization apart and provides a roadmap for future growth. ABC Pharmaceuticals aspires to enrich the lives of people by producing high- quality pharmaceutical products at competitive prices and wants to become the world's leading pharmaceutical company by 2030." Based on this context, draft a vision and mission statement that could be formulated by the top management of ABC Pharmaceuticals.

Answer:

ABC Pharmaceuticals may have following vision and mission:

Vision: Vision implies the blueprint of the company's future position. It describes where the organization wants to land. ABC Pharmaceuticals may have vision "To be the globally recognized leader in pharmaceutical innovation and enriching the lives of people worldwide by providing high-quality, affordable, and accessible pharmaceutical products."

Mission: Mission delineates the firm's business, its goals and ways to reach the goals. It explains the reason for the existence of the firm in society. It is designed to help potential shareholders and investors understand the purpose of the company.

ABC Pharmaceuticals may identify mission in the following lines:

- To improve the well-being of individuals and communities by relentlessly pursuing excellence in pharmaceutical research, development, and manufacturing.
- Committed to producing safe, effective, and sustainable medicines that address unmet medical needs and enhance the quality of life for patients.
- Through innovation, collaboration, and ethical practices, we aim to make a positive impact on global healthcare and become the trusted partner of healthcare providers and patients alike.

Question 2 **RTP Jan '25**

A company's mission statement is typically focused on its present business scope.' Explain the significance of a mission statement.

Answer:

A company's mission statement is typically focused on its present business scope, **who we are and what we do**. Mission statements broadly describe an organization's present capability, customer focus, activities, and business make up. Mission for an organization is significant for the following reasons:

✓ Refer Topic-Mission - **Why should an organisation have a mission** on **Page-6**

Question 3 **MTP May '24**

"Each organization must build its competitive advantage keeping in mind the business warfare. This can be done by following the process of strategic management." Considering this statement, explain major benefits of strategic management.(5 Marks)

✓ Refer Topic-5 - **Benefits of Strategic Management** on **Page-4**

Question 4 **MTP Sep '24**

What is a strategic vision, and what are the essential components that make it an effective tool for guiding an organization's future? (5 Marks)

Answer:

A strategic vision serves as a roadmap for a company's future, detailing the specifics of technology, customer focus, geographic and product markets, and the capabilities the organization aims to develop.

A strategic vision outlines the organization's aspirations, offering a broad, panoramic view of where it aims to be. It provides a clear direction, charts a strategic path for future endeavors, and helps in shaping the organizational identity.

Essentials of a strategic vision

- ✓ Refer Topic-Vision - **Essentials of a strategic vision** on **Page-5**

Question 5 : **MTP Jan'25**

Distinguish between Vision and Mission. (5 Marks)

- The vision describes a future identity while the Mission serves as an on- going and time-independent guide.The vision statement can galvanize the people to achieve defined objectives, even if they are stretch objectives, provided the vision is specific, measurable, achievable, and relevant and time bound. A mission statement provides a path to realize the vision in line with its values. These statements have a direct bearing on the bottom line and success of the organization.
- A mission statement defines the purpose or broader goal for being in existence or in the business and can remain the same for decades if crafted well while a vision statement is more specific in terms of both the future state and the time frame. Vision describes what will be achieved if the organization is successful.

Question 6 : **Exam Sep'24**

Explain in brief the term 'objectives' as part of strategic intent. Also outline the characteristics, the objectives of a company must possess to be meaningful and to serve the intended role.

Answer: Objectives are an organization's performance targets – the results and outcomes it wants to achieve. They function as yardstick for tracking an organization's performance and progress. Objectives with strategic focus relate to outcomes that strengthen an organization's overall business position and competitive vitality.

Objectives, to be meaningful to serve the intended role, must possess the following characteristics:

- ✓ Refer Topic-Objectives- **characteristics of Objectives** on **Page-8**

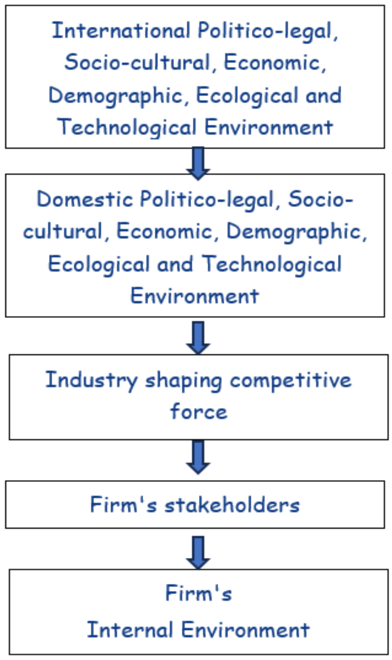
Question 7 :

Outline the main levels of management generally found in an organization. Also, explain the types of networks of relationships between these levels and amongst the same levels of a business.

- ✓ Refer Topic- **Network of relationship between the three levels**- on **Page-12**

2. STRATEGIC ANALYSIS: EXTERNAL ENVIRONMENT

1. INTRODUCTION

Diversity of Organisations	Organisations vary based on size, type of products, markets, geographical coverage, and legal status. These differences contribute to vast organisational diversity.	
Organisational Environment	Organisations do not operate in isolation; they interact and respond to external factors, collectively known as the business environment.	
Definition of Environment	The business environment consists of external factors that influence managers' decisions and strategies. It can be compared to layers of atmosphere with varying influences.	

Strategic Formulation Process	Begins with strategic analysis, which collects information about internal and external environments to: • Assess possibilities. • Formulate strategic objectives. • Contemplate strategic activities

2. STRATEGIC ANALYSIS

Strategy Formulation	• Strategy formulation requires more than intuition, opinions, or instincts. • It must be based on an analysis of the external environment and internal resources.
Environmental Scanning	• A continuous activity done formally or informally to gather meaningful information. • Informal techniques (e.g., watching news) are helpful but can miss opportunities or overlook hazards. • A systematic approach is essential for managing risk and uncertainty.
Strategic Analysis	A methodical process used in business planning to: • Make resource investments. • Evaluate business plans. • - Stay ahead of competition.

Situational Considerations	Two key considerations for strategy formulation: 1) Industry and competitive conditions. 2) Internal strengths, weaknesses, resources, and market position.
Analytical Sequence	• Starts with a strategic appraisal of external and internal conditions. • Evaluates strategy alternatives. • Finalizes the choice of strategy.
Importance of Accurate Diagnosis	• Helps managers set a long-term direction, define objectives, and create a winning strategy. • Without understanding external and internal factors, strategy may fail to build competitive advantage or improve performance.
Limitations of Strategic Analysis	1) Provides innovative options but doesn't indicate which one to choose (options may be overlapping, confusing, or difficult to implement). 2) Can be time-consuming, potentially straining other innovations or organizational functioning.

Issues to consider for Strategic Analysis

Strategy Evolution Over Time	• Strategy is shaped by numerous small decisions made over a long period. • It evolves as outcomes become clearer and must be updated with new insights. • A radical strategy change occurs when management aims to accelerate growth.
Balance of External and Internal Factors	• Strategic decisions must balance opportunities, influences, and constraints. • Example: Entering a new market may be driven by opportunity but constrained by the presence of a large competitor. • Some factors are controllable, while others are beyond an organisation's capabilities.
Importance of Strategic Balance	• Perfect alignment between all factors is unlikely, so a reasonable balance must be achieved. • Balancing conflicting challenges is key to effective strategic analysis.
Risk in Strategic Analysis	• Competitive markets, globalization, technological changes, and economic fluctuations pose risks. • Strategic analysis identifies potential imbalances and assesses their consequences.

External Risk	Occurs due to inconsistencies between the organisation's strategies and external environmental forces.	

Internal Risk	Arises from forces within the organisation or those that interact directly with the organisation on a routine basis.
Purpose of Analysis	Helps identify opportunities, threats, strengths, and weaknesses. - Covers both external analysis and internal analysis.

Time

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

Figure: Strategic Risk

Framework of Strategic Analysis	
External Analysis	Internal Analysis
Customer Analysis: Segments, motivations, unmet needs. Competitor Analysis: Strategic groups, performance, objectives, strategies, culture, cost structure.	Performance Analysis: Profitability, sales, customer satisfaction, product qualify, relative cost, new products, human resources.
Market Analysis: Size, growth, profitability, entry barriers. Environmental Analysis: Technological, government, economic, cultural, demographic.	Determinants Analysis: Past and current strategies, strategic problems, organizational Capabilities and constraints, financial resources, strengths, and weaknesses.
Opportunities, threats, trends, and Strategic uncertainties	Strategic strengths, weaknesses, problems, constraints, and uncertainties

Strategy Identification & Selection

- Identify strategic alternatives
- Select strategy
- Implement the operating plan
- Review strategies

Industry Characteristics	Industries vary based on factors such as: • Market size and growth rate. • Technological change pace. • Geographic market boundaries (local to worldwide). • Buyer and seller numbers and sizes. • Product differentiation (identical vs. differentiated). • Economies of scale and cost effects. • Types of distribution channels.

	• Factors like buyer income, government support, and marketing opportunities.
Competitive Forces	Competition intensity varies by industry: • May focus on price, quality and reliability (e.g., PC monitors), features and performance (e.g., mobile phones), service and convenience (e.g., online shopping), or brand reputation (e.g., detergents). • Some industries require cooperation among suppliers, customers, or competitors to drive innovation and create new opportunities.
Impact on Profit Prospects	• Industry traits and competitive conditions influence profit prospects: • Poor, average, or excellent depending on the industry. • Unattractive industries may limit profits, even for leaders. • Attractive industries can enable good performance, even for weaker companies.

3. STRATEGY AND BUSINESS ENVIRONMENT

Strategic Management Role	• Provides a framework for adapting to an unpredictable environment and planning for an uncertain future. • Aligns organizational abilities with opportunities and challenges in the external environment.
Business Environment	• Refers to all external factors that affect business decisions, plans, and operations. • Interaction with the environment determines opportunities, threats, and organizational success.
Benefits of Environmental Interaction	• Determine Opportunities and Threats: Identifies consumer needs, laws, and competitor actions. • Direction for Growth: Helps identify areas for growth and expansion. • Continuous Learning: Encourages managers to update knowledge and skills. • Image Building: Businesses can respond to environmental needs, creating a positive image. • Meeting Competition: Analyzes competitor strategies and enables businesses to adapt effectively.
Strategic Decisions and Adaptation	• Strategies align resources with challenges and opportunities in the external environment. • Businesses must create unique strategies to remain competitive and adapt to changing conditions.
Need for Strategic Analysis	Strategic analysis evaluates the internal and external environment to ensure competitive advantage and high performance for survival and growth.
Importance of Adaptation	Businesses must continuously assess, respond, and adapt to opportunities and threats for growth and success.

Role of Strategic Decision-Making	• Strategic decisions are critical for business success and survival. • Top management plays a key role in formulating and improving strategies. • Constant efforts are needed to improve strategic decision-making due to the dynamic and unpredictable environment.

3.1 Micro and Macro Environment

Internal and External Environment	The internal environment includes strengths and weaknesses, while the external environment consists of opportunities and threats that impact the organisation.
Role of Business Strategists	Strategists must stay informed about developments in their company, industry, and the micro and macro environment. They should comprehend facts and challenge assumptions when making decisions.
Types of External Environment	• Micro Environment: Immediate factors influencing the organisation regularly and directly. • Macro Environment: Larger external forces that significantly impact the organisation but are beyond its direct control.
Micro Environment Factors	Micro environment includes: • Employees: Their characteristics and organisation. • Customers: The existing customer base. • Finance: Methods for raising finance. • Suppliers: Links between the firm and suppliers. • Local Community: The community within which the firm operates. • Competitors: Direct competition and comparative performance.
Macro Environment	The macro environment consists of external factors beyond the firm's control that significantly influence its operations.

3.2 Elements of Macro Environment

Macro Environment	• Consists of broader dimensions like economic, socio-cultural, technological, political, and legal factors. • Helps organisations manage complexity and align with the strategic management process.
Definition of Environment	• Includes factors outside the firm that create opportunities or threats. Key factors: socio-economic, technological, supplier, competitors, and government (Gluek and Jauch).
External Environment	• Comprises all individuals, teams, organisations, agencies, and factors an organisation interacts with during business activities.
Interaction and Adaptation	• Involves conducting transactions and implementing plans and policies to address environmental changes. • Helps the organisation navigate into the future.

Demographic Environment	
Demographic Environment	Refers to the characteristics of a population (e.g., age, gender, income) classified to understand specific groups.
Demographic Analysis	Considers factors like race, education, asset possession, house ownership, job position, region, and degree of education.
Importance of Data	Demographic data is vital for businesses and economists to analyze market potential and trends.
Relevance to India	India's younger population and large population size attract multinational companies seeking market opportunities.
Key Questions for Businesses	What demographic trends will affect the industry's market size? - What trends represent opportunities or threats?
Strategic Implications	Businesses must analyze size, age distribution, geographic dispersion, ethnic mix, and income distribution for competitive strategy and market positioning.
Challenge for Strategists	Identifying the implications of changing demographics for future strategic competitiveness is often complex and critical.

Socio-Cultural Environment	
Socio-Cultural Environment	• A general factor influencing most enterprises similarly. • Includes social traditions, values and beliefs, literacy levels, ethical standards, social stratification, and cohesiveness.
Difference from Demographics	Focuses on the behaviour and belief system of a population rather than its physical characteristics (e.g., age, gender).
Key Factors	Related to human relationships and the impact of social attitudes and cultural values on organizational operations.
Core Beliefs	Core societal beliefs are persistent and difficult to change. - Businesses must adjust to social norms and beliefs for successful operations.
Impact on Strategy	Affects mission, objectives, and decisions related to products and markets in the strategic management process.
Business Implications	Organizations must align their strategies with societal beliefs, values, and norms to ensure relevance and long-term success.

Economic Environment	
Economic Environment	Refers to the overall economic situation affecting businesses at regional, national, and global levels.
Impact on Business Strategies	Economic conditions influence business strategies directly, affecting supply, cost, quality, and availability of resources and outputs.
Market Strength and Size	Determined by purchasing power, which depends on income, prices, savings, money circulation, and credit availability.

Economic Environment	
Key Economic Factors	Factors like GDP, per capita income, capital market strength, interest rates, inflation, disposable income, and foreign trade growth affect business operations.
Effect of Interest Rates	High interest rates hurt businesses with high debt and reduce demand in sectors like real estate by limiting buyers' ability to obtain loans.
Income Distribution	Income distribution patterns shape business opportunities and possibilities.
State of Economy	Economic conditions indicate whether the economy is performing well or poorly, impacting overall business prospects.

Political-Legal Environment	
Political-Legal Environment	Includes elements like political development, political stability, law and order, governmental intervention, and political ideology of the ruling party.
Impact of Government Policies	Businesses are significantly influenced by government policies, including taxes, duties, and changes in the regulatory framework.
Legal System Requirements	Businesses prefer countries with a sound legal system. - Must have knowledge of consumer protection laws, competition laws, and laws related to labour, intellectual property, and foreign exchange.
Nationalism and Policies	Policies like Make in India and Aatmanirbhar Bharat support domestic production and reduce reliance on imports. - Production Linked Incentives (PLI) reward businesses for increased domestic manufacturing and encourage foreign investments.

Technological Environment	
Technological Environment	Technology is a crucial factor in today's world, transforming how people communicate and how businesses operate. Businesses and technology are interdependent.
Impact on Businesses	Technology enables businesses to: • Reduce paperwork. • Schedule payments efficiently. • Coordinate inventories effectively. • Shrink time and distance, reducing costs and gaining competitive advantage.
Adaptation and Innovation	Businesses leverage new discoveries to adapt and contribute to societal advancements. Technological advancements may require changes in operations, production, and marketing strategies.

Technological Environment	
Opportunities and Threats	Technology creates new business opportunities but also makes existing products and services obsolete. - Tools like AI, machine learning, and robotic process automation can be both opportunities and threats.

3.3 PESTLE– A tool to Analyse Macro Environment

PESTLE Framework	• PESTLE is a framework used to analyze macro-environmental factors affecting a firm. • It includes Political, Economic, Socio-cultural, Technological, Legal, and Environmental factors.
Evolution of PESTLE	Initially known as PEST (Political, Economic, Social, Technological). - Later expanded to include Legal and Environmental factors.
Purpose of PESTLE Analysis	Identifies external influences likely to impact an organization or its policies. - Provides a method for scanning environmental factors affecting the organization.
PESTLE Components	P - Political E - Economic S – Socio-cultural T – Technological L – Legal E – Environmental
Advantages	• Simple to understand and implement. • Encourages proactive and structured thinking in decision-making.
The Key Factors	
Political Factors	• Refers to how and to what extent government intervention impacts the economy and business activities. • Includes government influence on health, education, and infrastructure.
Economic Factors	Impacts business operations and decision-making. Examples: Interest rates (affecting cost of capital), exchange rates, inflation, money supply, credit flow, per capita income, and growth rates.
Social Factors	Influences the demand for a company's products and how the company operates.
Technological Factors	• Affects barriers to entry, minimum production levels, and outsourcing decisions. • Technological shifts influence costs, quality, and drive innovation.
Legal Factors	• Influences how a business operates, its costs, and demand for products. • Affects the ease of business.
Environmental Factors	• Impacts industries like tourism, farming, and insurance. • Climate change awareness is creating new markets and reducing/destroying existing ones.

On the basis of these, it should be possible to identify a number of key environmental influences, which are in effect, the drivers of change. These are the factors that require to be considered in making meaningful decisions. Take a look at the table given below:

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

3.4 Internationalization of Business

Internationalization	A dominant commercial trend over recent decades. Enables businesses to enter new markets, achieve greater earnings, and access cheaper resources.
Benefits of Internationalization	• Helps businesses achieve economies of scale. • Extends the lifespan of products.
Strategic-Management Process	Similar for global and domestic firms, but international processes are more complex due to additional variables and linkages.
Role of International Strategy Planning	Provides a systematic approach to identifying opportunities and threats in global markets.
Environmental Scanning	A critical tool for identifying global opportunities and threats in the external environment.

Development of Strategies	Internationalization enables effective strategy development and formulation of global strategic objectives.
Characteristics of a global business	
Conglomerate of Multiple Units	A global business consists of multiple units located in different parts of the world, all linked by common ownership.
Common Pool of Resources	These units share a common pool of resources like money, credit, information, patents, trade names, and control systems.
Common Strategy	All units respond to a common strategy. Managers and shareholders are based in different nations.

Developing internationally

International development is expensive and challenging. Moving on in a thorough and structured manner is thus the ideal approach to adopt. The steps in international strategic planning are as follows:

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

Why do businesses go global?

Need to Grow	Growth is a fundamental need for all organisations. Global markets offer opportunities for expansion.
Shrinking Time and Distance	Advances in communication, transportation, financial flows, and technology make globalisation easier and faster.
Inadequate Domestic Markets	Domestic markets may no longer suffice. Competition domestically may not exist in certain international markets.
Access to Resources	Need for reliable or cheaper raw materials, cheap labour, or access to a vast talent pool drives businesses to expand globally.
Reduce Transportation Costs	Setting up overseas plants reduces transportation time and costs, especially when producing near target markets.
Growing Foreign Markets	As foreign markets open up or grow, businesses establish overseas plants or sales branches to achieve higher sales and cash flow.
Rise of Services and Economic Integration	Services now constitute the largest sector globally. Economic integration reduces trade barriers and promotes privatisation of manufacturing and services.
Lower Trade Barriers	Decline in trade tariffs and custom barriers leads to increased business flow and global opportunities.
Strategic Alliances	Companies form strategic alliances globally to counter economic and technological threats, while leveraging comparative and competitive advantages.

3.5 International Environment

Factors Impacting International Organizations	• Social, cultural, demographic, environmental, political, governmental, legal, and technological factors are numerous and complex. • Complexity increases with products produced and geographic areas served.
Importance of Environmental Assessment	• The first step toward internationalisation. - Helps organizations discover opportunities in the global market. • Evaluates feasibilities of leveraging these opportunities.

Assessments of the international environment can be done at Three levels: multinational, regional, and country.

Multinational Environmental Analysis	• Involves identifying, anticipating, and monitoring significant global environment components. • Focuses on economic and other macro elements. • Considers governments' free or interventionist tendencies. • Evaluates their current and future impact.
Regional Environmental Analysis	• In-depth evaluation of critical factors in a specific region. • Focuses on identifying market opportunities for goods, services, or innovations in the chosen location.
Country Environmental Analysis	• Detailed study of economic, legal, political, and cultural factors. • Requires customized analysis for each country to develop effective market entry strategies.
Importance in Strategic Management	• Integral for businesses with global interests. • Involves addressing political risks, cultural differences, exchange rate fluctuations, legal compliance, and taxation issues.

4. UNDERSTANDING PRODUCT INDUSTRY

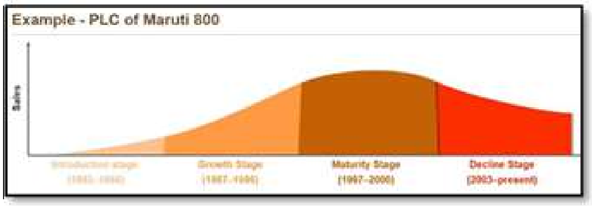
Businesses sell products. A product can be either a good or a service. It might be physical good or a service, an experience. Business products have certain characteristics as follows:

Tangible or Intangible	• Tangible products are physical and can be handled, seen, and felt (e.g., car, book, mobile). • Intangible products are non-physical, like telecom services, banking, and insurance.
Price	• Products have a price determined by cost, quality, demand, and market dynamics. • Market price balances supply and demand and is often influenced by competition.
Features and Satisfaction	• Features satisfy consumer needs and determine pricing. • Businesses optimize features to enhance user experience and provide value satisfaction.

Central to Business	• Products are the core of business operations. • Drive production, quality, sales, marketing, logistics, and other processes.
Useful Life and Life Cycle	• Products have a usable life after which they must be replaced. • Products follow a life cycle, requiring reinvention or they may cease to exist (e.g., landline phones replaced by mobile phones).

4.1 Product Life Cycle

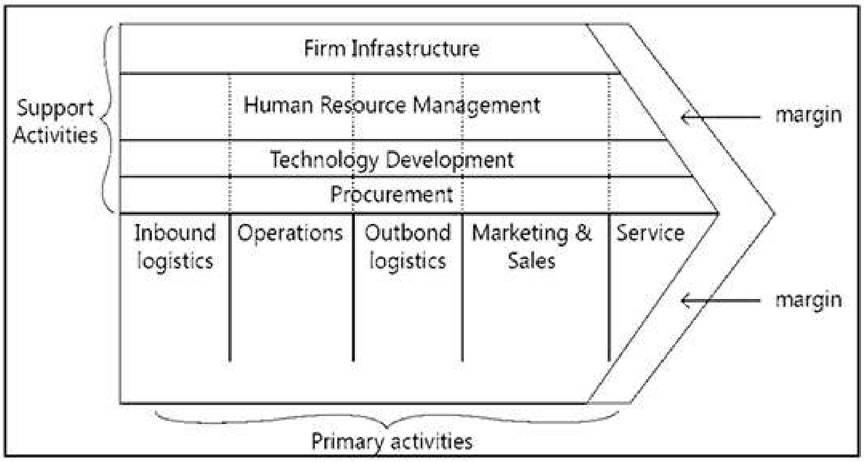
Introduction Stage	• Slow sales growth due to lack of customer awareness. • High prices, limited markets, and negligible competition.
Growth Stage	• Rapid market acceptance with increasing demand and falling prices. • Competition increases as market expands.
Maturity Stage	• Slowdown in growth rate and market stabilization. • Tough competition leads to declining profits. Organizations work to maintain stability.
Decline Stage	• Sharp decline in sales and profits as new products replace existing ones. Strategies like diversification or retrenchment can help stay competitive.

PLC and Strategic Choice	PLC helps businesses diagnose portfolios and identify stages of their products or businesses.	

Strategies for Stages	• Introduction/Growth: Consider expansion. • Maturity: Use as cash sources to fund other ventures. • Decline: Employ selective harvesting or retrenchment.
Main Advantage of PLC	Enables building a balanced portfolio by making appropriate strategic choices based on each product's life cycle stage.

4.2 Value Chain Analysis

Value Chain Analysis	• A method used by strategists to evaluate how much value an organization generates. • Breaks down processes to identify areas for efficiency improvement and competitive advantage.
Purpose	• Helps identify how each step in the value chain adds or subtracts value. • Links activities to assess the competitive strength of the organization.
Origin	• Introduced by Michael Porter, linking value-added activities to competitive advantage.
Key Concept	• Organizations are more than resources like machines, money, and people. • Competitive advantage comes from organizing these into systems and routines that deliver value.



Primary Activities	
Inbound Logistics	Activities related to receiving, storing, and distributing inputs (e.g., transportation, stock control, warehousing).
Operations	Transform inputs into final products/services (e.g., machining, packaging, assembly, testing).
Outbound Logistics	Collect, store, and distribute products to customers (e.g., transport, warehousing, or arranging customer access in the case of services).
Marketing and Sales	Create awareness and enable purchase of the product (e.g., advertising, selling, sales administration).
Service	Activities that enhance or maintain product value (e.g., installation, repair, training, spares).
Support Activities	
Procurement	Processes for acquiring resources used in primary activities (not the resources themselves).
Technology Development	Focuses on product technologies (e.g., R&D, product design) and process technologies (e.g., process improvements, raw material advancements).
Human Resource Management	Covers recruiting, training, developing, and rewarding employees across the organization.
Infrastructure	Includes planning, finance, quality control, information management, and routines that sustain organizational culture.

5. INDUSTRY ENVIRONMENT ANALYSIS

Purpose of Industry Analysis	To gain strategic understanding of the industry's state and determine if the industry is lucrative or not.
Key Insights from Analysis	Identifies industry traits, competition intensity, drivers of change, rivals' market positions and tactics, success factors, and profit forecasts.
Goal of Industry Environment Analysis	Estimate competitive pressures the business currently faces and is expected to face in the future.

Broader Context	Places the firm within a larger framework, helping understand internal and external elements.
Strategic Alignment	Serves as the foundation for aligning strategy with changing industry circumstances and realities.

5.1 Porter's Five Forces Model

Purpose of Porter's Five Forces Model	• Analyzes the competitive environment in an industry. • Identifies key sources of competition and their impact. • Helps businesses adapt strategy and boost profitability.
Importance	• Enables firms to utilize a strong position to their advantage. • Allows reinforcement of weak positions to avoid future mistakes.
Basic Unit of Analysis	• Focuses on industry-level competition where competitive advantage is won or lost. • Competitive strategy helps firms compete effectively within the industry.

Porter's Five Competitive Forces	
1) Rivalry Among Existing Competitors	Competition among industry rivals for buyer patronage.
2) Threat of New Entrants	New competitors entering the market create competitive pressures.
3) Threat of Substitutes	Competition from substitute products offered by firms in other industries.
4) Supplier Bargaining Power	Competitive pressures arising from suppliers' bargaining power and supplier-seller collaboration.
5) Buyer Bargaining Power	Competitive pressures arising from buyers' bargaining power and buyer-seller collaboration.

The strategists can use the five-forces model to determine what competition is like in a given industry by undertaking the following steps:

- Step 1: Identify the specific competitive pressures associated with each of the five forces.
- Step 2: Evaluate how strong the pressures comprising each of the five forces are (fierce, strong, moderate to normal, or weak).
- Step 3: Determine whether the collective strength of the five competitive forces is conducive to earning attractive profits.

Porter's Five Forces Model	An enduring conceptual framework used to assess the competitive environment and industry structure. Helps managers evaluate strengths, weaknesses, and opportunities.

Threat of New Entrants	
New entrants increase competition, add production capacity, and reduce profitability by increasing supply and potentially lowering prices. New entrants also challenge market share and force existing firms to adapt.	
Barriers to Entry	
Capital Requirements	Industries requiring large capital investment create entry barriers, discouraging firms lacking funds.
Economies of Scale	Cost advantages enjoyed by large firms due to higher production volumes, reducing per-unit costs and discouraging smaller new entrants.
Product Differentiation	Unique product features or enhancements (physical or perceptual) create a competitive edge, making it costly for new entrants to replicate.
Switching Costs	Costs (financial, psychological, or operational) incurred by customers when switching to a new provider. High switching costs deter customers from trying new entrants.
Brand Identity	Strong brand loyalty for existing firms' products makes it difficult for new entrants to establish their brand identity without significant time and resources.
Access to Distribution Channels	Existing firms' control over distribution channels can prevent or delay new entrants from accessing the market effectively.
Possibility of Aggressive Retaliation	Threats of retaliatory actions (e.g., price cuts, increased advertising) by incumbents discourage new entrants.

Bargaining Power of Buyers	
• Buyers can influence prices, costs, and investments in the industry by exerting pressure on producers. • Particularly common in industrial products where buyers may form groups or cartels.	
Factors Increasing Buyer Power	
1) Full Knowledge	Buyers have complete information about product sources and substitutes.
2) Big Buyers	Buyers who spend significantly on the industry's products wield more bargaining power.
3) Product Non-Criticality	If the product is not essential to the buyer's needs, it reduces producers' leverage.
4) Concentrated Buyers	✓ Fewer buyers compared to suppliers give buyers more power.
5) Easy Switching	✓ Buyers can easily switch to substitutes if available, increasing their leverage.
Bargaining Power of Suppliers	
Supplier Influence	Suppliers with specialized offerings and limited competition have greater bargaining power.

Bargaining Power of Suppliers	
Impact on Industry	Costs of raw materials and inputs are affected by suppliers' power, influencing profitability and attractiveness of the industry.
Factors Increasing Supplier Power	
1) Crucial Products	If suppliers' products are critical to buyers and no substitutes are available, their power increases.
2) High Switching Costs	Suppliers can impose high switching costs, discouraging buyers from changing suppliers.
3) Supplier Concentration	Fewer suppliers relative to buyers gives suppliers more bargaining power.

The Nature of Rivalry in the Industry	
Nature of Rivalry	Rivalry among competitors significantly impacts strategic decisions such as pricing, advertising, costs, and product features.
Impact on Industry	The intensity of rivalry determines industry attractiveness and profitability. - High rivalry increases costs and decreases profitability.
Factors Influencing Rivalry	
1) Industry Leader	A strong leader can discourage price wars by leveraging financial resources. Smaller rivals often avoid initiating price contests.
2) Number of Competitors	The greater the number of rivals, the harder it is for the industry leader to maintain pricing discipline.
3) Fixed Costs	High fixed costs motivate firms to utilize capacity by cutting prices during low demand, reducing profitability for all competitors.
4) Exit Barriers	High exit barriers (e.g., specialized assets with no buyers) discourage firms from leaving the industry, leading to sustained low profitability.
5) Product Differentiation	Differentiation reduces price wars and increases profitability. Low differentiation (e.g., commodities like metals or railroads) results in lower profitability.
6) Slow Growth	Slowing industry growth intensifies rivalry as firms fight harder to maintain or grow their market share, reducing profitability.

Threat of Substitutes	
Threat of Substitutes	Substitute products pose a latent source of competition in an industry. - Substitutes offering price advantage or performance improvements can drastically change industry dynamics.
Impact of Substitutes	• Substitute products limit prices and reduce profits in an industry. • Substitutes often emerge suddenly, driven by R&D investments.
Examples of Substitutes	
1) Coir vs Synthetic Fibre	Synthetic fibres substituted coir, drastically impacting the coir industry.

Examples of Substitutes	
2) Investments	Real estate, insurance, bonds, and bank deposits are substitutes for common stocks, offering alternative ways to invest funds.

Five Forces and Industry Profitability	
Industry Attractiveness/Profitability	The five forces collectively determine industry attractiveness and profitability by influencing underlying factors like costs and investment.
Variation Across Industries	The strength of the five forces varies across industries, affecting the scope for profits differently.

5.2 Attractiveness of Industry	
Industry Analysis Conclusion	Identifies whether the industry is attractive or unattractive, both in the near-term and long-term.
Purpose of Assessment	Determines whether the industry offers a viable business opportunity or growth and profit prospects are limited.
Key Factors for Industry Attractiveness	
1) Industry Growth Potential	Evaluates if the industry is futuristically viable with sufficient growth opportunities.
2) Competitive Forces	Assesses if current competition allows profitability and whether competitive forces will strengthen or weaken over time.
3) Driving Forces	Examines whether industry profitability will be positively or negatively impacted by driving forces.
4) Organisation's Competitive Position	Determines if the company's position will grow stronger or weaker within the industry.
5) Capitalizing on Weak Rivals	Explores the potential to leverage the weaknesses of competitors to turn unattractive situations into opportunities.
6) Defence Against Unattractive Factors	Considers the company's ability to counteract industry challenges.
7) Risk and Uncertainty	Evaluates the degree of uncertainty in the industry's future.
8) Industry-Wide Problems	Assesses the severity of issues affecting the entire industry.
9. Contribution to Other Business Interests	Analyzes whether continued participation adds to the company's success in other business areas.
Profit Prospects and Attractiveness	
Above-Average Profit Prospects	Industry is considered attractive.
Below-Average Profit Prospects	Industry is considered unattractive.
Relative Attractiveness	Attractiveness depends on the firm's strengths. Weak competitors may find an industry unattractive, while strong competitors see opportunities.

Strategic Recommendations	
Attractive Industry	Firms should strengthen competitive positions, expand sales efforts, and invest in facilities and equipment.
Unattractive Industry	Strong firms should invest cautiously, protect long-term competitiveness, consider mergers or acquisitions, or diversify into more attractive industries.
For Weak Companies	Explore mergers with rivals or diversification outside the industry.

5.3 Experience Curve

Experience Curve: Concept and Features	
Definition	Experience curve explains the efficiency increase gained by workers through repetitive work, resulting in lower unit costs with cumulative production.
Core Idea	Based on the concept: "We learn as we grow".
Competitive Implication	Larger firms have lower unit costs compared to smaller firms, providing a competitive cost advantage.
Contributing Factors	Results from learning effects, economies of scale, product redesign, and technological improvements in production.

Features of Experience Curve	
Growth Leads to Experience	As business organisations grow, they accumulate experience.
Competitive Advantage	Experience provides a competitive edge over rivals and acts as a key barrier to entry for new firms.
Stronger for Large Firms	Large and successful organisations exhibit stronger "experience effect."
Understanding Complexities	Growing businesses learn to manage complexities and benefit from their accumulated experiences.

Strategic Implications of the Experience Curve	
Barrier to Entry	Acts as a barrier for new firms considering entry into the industry.
Market Share Growth	Helps firms build market share and discourage competition.
Example: Indian Automobile Industry	Maruti Suzuki leverages the experience curve to gain competitive advantage. Competitors might adopt market niche approaches or segmentation strategies.

5.4 Value Creation

Concept	Description
Value Creation	Activity or performance by a firm to enhance the worth of goods, services, business processes, or the whole business system.
Purpose	To provide better value for customers purchasing its products/services and for stakeholders investing in the business.

Concept	Description
Benefits	Drives competitive advantage and helps businesses achieve above-average profits/returns.

Key Factors Influencing Profitability	
Value Customers Place	Reflects the utility (happiness or satisfaction) customers derive from consuming/owning the product.
Price Charged	The amount charged by the company for its products.
Cost of Creation	Expenses incurred in creating the product or service.

Differentiation and Cost Advantage	
Differentiation	Capability to offer superior value via product features, quality, or customer service, allowing companies to charge higher prices.
Cost Advantage	Achieved when companies reduce production or operational costs, allowing them to compete effectively on price.
Sustainable Competitive Advantage	Achieved when differentiation or cost advantage helps companies succeed in the long run.

Role of Value Chain in Competitive Advantage	
Value Chain Analysis	Tool to examine the origin of competitive advantage by exploring organisational functions and their interactions.
Primary Activities	Core activities like inbound logistics, operations, outbound logistics, marketing, sales, and service.
Supporting Activities	Activities such as procurement, technology development, human resources, and infrastructure.
Purpose	Helps understand sources of differentiation and cost behaviour to enhance value creation.

Excess Value in Value Creation	
Value for Consumer	Value customers are willing to pay over and above the price charged by the business.
Excess Amount	The difference between what consumers value the product/service for and the price paid.
Outcome	Reflects the value creation for customers.

6. MARKET AND CUSTOMER

Definition of Market	
Market	A place (physical or virtual) where buyers and sellers exchange goods and services for a price.

Physical Market	A tangible location like a departmental store where transactions occur in person.
Virtual Market	An online platform where transactions occur without in-person interaction, using technology tools.
Other Contexts	Can refer to specific sectors like stock exchange, grain markets, or global industries like the oil market.

Definition of Marketing

Marketing	A range of activities including research, design, pricing, promotion, transportation, and distribution.
Purpose	To identify and meet customer needs, deliver satisfaction, and build relationships.
Four Ps of Marketing	Product, Place, Pricing, Promotion - used to guide strategies to meet customer demands.

Marketing Orientations

Product-Oriented	Belief that customers choose products with the best quality, performance, design, or features.
Production-Oriented	Assumes customers prefer low-priced products.
Sales-Oriented	Focuses on spending on advertisements, sales, and promotions to persuade customers.
Customer/Market-Oriented	Customer-centric approach prioritizing customer needs and market dynamics for creating better value propositions.

Customer-Centric Approach

Definition	Businesses that continuously learn from customers' needs and market trends.
Goal	Create value propositions tailored to customer needs for better satisfaction and success.

6.1 Customer

Customer	A person or business that buys products or services from another organisation, generating revenue.
Importance	Customers are critical as businesses cannot exist without them.

Difference Between Customer and Consumer

Customer	Purchaser of products or services; can be a consumer or just a customer (e.g., buying groceries for others).
Consumer	Individual or business that consumes or uses the products or services.

Characteristics of Customers

Research Importance	Businesses study customer characteristics to fine-tune marketing and adjust inventory.
Customer Categories	Based on demographics: age, race, gender, ethnicity, income, and geographic region.
Objective	Helps businesses develop a profile of the ideal customer to attract and retain more customers.

6.2 Customer Analysis

Definition	Customer analysis is a critical marketing component in a strategic business plan. It identifies target clients, determines their needs, and defines how the product meets those needs.
Purpose	Involves examining and evaluating consumer needs, desires, and wants.
Key Activities	Customer surveys to gather feedback. Study of consumer data. Evaluation of market positioning strategies. Development of customer profiles. Selection of market segmentation techniques.
Customer Profiling	Based on demographics (age, gender, income, etc.), provides valuable insights into customer characteristics.
Sources of Information	Information can be gathered from buyers, sellers, distributors, salespeople, managers, wholesalers, retailers, suppliers, and creditors.
Key Insight	Successful businesses continuously monitor the behaviour of existing and prospective customers to adapt and improve their offerings.

6.2 Customer Behaviour

Customer behaviour goes beyond identifying who your customers are—it focuses on how they buy products. It includes factors like how often they shop, what they prefer, and how they view your marketing, sales, and services. Understanding these behaviours helps businesses communicate better, create products and services that meet customer needs, and build long-term customer loyalty.

What Influences Customer Behaviour?

Customer behaviour is shaped by a mix of external and internal factors, as well as how decisions are made. These influences fall into three main categories:

External Influences	External factors, such as advertisements, peer recommendations, or social trends, directly affect a customer's decisions. These factors guide what needs they prioritize and which products they choose. External influences can be grouped into two types: Marketing Efforts: Campaigns, promotions, and messaging from the company.

	Environmental Factors: Social norms, peer opinions, and cultural trends.
Internal Influences	Internal factors are personal and psychological. These include a customer's motivations, attitudes, and preferences. For example, a person's desire for convenience or value will shape their choices.
Decision-Making Process	When making decisions, especially for significant purchases, customers follow these steps: • Identify a Need: Recognizing a need or desire that's unmet. • Explore Options: Looking for alternatives that can meet the need. • Research: Gathering information and weighing the pros and cons of each option. • Choose: Making a final decision based on their evaluation. This detailed process is more common for important purchases, like buying a car or a refrigerator, compared to smaller, routine purchases like snacks or drinks.
Post-Purchase Evaluation	After buying a product, customers assess their satisfaction. Satisfied Customers: Likely to buy again and recommend the product to others. Dissatisfied Customers: Unlikely to return or promote the product.

7. Competitive Strategy

- ✓ Competition is a key part of business and the economy, affecting both small and large organizations. Businesses compete for the same resources and customers, often aiming to offer better products or services in order to improve quality.
- ✓ A company's competitive strategy focuses on how it plans to compete in its market. It outlines how the company will create and maintain an advantage over competitors. Having an advantage means being able to earn more profit in the long term.
- ✓ A business's competitive strategy is evaluated based on two main points:
    - ♦ Creating a Competitive Advantage: Finding ways to stand out from competitors.
    - ♦ Protecting That Advantage: Ensuring that the advantage lasts.
- ✓ To develop a good strategy, businesses must understand the competitive forces in their industry. This means analyzing the main sources of competition and how strong each one is.
- ✓ This step is crucial because managers need a deep understanding of the competition before they can create a successful strategy. While competition varies across industries, the competitive process is similar enough to apply a common approach to assess these forces.
- ✓ A useful tool for understanding competition is Porter's Five Forces Model. This model helps businesses identify the main competitive pressures in a market and assess how strong each one is. It's a widely used and easy-to-understand method for analyzing competition

7.1 Competitive Landscape

- ✓ The competitive landscape refers to the analysis of a company's competitors, both direct and indirect. It helps businesses understand who their competitors are, what they offer, and how they operate.
- ✓ This analysis also looks at the competitors' mission, values, target market, strengths, and weaknesses.

- ✓ To fully understand the competitive landscape, businesses use competitive intelligence, which involves gathering detailed information about competitors.
- ✓ This helps companies evaluate their rivals' strengths and weaknesses and develop strategies to improve their own position in the market.
- ✓ Understanding the competitive landscape is crucial for building a competitive advantage.

Steps to Understand the Competitive Landscape:

Identify Competitors	The first step is to find out who the competitors are in the market and gather data on their market share. Key question: Who are the competitors, and how large are they?
Understand Competitors	After identifying competitors, use market research, online sources, industry reports, and social media to learn about their products and services. Key question: What products and services do they offer?
Determine Competitors' Strengths	Identify what competitors do well. Do they offer high-quality products? Are they good at marketing? Why do customers choose them? Key questions: What is their financial position? Do they have cost or price advantages? What might they do next? How strong is their distribution network? What are their strengths in human resources?
Determine Competitors' Weaknesses	Look for areas where competitors are lacking or struggling. Identifying these weaknesses helps you see opportunities for improvement or differentiation. Key question: Where do they fall short?
Combine and Analyse Information	Bring all the insights together to identify what competitors are not providing and explore how your business can address those gaps. Determine areas for improvement and strategies to capitalize on competitors' weaknesses. Key Questions: What can the business do with this information? What improvements are needed? How can the firm take advantage of competitors' weaknesses?

By following these steps, you can gain a clear understanding of the competitive landscape and create strategies to position your business more effectively.

7.2 Key Factors for Competitive Success (KSFs)

Key Success Factors (KSFs) are the elements that determine whether businesses in an industry thrive or fail. These include strategies, product features, resources, skills, and outcomes that impact profitability and competitiveness. Every company in an industry must focus on KSFs to stay relevant and succeed.

Identifying KSFs	You can uncover an industry's KSFs by answering three questions: What do customers care about most? What features or qualities drive their purchasing decisions? What resources or capabilities are essential for success? For instance, skilled employees, high-quality products, low costs, or efficient services. What ensures long-term competitive advantage? What can a company do better than competitors in a way that lasts over time?
Example:	In apparel manufacturing, success relies on: Attractive designs and color combinations to draw customers. Low-cost manufacturing for competitive pricing and profit margins.
Importance of KSFs	✓ Understanding the KSFs of your industry is essential for crafting effective strategies. ✓ Managers must recognize which factors matter most and focus on excelling in those areas. ✓ Misjudging KSFs can lead to poor strategic decisions, while correctly identifying and excelling at KSFs can provide a lasting competitive edge.
Strategy Tip:	A company that stands out in one or more KSFs often gains a stronger market position. For example, excelling at low-cost production or delivering superior customer service can create significant advantages.
Dynamic Nature of KSFs	KSFs are not static—they vary by industry and change over time due to market forces and competition. Usually, only three or four KSFs are critical at any given time, with one or two being particularly significant. Managers should avoid listing too many factors, as this dilutes focus and attention.
Conclusion:	To succeed, companies must identify the few critical KSFs, prioritize them, and build strategies around excelling in those areas. Concentrating on what truly matters ensures long-term competitive success.

Multiple Choice Questions

1. KSFs stand for: (a) Key strategic factors (b) Key supervisory factors (c) Key success factors (d) Key sufficient factors	2. Competitive landscape requires the application of- (a) Competitive advantage (b) Competitive strategy (c) Competitive acumen (d) Competitive intelligence
3. The term PESTLE analysis is used to describe a framework for analyzing: (a) Macro Environment (b) Micro Environment (c) Both Macro and Micro Environment (d) None of above	4. 'Attractiveness of firms' while conducting industry analysis should be seen in- (a) Relative terms (b) Absolute terms (c) Comparative terms (d) All of the above
5. What is not one of Michael Porter's five competitive forces? (a) New entrants (b) Rivalry among existing firms (c) Bargaining power of unions (d) Bargaining power of suppliers	6. Which of the following constitute Demographic Environment? (a) Nature of economy i.e. capitalism, socialism, Mixed (b) Size, composition, distribution of population, sex ratio (c) Foreign trade policy of Government (d) Economic policy i.e. fiscal and monetary policy of Government
7. All are elements of Macro environment except: (a) Society (b) Government (c) Competitors (d) Technology	8. The emphasis on product design is very high, the intensity of competition is low, and the market growth rate is low in the__ stage of the industry life cycle. (a) Maturity (b) Introduction (c) Growth (d) Decline

Answers to Multiple Choice Questions

1	(c)	2	(d)	3	(a)	4	(a)	5	(c)	6	(b)
7	(c)	8	(b)								

Scenario Based Questions

Scenario Based Question 1: MTP-May'24,Sep'24

ABC Corp, a multinational consumer electronics company, is planning to expand its operations into a new country. The company's senior management is evaluating the potential risks and opportunities of entering this new market. As part of their analysis, they decide to use the PESTLE framework to assess the external factors that could impact their decision. How can the PESTLE framework help ABC Corp assess the external factors affecting its decision to expand into a new country?

Answer:

The PESTLE framework can help ABC Corp assess the external factors affecting its decision to expand into a new country by considering the following aspects:

✓ **Refer Topic- 3.3 PESTLE– A tool to Analyse Macro Environment on Page-28**

Scenario Based Question 2: MTP-May'24,Jan'25

You are a strategic manager for a tech company launching a new smartphone model. The company wants to target tech-savvy consumers who value innovation and cutting-edge technology. Using the concept of customer behavior, develop a marketing strategy to promote the new smartphone.

Answer:

To target tech-savvy consumers for the new smartphone model, the tech company can develop a marketing strategy based on customer behavior. Consumer behaviour may be influenced by a number of things. These elements can be categorised into the following conceptual domains:

- ✓ **Refer Topic- 6.2 Customer Behaviour–on Page-41**

Scenario Based Question 3:

GreenThrift Inc., a sustainable clothing retailer, is experiencing a surge in popularity due to the growing awareness of environmental issues among consumers. The company specializes in selling second-hand clothing and upcycled garments, offering an eco-friendly alternative to traditional fast fashion.

A major concern for GreenThrift Inc. is the emergence of new sustainable fashion brands in the market. These brands focus on using organic and recycled materials, as well as ethical manufacturing practices, which align with the values of environmentally conscious consumers.

Answer:

Competition from new sustainable fashion brands falls under the "Threat of New Entrants" category of Porter’s Five Forces Model for Competitive Analysis. These new entrants pose a threat to existing sustainable clothing retailers like GreenThrift Inc. by increasing competition and potentially eroding market share. The emergence of these brands, focusing on using organic and recycled materials along with ethical manufacturing practices, aligns with the values of environmentally conscious consumers, making them strong competitors in the sustainable fashion market.

Scenario Based Question 4: **MTP-Jan’25**

Reshuffle Corp is a company that manufactures and sells office furniture. They offer a range of products, from desks and chairs to cabinets and shelves. Recently, the company has been facing increased competition from online retailers offering similar products at lower prices.

Analyzing the characteristics of products in the furniture industry, discuss how Reshuffle Corp can differentiate its products to maintain a competitive edge in the market.

Answer:

To maintain a competitive edge in the face of increased competition, Reshuffle Corp can differentiate its products in several ways:

- ➢ **Tangible and Intangible Aspects:** Reshuffle Corp can focus on the tangible aspects of its products, such as using high-quality materials and innovative designs to create furniture that is both functional and aesthetically pleasing. Additionally, they can emphasize the intangible aspects of their products, such as excellent customer service and a strong brand reputation for reliability and durability.
- ➢ **Pricing Strategies:** While market prices are often dictated by competition, Reshuffle Corp can work on cost optimization to maintain profitability. They can also consider offering value-added services, such as free installation or extended warranties, to justify a higher price point.
- ➢ **Product Features:** By continually optimizing their product features based on customer feedback and market trends, Reshuffle Corp can ensure that their products deliver maximum satisfaction to their target customers. This may include features that enhance functionality, design, quality, and overall user experience.
- ➢ **Product Centric Approach:** Reshuffle Corp should keep their products at the center of their strategic activities, ensuring that all business processes, from production to sales and marketing, are aligned to meet customer needs and expectations.
- ➢ **Product Life Cycle Management:** Reshuffle Corp should be aware of the life cycle of their products

and plan for reinvention or replacement accordingly. They can introduce new product lines or upgrade existing ones to keep up with changing customer preferences and market trends.

Scenario Based Question 5: MTP-Sep'24

Riya Sharma owns a confectionery business in Jaipur, specializing in homemade chocolates and candies. Despite holding a substantial market share in the central region, her business has experienced declining sales of these products over the last few years. Concerned about the market dynamics, Riya consults a management expert for guidance. The consultant recommends a comprehensive understanding of the competitive landscape. Explain the steps to be followed by Riya Sharma to understand the competitive landscape to address the sales decline.

Answer: **Refer Topic- 7.1 Competitive Landscape–on Page-42**

Scenario Based Question 6:

A company has recently launched a new product in the market. Initially, it faced slow sales growth, limited markets, and high prices. However, over time, the demand for the product expanded rapidly, prices fell, and competition increased. Identify the stages of the product life cycle (PLC) that the company went through.

Answer:

The company went through the following stages of the product life cycle (PLC):

Introduction stage: Initially, the company faced slow sales growth, limited markets, and high prices, which are characteristic of the introduction stage. During this stage, competition is almost negligible, and customers have limited knowledge about the product.

Growth stage: Over time, the demand for the product expanded rapidly, prices fell, and competition increased. These are typical features of the growth stage in the PLC. In this stage, the product gains market acceptance, and customers become more aware of the product's benefits and show interest in purchasing it.

Scenario Based Question 7:

Rajiv Arya owns an electrical appliance company specializing in the manufacture of domestic vacuum cleaners. The market is competitive, with four other manufacturers offering similar products and achieving comparable sales volumes. Additionally, these rival firms hold several patents related to the vacuum cleaner technology. The supplier base for raw materials is extensive, with multiple suppliers available. Identify and explain the significant forces from Porter's Five Forces framework that are relevant to Rajiv Arya's company.

Answer:

The competitive rivalry will be a significant force in case of company of Rajiv Arya as all the rivals are similar in sizes and are manufacturing similar products. It is difficult for any single manufacturer to dominate the market. Large number of patents will make it difficult for new entrants to break into the market. Further, as there are a large number of small suppliers the power that suppliers can exert will also be low.

There is no information relating to substitutes and bargaining power of customers in the information given in scenario. However, a domestic vacuum cleaner will directly compete with other options such as house maids. Availability of house maids at low cost can significantly disturb the sales of products.

Further, as the products are similar customers can easily shift from one company to another. This will only enhance competitive rivalry.

Scenario Based Question 8:

Eco-carry bags Ltd., a recyclable plastic bags manufacturing, and trading company has seen a potential in the ever-growing awareness around hazards of plastics and the positive outlook of the society towards recycling and reusing plastics.

A major concern for Eco-carry bags Ltd. are paper bags and old cloth bags. Even though they are costlier than recyclable plastic bags, irrespective, they are being welcomed positively by the consumers.

Identify and explain that competition from paper bags and old cloth bags fall under which category of Porter's Five Forces Model for Competitive Analysis?

Answer:

Eco-carry bags Ltd. faces competition from paper bags and old cloth bags and falls under Threat of Substitutes force categories in Porter's Five Forces Model for Competitive Analysis. Paper and cloth bags are substitutes of recyclable plastic bags as they perform the same function as plastic bags. Substitute products are a latent source of competition in an industry. In many cases, they become a major constituent of competition. Substitute products offering a price advantage and/or performance improvement to the consumer can drastically alter the competitive character of an industry.

Scenario Based Question 9:

Baby Turtle is a children's clothing brand that has been created a new age demand for washable diapers. The major benefit for the brand has been that not many companies have shown interest in the product, thinking it is not viable, however, customers, majorly working mothers are loving their product. The core material needed for production is also used in many other water proofing products in various industries. Baby Turtle sources this material from a renowned supplier at comparatively low prices. Which of the five forces of competitive pressure would Baby Turtle experience due to above setup and what are major factors that create such pressure for a product? Do you think Baby Turtle has an advantage in some way to fight off this pressure?

Answer:

Baby Turtle would experience, Bargaining Power of Suppliers, as a competitive pressure for their washable diaper product. This is because the core material for production is sourced from a single supplier, who is renowned and in a position to create pressure in terms of prices.

Further, other factors that lead to such pressure are:

1. Their products are crucial to the buyer and substitutes to the material required for production are not available.
2. Suppliers can manipulate switching cost as the brand is in inception stage and making margins are important.

An advantage that Baby Turtle has is even though the material required has no substitutes, but it used to make many other products and thus there are many other suppliers who can provide that material. It might affect operations in short term but will help to fight off the pressure created by existing supplier.

Descriptive Questions

Question 1

Explain the concept of Experience Curve and highlight its relevance in strategic management.

Answer: **Refer 5.3 Experience Curve–on Page-38**

Question 2

Write a short note on Product Life Cycle (PLC) and its significance in portfolio diagnosis.

Answer: **Refer 4.1 Product Life Cycle–on Page-32**

Question 3

Explain Porter's five forces model as to how businesses can deal with the competition.

Answer: **Refer 5.1 Porter's Five Forces Model–on Page-34**

LEVEL UP TO EXAMS

Question 1 Exam-May'24

Yash is planning to launch his new tech start-up. He is exploring different locations across the country to establish his company in the right business environment. One option is the city of Bengaluru, the Silicon Valley of India, with an engaging network of entrepreneurs, investors, advisors and mentors. Coupled with various subsidies for new ventures and tax benefits, Bengaluru might be an ideal choice for Yash to establish his company and increase the chances of success.

Define the term Business Environment with respect to the above scenario. Explain the different ways in which the interaction of a business with its environment can be helpful in developing a successful strategy.

Answer:

Business Environment refers to all external factors, influences, or situations that affect business decisions, plans, and operations. In Yash's case, these factors include the dynamic and evolving conditions in Bengaluru, which impact the strategic decisions for his tech start-up.

Benefits of Interaction with the Business Environment

- Determine Opportunities and Threats: Interaction with the environment helps Yash identify new consumer needs, emerging trends, and potential market opportunities. This insight can guide the development of innovative products and services that meet market demands. Understanding changes in laws, social behaviors, and competitor actions enables Yash to anticipate and mitigate potential threats, ensuring the start-up remains resilient and adaptive.
- Give Direction for Growth: By analyzing the external environment, Yash can pinpoint areas for expansion and growth. Recognizing market trends and technological advancements allows him to strategize effectively, ensuring the start-up scales successfully.
- Awareness of the changes around the business environment facilitates better planning and strategic decisions, aligning the start- up's goals with the market dynamics.
- Continuous Learning: Continuous interaction with the environment motivates Yash and his team to update their knowledge, understanding, and skills. Staying informed about industry trends and advancements ensures the start-up remains competitive. This ongoing learning process enhances the start-up's ability to adapt to changes, promoting innovation and responsiveness to market shifts.
- Image Building: Understanding and responding to environmental needs help the start-up build a positive image. For instance, adopting sustainable practices or contributing to local initiatives can enhance the company's reputation. Demonstrating sensitivity to the business environment shows that the start-up is responsible and community-focused, attracting customers and partners who value corporate social responsibility.
- Meeting Competition: Interaction with the environment allows Yash to analyze competitors' strategies and adapt accordingly. Understanding competitors' strengths and weaknesses helps in crafting strategies that provide a competitive edge. By leveraging insights from the environment, the start-up can position itself uniquely in the market, differentiating its offerings from those of competitors.

Question 2	Exam May'24

What are the key characteristics of business products that contribute to the overall competitiveness and dynamics of the market?

Answer Refer topic-4-Understanding Product Industry on Page-31

Question 3	Exam Sep'24

Value Chain Analysis consist two activities: Primary activities and Support activities. As per Michael Porter both the activities are intertwined. Do you agree with the statement? Also delineate the main areas in which primary activities of any organization are grouped.

Answer

Yes, I agree with the statement that Value Chain Analysis consist of two activities: Primary activities and Support activities. As per Michael Porter both the activities are intertwined. It is a tool used to examine the activities that create value in an organization, helping to enhance efficiency and build competitive advantage. It breaks down a business's operations to identify areas for improvement in value creation.

The primary activities of an organization are categorized into five areas:

- ✓ **Refer topic-4.2-Value Chain Analysis on Page-33**

Question 4	Exam Sep'24

In light of the five forces as propagated by Michael Porter, explain the common barriers which may cause restrain for the keenness of new entrepreneurs.

Answer

In light of Michael Porter's Five Forces, new entrepreneurs often face significant barriers that restrain their keenness to enter an industry. These barriers increase the competitiveness of existing firms and discourage new entrants, impacting industry profitability.

Common barriers that may restrain new entrepreneurs include:

- ✓ **Refer topic 5.1 Porter's Five Forces Model-New Entrants on Page-35**

Question 5	Exam Jan'25

"International development is expensive and challenging." In the context of the statement, explain the internationalization of business and the steps involved in such strategic planning.

Answer

1. Internationalization has emerged as the dominant commercial trend over the last couple of decades. It enables a business to enter new markets in search of greater earnings and less expensive resources. Additionally, expanding internationally enable a business to achieve greater economies of scale and extend the lifespan of its products.
2. The strategic-management process is essentially the same for global firms as it is for domestic firms; nevertheless, international processes are much more complicated due to additional variables and linkages.
3. A business can approach internationalization systemically with the aid of international strategy planning. One method for an organization to identify opportunities and threats in global markets is by scanning the external environment.

International development is expensive and challenging. Moving on in a thorough and structured manner is thus the ideal approach to adopt. The steps in international strategic planning are as follows:

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

Question 6 **Exam Jan'25**

As per one of the five forces of competition, Michael Porter stated that the more intensive the rivalry, the less attractive the industry. In view of this, explain the conditions in which rivalry among competitors tends to be cut-throat, and industry profitability is low.

Answer

The intensity of rivalry can influence the costs of suppliers, distribution, and of attracting customers and thus directly affect the profitability. The more intensive the rivalry, the less attractive is the industry. Rivalry among competitors tends to be cutthroat and industry profitability low when :

- ✓ **Refer topic 5.1 Porter's Five Forces Model- Factors Influencing Rivalry on Page-36**

Question 7 **Exam Jan'25**

Analyze the role of Key Success Factors (KSFs) in determining competitive success within an industry.

Answer:

As industry's Key Success Factors (KSFs) are those things that most affect industry members' ability to prosper in the marketplace – the particular strategy elements, product attributes, resources, competencies, competitive capabilities and business outcomes that spell the difference between profit & loss and ultimately, between competitive success or failure. KSFs by their very nature are so important that all firms in the industry must pay close attention to them. They are the prerequisites for industry success, or, to put it in another way, KSFs are the rules that shape whether a company will be financially and competitively successful.

Question 8 **MTP Jan'25**

Easy Access is a marketing services company providing consultancy to a range of business clients. Easy Access and its rivals have managed to persuade the Government to require all marketing services companies to complete a time-consuming and bureaucratic registration process and to comply with an industry code of conduct. Do you think that by doing this Easy Access and its rivals has an advantage in some ways to fight off competitors? Explain. (5 Marks)

Answer:

Yes, Easy Access and its rivals get advantage by this move. The new bureaucratic process is making it more complicated for organizations to start up and enter the Easy Access market, increasing barriers to entry and thereby reducing the threat of new entrants. New entrants can reduce an industry's profitability, because they add new production capacity, leading to increase in supply of the product, sometimes even at a lower price and can substantially erode existing firm's market share position. However, New entrants are always a powerful source of competition. The new capacity and product range they bring in throws up a new competitive pressure. The bigger the new entrant, the more severe the competitive effect. New entrants also place a limit on prices and affect the profitability of existing players, which is known as Price War.

3. STRATEGIC ANALYSIS: INTERNAL ENVIRONMENT

1. Introduction

Strategic analysis plays a vital role in assessing an organization's internal environment.
The internal environment includes:

People	Individuals, groups, and stakeholders like employees, management, investors, and the board of directors.
Processes	The flow of work, including input-throughput-output systems.
Physical Infrastructure	Space, equipment, and workplace conditions.
Administrative Structure	Lines of authority, power, responsibility, and accountability.
Organizational Culture	Intangible aspects like relationships, values, ethics, and philosophy that define the organization's identity.

Each organization's internal environment is unique, shaped by its structure and business model. It also reflects key elements such as:

- Ethics and principles.
- Employee satisfaction and workplace culture.
- Investor confidence and other cultural and philosophical factors that drive success.

2. Understanding Key Stakeholders

Who are Stakeholders?	Stakeholders are individuals or groups who have an interest in an organization's success and can influence its outcomes. They include employees, shareholders, investors, suppliers, customers, and regulators. This broader view recognizes that a firm is a coalition of various stakeholders, rather than being solely tied to the interests of owners and shareholders.
Defining Stakeholders	Stakeholders are anyone, internal or external, who has: • An interest in the business or its strategy. • The power to influence the organization's strategy or performance.
Examples of Stakeholders	• Primary stakeholders: Management, employees, shareholders, customers, and vendors. • Additional stakeholders: Governments, labor unions, and local communities, depending on their impact on the organization.
Identifying Key Stakeholders	• It's essential to recognize the influence and interest levels of different stakeholders, as these vary. • For example, a healthcare innovation firm may prioritize long-term investments in research, which aligns with stakeholders with a long-term perspective (e.g., management or research teams). However, shareholders focused on short-term profits may resist such spending.

Why Stakeholders Matter	• Stakeholders' expectations can shape the organization's strategy. • Misalignment or conflicts between stakeholders (e.g., differing goals of investors and management) can lead to unfavorable outcomes for the organization. • By identifying and understanding key stakeholders, businesses can create strategies that balance these interests effectively.

Example of Key Stakeholders and their requirements for an OTT Platform

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

2.1 Mendelow's Stakeholder Matrix

What is Mendelow's Matrix?	Mendelow's Matrix (also called the Stakeholder Analysis Matrix or Power-Interest Matrix) helps organizations manage stakeholders by analysing their Power and Interest levels. This framework ensures the right level of attention is given to each stakeholder group, which is critical for project success.
Key Concepts of Mendelow's Matrix:	Power: The ability of a stakeholder to influence organizational strategies or resources. Interest: The level of concern a stakeholder has in the organization's success.

Stakeholder Groups in Mendelow's Matrix

Group	Characteristics	Strategy to Manage	Examples
Key Players	High Power, High Interest. They are essential to the organization's success.	Fully engage and keep informed regularly. Involve them in decision-making and take their advice seriously.	Shareholders, CEO, Board of Directors.
Keep Satisfied	High Power, Low Interest. They can influence strategy but have limited concern about outcomes.	Provide enough information to keep them satisfied. Avoid over-communicating or wasting resources.	Banks, government bodies, major customers.
Keep Informed	Low Power, High Interest. They care deeply about the organization but lack influence.	Share updates and maintain good communication to avoid issues and get valuable feedback.	Employees, vendors, suppliers, legal experts.
Low Priority	Low Power, Low Interest. They have minimal impact or concern for the organization.	Monitor occasionally with minimal effort to meet expectations.	Media houses, business magazines.

2.2 Application of Mendelow's Matrix:

High Priority Stakeholders	Those with high power and high interest require close attention and significant investment of time and resources.	
Low Priority Stakeholders:	Stakeholders with low power and low interest need minimal effort but should still be monitored for changes in their position.	

Dynamic Nature of Stakeholders	Strategists must remember that stakeholders' power and interest can shift due to changes in the environment. For example, a low-priority stakeholder could suddenly become highly influential, requiring immediate attention. Mendelow's Matrix provides a clear framework for managing stakeholder relationships effectively, ensuring resources are focused where they matter most.
Example	An organisation might inadvertently contravene a regulation, say GST compliance which would cause the regulatory body i.e. the Indirect Taxes Department to move from High Power, Low Interest to High Power, High Interest. This would then require a different way of managing and communicating with this stakeholder. Equally, the media houses would also move from Low Power, Low interest, to Low Power, High Interest. So, it's always worth re-analysing Mendelow's grid for one's organisation in the event of a change in the environment.

3. Strategic Drivers

What are Strategic Drivers?	Strategic drivers are factors that differentiate an organization from its competitors and play a key role in assessing its current performance. This involves analysing: • Key markets the organization operates in. • Key customers it serves. • Products and services it provide. • Delivery channels it uses. • Its competitive advantage. Some of these elements are interconnected, such as how markets relate to products/services or how delivery channels connect to customers.
Assessing Business Performance	Organizations assess their performance in different ways, depending on management's priorities and chosen metrics. These can be: Profit-driven: Focused on financial performance. Purpose-driven: Focused on mission or goals. Other metrics aligned with the organization's strategy.
Key Strategic Drivers:	1. Industry and Markets – Understanding the industries and markets the organization operates in. 2. Customers – Analysing key customer groups and their needs. 3. Products/Services – Evaluating the value and uniqueness of the organization's offerings. 4. Channels – Reviewing the methods and platforms used to deliver products/services. By focusing on these drivers, organizations can identify strengths, opportunities, and areas for improvement to stay ahead in the competition.

3.1 Industry and Markets

1. In terms of the internal environment, it is very important for an organisation to understand it's relative position in the industry and in the market in which it operates. There are many ways to do this but require analysis and understanding of the environment. Similar companies are grouped together into industries. Basically, industry grouping is based on the primary product that a company makes or sells.
2. For example, Maruti, Mahindra, Tata Motors, TVS, Bajaj Auto, are all selling automotives as their primary product and thus categorised into Automotive Industry. Similarly, Zara, H&M, Marks & Spencer, Pantaloons, Westside, Uniqlo, are all selling apparels and accessories for the youth, and thus categorised under apparels industry.
3. A market is defined as the sum total of all the buyers and sellers in the area or region under consideration. The value, cost and price of items traded are as per forces of supply and demand in a market. The market may be a physical entity or may be virtual like e-commerce websites and applications. It may further be local or global, depending on which all countries the business sells its products in.

Is market the same for all businesses?
Market refers to all the buyers and sellers of a particular product/service and so it would be incorrect to say that market is the same for all businesses. Each business has its own set of customers i.e. market and more so, each product within a business has its own market. For example, for a FMCG brand selling Shampoos, Dairy Products, Flours, Washing Powder, etc. - each product line will have a separate market to cater to and therefore build strategies specific to the market of concern.

3.1.1 Analysing Industry and Markets

Why Analyse Industry and Markets?	Industry and market analysis helps an organization understand its position compared to competitors, who may vary in size, value, and experience. One key tool for this analysis is Strategic Group Mapping.
What is Strategic Group Mapping?	Strategic Group Mapping identifies groups of competitors with similar approaches and market positions. These groups, called strategic groups, and they share common characteristics such as: • Product-line breadth (wide or narrow). • Price/quality range (high, medium, low). • Distribution channels used (single or multiple). • Geographic coverage (local, regional, national, global). • Degree of vertical integration (none, partial, full). • Service levels provided (basic, limited, comprehensive). An industry can have: One strategic group if all competitors follow similar strategies. Multiple strategic groups if competitors adopt different approaches and occupy distinct positions.
Steps to Create a Strategic Group Map	1. Identify Differentiating Characteristics Select variables such as price/quality range, geographic coverage, vertical integration, or distribution channels. 2. Plot the Firms Create a map using two variables to display differences among firms. 3. Group Similar Firms Place firms with similar strategies in the same group. Visualize Group Sizes 4. Draw circles around each group. The circle size represents the group's share of total industry sales revenue.
By analysing strategic groups, organizations can better understand the competitive landscape, identify potential opportunities, and refine their market strategies.	

3.2 Customers

- Understanding the different types of customers who buy or use an organization's products or services is crucial. It helps determine the right product or service to offer.
- Different customers have different needs, which may require unique sales strategies or distribution methods.

- For instance, a headphones brand might group its customers into high, medium, and low-value buyers based on how much they're willing to spend. This helps the business identify key customers and areas for improvement.
- Similarly, a parent purchasing stationery for their child is the customer, but the child, who uses the products, is the consumer. Both perspectives are important for marketers to consider.
- From a pricing standpoint, the customer is the priority. However, when it comes to creating value, design, and usability, the consumer's needs should guide decision-making.

Customer versus Consumer
A simple bifurcation yet extremely important for strategy build up. Consumers are the ones who finally use a product/service, while customers are the buyers of that product. A customer can be a consumer and vice versa. But for strategy teams especially marketing teams it is important to understand the customer and consumer separately. If consumers aren't satisfied, it is difficult to retain the buyer i.e. customers as well.

3.3 Products and Services

Products and services are closely connected to the markets a business serves. This section of strategic analysis helps a company identify its key offerings and assess how well they are performing. The key question is: What business are we in, and how can we beat the competition in each area?	
What is a Product?	A product is a combination of goods and services offered to the market. Companies must have strategies for: • Managing existing products over time. • Introducing new products. • Discontinuing unsuccessful products. They also need to make decisions about branding, packaging, warranties, and other product features. Products can be categorized into industrial or consumer, essential or luxury, and durable or perishable. Over time, products change as markets evolve, and businesses must adjust their strategies to stay competitive.
Types of Products	Consistent vs. Short-Lived Demand: Some products have steady demand over time, while others have short lifespans. Product Differentiation: Products can differ in size, shape, colour, packaging, brand name, and after-sales service. The goal is to make products seem unique, even if the differences are psychological. For example, multiple shampoo brands, such as Head & Shoulders, Olay, and Pantene, may all be produced by the same company (P&G).
The Role of Brands	Brand names help customers identify products and the companies behind them. Strong brand loyalty is built through advertising and promotional efforts, which enhance the company's image and the products' appeal.

Pricing Strategies for New Products	When launching a new product, companies must design pricing strategies with the following goals: • Focus on customer needs. • Ensure a reasonable profit margin. • Increase market share.
Marketing Strategies for Products and Services	
Marketing strategies require heavy investment and are crucial for fighting competition. Several marketing strategies include:	
Social Marketing:	Seeks to increase acceptance of social ideas or causes. For example, campaigns against smoking educate the public on where smoking is allowed and its health risks.
Augmented Marketing:	Offers additional benefits beyond the core product. Examples include services like on-demand movies or online repair services.
Direct Marketing:	Engages consumers directly through various media, such as catalogues, emails, and TV shopping.
Relationship Marketing:	Focuses on building strong relationships with customers. For example, airlines offer exclusive lounges for frequent flyers.
Services Marketing:	Applies marketing techniques to services, which are intangible and have unique characteristics (like inseparability). This requires special strategies.
Person Marketing:	Involves promoting individuals, like politicians or celebrities, to improve their image or career.
Organization Marketing:	Focuses on shaping public perception of an organization, whether it's a profit or non-profit entity.
Place Marketing:	Involves marketing locations, such as tourist destinations or business sites.
Enlightened Marketing:	This philosophy aims for long-term success, its five principles include customer-oriented marketing, innovative marketing, value marketing, sense-of-mission marketing, and societal marketing.

Marketing Strategies for Segments	
Differential Marketing:	Targets multiple market segments with tailored offerings. For example, Hindustan Unilever offers different soap brands for different segments, like Lifebuoy for the mass market and Dove for the premium segment.
Synchro-marketing:	Manages demand fluctuations caused by seasonality or time-based factors. For instance, offering discounted movie tickets on weekdays to balance demand.
Concentrated Marketing:	Focuses on capturing a large share of a specific sub-market, often referred to as niche marketing.
Demarketing:	Strategies to reduce demand temporarily or permanently, such as controlling overcrowding in public services during peak times.

3.4 Channels Overview

Channels are the distribution systems through which a company delivers its product or service to customers. Let's look at how some companies use different channels to distribute their offerings:

Lakme:	Sells products through retail stores, online platforms like Amazon, Flipkart, Nykaa, and its own website.
Boat Headphones:	Only sold online through e-commerce platforms like Amazon and Flipkart.
Coca-Cola:	Available in retail stores nationwide, as well as through online platforms like Dunzo and Blinkit.

A company's distribution channels play a critical role in its ability to compete. Strong, widespread channels give a business an advantage, making it harder for new competitors to enter the market.

Types of Channels

There are three main types of channels to consider: sales, product, and service channels.

Sales Channel:	These are intermediaries who sell the product to the end customer. The key question is: Who sells the product to the customer? For example, fashion designers often use agencies to sell their products to retail stores, making them accessible to consumers.
Product Channel:	This channel involves the intermediaries who physically handle the product as it moves from the producer to the end customer. For example, Australia Post delivers products purchased through online stores like eBay.
Service Channel:	This refers to the entities that provide services to support the product after it is sold. It's crucial for products that require installation or customer assistance. For example, a Bosch dishwasher may be sold in a Bosch showroom and installed by a Bosch contractor after purchase.

Channel Analysis for Growth

Analysing channels is key when a business aims to expand into new markets. To grow, businesses must develop or leverage existing channels to reach new customers. Choosing the right channels for your products and target customers is critical.

For example:

A healthcare brand targeting elderly customers may need to focus on offline channels, where agents can reach customers directly, as many elderly people aren't active online.

A new drink brand looking to attract customers should use all available channels, including retail stores, online campaigns, and social media, to maximize visibility.

Ever been to a hill station or a desert or a far-off location on vacation, and still had access to bottled water and cold drinks?

This is possible because of strong channels of distribution. Some of the most renowned brands who have created competitive advantage in channels are Coca Cola, HUL, Patanjali, Asian Paints, Ola, to name a few.

4. Role of Resources and Capabilities in Building Core Competency

- An organization can be seen as a collection of resources and capabilities, which, when combined effectively, form distinct competencies that give the organization a competitive advantage.
- The concept of "core competency" was introduced by C.K. Prahalad and Gary Hamel.
- They define core competencies as the collective learning within an organization, especially its ability to coordinate various skills and integrate different technologies. This combination of knowledge and experience helps a company outshine competitors.

What is Core Competency?	Core competency is the integration of multiple skills and technologies within an organization, rather than relying on a single capability. It involves combining resources across different areas to create unique competencies. A company should aim to develop core competencies in 5 to 15 key areas of expertise.

Key Conditions for Core Competency

According to Prahalad and Hamel, core competencies must meet three key conditions:

Competitor Differentiation:	A core competency gives a company a unique edge over competitors. If a company has a skill or technology that is difficult for others to imitate, it can offer better products or services. For example, Tesla's patented innovations in electric vehicles make it hard for competitors to replicate their success.
Customer Value:	Core competencies must create real value for customers. The product or service should meet a customer's need and provide a meaningful benefit. If customers choose a product because it offers unique advantages, then it is a core competency.
Application to Other Markets:	A core competency should apply across the entire organization and not be limited to a single area. It should open up opportunities in various markets, making the company more adaptable and able to exploit new opportunities.
Examples of Core Competencies	HUL's core competency lies in its marketing and sales functions, which help the company successfully launch new products. HUL uses its resources to create superior marketing capabilities that outshine competitors. Wal-Mart's core competency is its ability to lower operating costs, enabling the company to price goods lower than competitors. This cost advantage comes from its ability to generate high sales volume, allowing for profitability despite low margins.
Building Core Competency	Core competencies are the knowledge, skills, and facilities needed to design and produce key products. These competencies result from a combination of technological, physical, and human resources. They include both visible skills and intangible assets, such as intellectual property and a company's ability to manage change, learn, and work as a team. Organizations should focus on a few core competencies, each supported by individual skills. Using core competencies across different business units helps reduce risk and investment while providing opportunities to share knowledge and best practices.

Technological Competencies	Core technological competencies are important corporate assets that give access to new markets and business opportunities. To maintain a competitive advantage, these competencies should be difficult for competitors to replicate.

Criteria for Building Core Competencies

To determine which capabilities are core competencies, firms should evaluate them based on four key criteria: valuable, rare, costly to imitate, and non-substitutable.	
Valuable Capabilities	Valuable capabilities help a firm take advantage of opportunities or avoid threats in its environment. A company creates value for customers by using these capabilities effectively. For example, financial service companies develop valuable expertise in financial services, which is enhanced by hiring the right people to drive success. Human capital plays a significant role in creating value for customers.
Rare Capabilities	Core competencies are rare capabilities that only a few competitors possess. If many firms have the same capabilities, they cannot be a source of competitive advantage. Competitive advantage occurs when a firm has valuable capabilities that others do not have.
Costly to Imitate	Costly to imitate means that the capabilities are difficult or expensive for competitors to copy. For example, Intel had a significant first-mover advantage due to its fast R&D cycle time, which allowed it to introduce products like microprocessors ahead of competitors. While competitors could eventually imitate the product, they couldn't easily replicate the fast R&D cycle time.
Non-Substitutable Capabilities	Non-substitutable capabilities are those that have no equivalent in the market. A firm's competitive advantage is strengthened when no other company can replace its capabilities with similar valuable resources. For example, Tata's low-cost strategy is difficult to imitate because it is supported by the company's unique culture and human capital, which together help drive its success.

5. COMBINING EXTERNAL AND INTERNAL ANALYSIS (SWOT ANALYSIS)

- SWOT analysis evaluates a business's strengths, weaknesses, opportunities, and threats. Its main goal is to help organizations understand all the factors (both internal and external) that influence business decisions.
- SWOT analysis should be conducted before any major business action, such as exploring new initiatives, changing internal policies, or considering growth opportunities. It can also help in adjusting plans midway. The analysis identifies strategies to leverage strengths and opportunities while addressing weaknesses and threats.
- Since its creation, SWOT has been a popular tool for business owners to guide their companies' growth.
- Sometimes, conducting a SWOT analysis helps to check the current state of the business and improve operations. It reveals areas where a business is excelling, as well as areas that need improvement.

SWOT Analysis Example

Let us understand with an example of a law firm - what could its SWOT analysis help understand about its business.

STRENGTH	WEAKNESS
Multiple Partners with varied expertise Long Term contractual service agreements 70 years of brand value Services spread across 20 states of India 400+ employee strength to deliver work	Run by old methods No automation of work and documentation Not very employee friendly culture
OPPORTUNITY	**THREAT**
Automation driven advancement. Startups can be supported with experienced partners. Investment in technology can multiply returns.	Online players entering market. AI based solutions and applications. Price point of online being very competitive Speed of work becoming faster by the day.

Benefits and Limitations of SWOT Analysis

The main benefit of SWOT analysis is that it breaks down complex issues into a simple framework. However, a key criticism is that it doesn't usually evaluate strengths, weaknesses, opportunities, and threats in the context of competitors. Therefore, when using SWOT, organizations should consider their competitors and external factors affecting the business.

While simple, SWOT analysis is still a useful starting point for business evaluation.

SWOT Analysis for Internal or External Environment?

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

6. Competitive Advantage: Using Michael Porter's Generic Strategies

- Why do some companies succeed while others fail?
- How did Hindustan Motors perform well for decades?
- How did Apple rise from near failure in the 1990s to become a global technology leader?
- Why has Indigo Airlines consistently increased its revenue and profit, while its competitors have struggled?

For most companies, achieving superior performance compared to rivals is the ultimate goal. When a company achieves this, it is said to have a competitive advantage.

Competitive advantage allows a firm to outperform competitors. It is the unique features of a company and its products that are seen by the target market as superior to the competition. Simply put, a company has a competitive advantage if its profitability is higher than the industry average.

Jack Welch once said, "If you don't have a competitive advantage, don't compete."

Achieving Competitive Advantage A company gains competitive advantage when it can successfully create value in a way that rivals cannot easily imitate or find too costly to replicate. A firm achieves this advantage when its competitors fail to copy its strategies or products.

6.1 Sustainability of Competitive Advantage

The sustainability of a competitive advantage depends on the following four characteristics of a company's resources and capabilities:	
Durability	The duration for which a competitive advantage is sustained depends on how quickly a firm's resources and capabilities deteriorate. In industries with fast product innovation, patents may quickly become obsolete. Similarly, management expertise linked to a CEO's leadership may disappear with their departure. However, consumer brand names often have lasting appeal.
Transferability	Even if resources and capabilities are durable, they may lose value if competitors can easily access them. The more easily resources can be transferred between companies, the less sustainable the competitive advantage will be.
Imitability	If a company's resources and capabilities cannot be bought or copied easily, competitors must build them from scratch. How quickly can competitors replicate a company's competitive advantage? In industries like financial services, innovations are often unprotected and easily copied. However, organizational capabilities that depend on unique networks, routines, and corporate culture are harder to imitate.
Appropriability	Appropriability refers to the ability of a company to capture the profits from its resources. Even if a company has resources that offer a sustainable competitive advantage, it must ensure that it receives the rewards from these resources, rather than having them directed elsewhere.

6.2 Michael Porter's Generic Strategies

Porter identified three main strategies for gaining competitive advantage: cost leadership, differentiation, and focus. These strategies are called "generic" because they can be applied by any business, regardless of size or industry, including non-profits.

Strategy	Explanation
Cost Leadership	Focuses on producing standardized products at a very low cost for price-sensitive consumers.
Differentiation	Aims to create unique products that stand out industry-wide and are aimed at consumers who are less concerned with price.
Focus	Produces products and services for a specific small group of consumers with very particular needs or tastes.
Strategic Considerations	Larger firms with more resources usually use cost leadership or differentiation, while smaller firms focus on niche markets using the focus strategy. Sharing activities and resources can enhance competitive advantage by reducing costs or increasing differentiation. Porter emphasizes the need for firms to effectively transfer skills and expertise between business units to strengthen the organization's competitive edge.

Cost Leadership Strategy	
Cost Leadership Strategy	A low-cost competitive strategy that targets a broad mass market. The goal is to reduce costs in areas like procurement, production, storage, and distribution, allowing a firm to charge lower prices than competitors and still earn a profit.
Benefits of	It enables companies to stay profitable even amid rivalry, new competitors, supplier power, substitutes, and buyer power.
Key Conditions for Cost Leadership Success	Cost leadership works best when: • The market is made up of price-sensitive buyers. • Product differentiation is difficult or limited. • Buyers do not care much about brand differences or when they have significant bargaining power.
Risks of Cost Leadership	• Imitation: Competitors may copy the strategy, reducing profits across the industry. • Technological Change: Innovations could make the strategy obsolete. • Buyer Preferences: If buyers shift to other differentiating features (other than price), the strategy may lose its effectiveness.
Achieving Cost Leadership	To achieve cost leadership, businesses can take the following steps: 1. Forecast demand accurately. 2. Utilize resources optimally to reduce costs. 3. Achieve economies of scale for lower per-unit costs. 4. Standardize products for mass production (e.g., McDonald's). 5. Invest in cost-saving technologies and improve efficiency. 6. Resist unnecessary differentiation until required by the market.

Advantages of COST LEADERSHIP strategy ☺	Disadvantages of COST LEADERSHIP strategy ☹
1. Rivalry –Competitors are likely to **avoid a price war**, since the low-cost firm will continue to earn profits after competitors compete away their profits. 2. Buyers–Powerful buyers/customers would not be able to exploit the cost leader firm and will continue to buy its product. 3. Suppliers–Cost leaders can absorb greater price increases before it must raise price to customers. 4. Entrants–Low-cost leaders create barriers to market entry through its continuous focus on efficiency and reducing costs. 5. Substitutes – Low-cost leaders are more likely to lower costs to induce customers to stay with their product, invest to develop substitutes, purchase patents.	1. Cost advantage may not be remaining for long as competitors may also follow cost reduction technique. 2. Cost leadership can succeed only if the firm can achieve higher sales volume. 3. Cost leaders tend to keep their costs low by minimizing advertising, market research, and research and development, but this approach can prove to be expensive in the long run. 4. Technology changes are a great threat to the cost leader.

Differentiation Strategy

- The differentiation strategy targets a broad market by creating a unique product or service that customers see as different from other options.
- This uniqueness can be in areas like product design, brand image, features, technology, dealer network, or customer service. Because of this, businesses can charge a premium price for their products.

Key Aspects of Differentiation

- Differentiation doesn't automatically guarantee a competitive advantage, especially if standard products can meet customer needs or competitors can quickly imitate features.
- Successful differentiation can result in greater product flexibility, better compatibility, lower costs, improved service, less maintenance, greater convenience, or more features.
- Product development is a key strategy for differentiation but should be based on a careful study of customer needs and preferences.

Risks of Differentiation Strategy

- Customer Valuation: If customers don't value the unique product enough, they may not be willing to pay the higher price. In this case, cost leadership may outperform differentiation.
- Imitation: Competitors may copy the unique features quickly, which can diminish their competitive advantage. Example: Amazon Prime's two-hour delivery service is hard for competitors to copy, which makes it a strong differentiator.

Bases of Differentiation

Basis	Explanation
Product	Innovative products that meet customer needs can provide a competitive edge. Example: Apple iPhone has invested heavily in R&D, attracting customers eager to try new products.
Pricing	Pricing can either be set low to attract price-sensitive customers or high to indicate superiority. Example: Apple iPhone charges premium prices for advanced features.
Organization	Differentiation can be achieved through brand power, location, and customer loyalty. Example: Apple has a loyal customer base, creating strong brand loyalty.

Achieving Differentiation

To successfully differentiate, a company can take the following steps:

1. Match products with customer tastes and preferences to provide value.
2. Improve product performance to stand out from competitors.
3. Offer high-quality products for buyer satisfaction.
4. Engage in rapid product innovation to adapt to changes in the market.
5. Take steps to enhance brand image and build brand value.
6. Fix prices based on the unique features of the product and customers' ability to pay.

Advantages of DIFFERENTIATION strategy ☺	Disadvantages of DIFFERENTIATION strategy ☹
1. Rivalry - Brand loyalty acts as a safeguard against competitors. It means that customers will be less sensitive to price increases, as long as the firm can satisfy the needs of its customers. 2. Buyers – They do not negotiate for price as they get special features and also they have fewer options in the market. 3. Suppliers – Because differentiators charge a premium price, they can afford to absorb higher costs of supplies and customers are willing to pay extra too. 4. Entrants – Innovative features are an expensive offer. So, new entrants generally avoid these features because it is tough for them to provide the same product with special features at a comparable price. 5. Substitutes – Substitute products **can't replace** differentiated products which have high brand value and enjoy customer loyalty.	1. In long term, uniqueness is difficult to sustain. 2. Charging too high a price for differentiated features may cause the customer to switch-off to another alternative. 3. Differentiation fails to work if its basis is something that is not valued by the customers.

Focus Strategies

- A focus strategy aims to target a specific market segment that is large enough, has good growth potential, and is not vital to the success of other major competitors.
- Firms can use strategies like market penetration (offering new products to existing customers) and market development (introducing new products to new customers) to gain advantages in a focused market.
- Midsize and larger firms can pursue focus-based strategies alongside differentiation or cost leadership strategies. However, all firms are essentially pursuing a differentiated strategy, as only one company can achieve the lowest cost in the industry.

Focus strategies are effective when:

- Consumers have distinct preferences or needs.
- Competitors are not attempting to specialize in the same target segment.

Risks of a Focus Strategy:

- Competitors may recognize the success of a focus strategy and imitate it.
- Consumer preferences may shift toward more general market trends, reducing the uniqueness of the focus strategy.

Types of Focus Strategies

- Focused Cost Leadership: This strategy competes based on price within a narrow market segment. The company does not necessarily charge the lowest price in the entire industry, but rather low prices relative to competitors in the targeted niche. Example: A budget airline that focuses on low-cost services for a specific region.

- Focused Differentiation: This strategy offers unique features that cater to the specific demands of a narrow market. Companies using this strategy often focus on providing specialized products or services that competitors do not offer. Example: Rolls-Royce offers luxury, custom-built cars for a very specific high-end customer base.

Achieving Focused Strategy

To implement focused cost leadership or focused differentiation, organizations can:

1. Identify specific niches that are underserved by cost leaders or differentiators.
2. Develop superior skills tailored to serving those niche markets effectively.
3. Achieve high efficiencies in managing niche markets.
4. Innovate in managing the value chain to deliver distinct value for niche customers.

Advantages of FOCUSED strategy ☺	Disadvantages of FOCUSED strategy ☹
1. Premium prices can be charged by the organisations for their focused product/ services. 2. Due to the tremendous expertise about the goods and services that organisations following focus strategy offer, rivals and new entrants may find it difficult to compete.	1. The firms lacking in distinctive competencies may not be able to pursue focus strategy. 2. Due to the limited demand of product/services, costs are high which can cause problems. 3. In long run, the niche could disappear or be taken over by larger competitors by acquiring the same distinctive competencies.

Best-Cost Provider Strategy

- The Best-Cost Provider Strategy is an advanced strategy that combines elements of low cost and upscale differentiation.
- The goal is to offer customers more value for their money by providing products with lower costs or superior quality than competitors.

Companies using this strategy aim to:

1. Offer lower prices than rivals for products with comparable quality.
2. Offer products at similar prices as competitors but with better quality and more features.

Example: Companies like OnePlus, Xiaomi, Oppo, and Vivo use the Best-Cost Provider Strategy to offer high-quality smartphones at lower prices, allowing them to compete against premium brands while appealing to a wider audience.

Multiple Choice Questions

1. The goal of SWOT analysis is to ____ the organization's opportunities and strengths while _ its threats and _ its weaknesses.
(a) avoid; neutralizing; correcting
(b) exploit; neutralizing; correcting
(c) avoid; capitalizing; neutralizing
(d) exploit; avoiding; ignoring

2. SWOT analysis is an evaluation of the organization's _ strengths and weaknesses and its _ opportunities and threats.
(a) external; internal
(b) internal; internal
(c) external; external
(d) internal; external

3. External opportunities and threats are usually:
(a) the minor cause of organizational demise or success
(b) least important for CEOs and the board of directors
(c) not as important as internal strengths and weaknesses
(d) largely uncontrollable activities outside the organization

4. The sustainability of competitive advantage and a firm's ability to earn profits from its competitive advantage depends upon:
(a) Durability, reliability, transferability, approximately
(b) Appropriability, durability, transferability, imitability
(c) Transferability, imitability, reliability, approximately
(d) Imitability, durability, reliability, appropriability

5. Internal _ are activities in an organization that are performed especially well.
(a) Opportunities
(b) Competencies
(c) Strengths
(d) Management

6. 'Strategic group mapping' helps in-
(a) Identifying the strongest rival companies
(b) Identifying weakest rival companies
(c) Identifying weakest and strongest rival companies
(d) None of the above

7. In Michael Porter's generic strategy emphasizes producing standardized products at a very low per unit-cost for consumers who are price sensitive.
(a) Cheap leadership
(b) Inferior product leadership
(c) Cost leadership
(d) Cost benefit

8. Differentiation Strategy can be achieved by following measures:
1. Match products with tastes and preferences of customers.
2. Elevate the performance of the product.
3. Rapid product innovation Which of the above is true:
(a) (1) and (2)
(b) (1) and (3)
(c) (2) and (3)
(d) (1), (2) and (3)

9. What are the three different bases given by Michael Porter's Generic Strategies to gain competitive advantage?
(a) differentiation, integration and compensation
(b) integration, focus and differentiation
(c) compensation, integration and focus
(d) cost leadership, differentiation and focus

10. A firm successfully implementing a differentiation strategy would expect:
(a) Customers to be sensitive to price increases.
(b) To charge premium prices.
(c) Customers to perceive the product as standard.
(d) To automatically have high levels of power over suppliers.

Answers to Multiple Choice Questions

1	(b)	2	(d)	3	(d)	4	(b)	5	(c)	6	(c)
7	(c)	8	(d)	9	(d)	10	(b)				

SCENARIO BASED QUESTIONS

Scenario Based Question 1: MTP-May '24, MTP-Sep '24, Exam-May '24

A beverage company is launching a new line of energy drinks targeted at health-conscious consumers. The strategic manager wants to study the market position of rival companies in the energy drink segment. Which tool can be used for this analysis, and what is the procedure to implement it effectively?

Answer:

To study the market position of rival companies in the energy drink segment, the strategic manager can use strategic group mapping. This tool helps identify strategic groups, which consist of rival firms with similar competitive approaches and positions in the market. The procedure for implementing strategic group mapping effectively is as follows:

✓ Refer Topic -**Steps to Create a Strategic Group Map** on Page-56

Scenario Based Question 2: MTP-May '24

EasyLife Corporation, a leading manufacturer of consumer electronics, is considering launching a new line of smart home devices. As a strategic manager, conduct a SWOT analysis for EasyLife Corporation to assess the feasibility and potential success of this new venture. Consider both internal and external factors that could impact the success of the new product line.

Answer:

SWOT Analysis for EasyLife Corporation's New Smart Home Devices Venture:

Strengths	Weaknesses
• Strong brand reputation in consumer electronics. • Established distribution network. • Access to technological expertise for product development. • Financial resources to support product launch and marketing.	• Limited experience in the smart home devices market. • May require additional investments in research and development. • Potential challenges in integrating a new product line with existing offerings. • Lack of established customer base for smart home devices.
Opportunities	**Threats**
• Growing market for smart home devices due to increasing consumer interest in home automation. • Possibility of partnering with existing smart home platform providers. • Potential to leverage brand loyalty from existing customers. • Ability to differentiate through innovative features and design.	• Intense competition from established players in the smart home devices market. • Rapid technological advancements lead to short product life cycles. • Potential for cybersecurity threats in connected devices. • Economic factors impacting consumer spending on discretionary items.

The SWOT analysis highlights that while EasyLife Corporation has several strengths that can support the launch of a new smart home devices line, there are also significant weaknesses and threats to consider. To maximize the chances of success, EasyLife Corporation should focus on leveraging its brand reputation and distribution network while carefully addressing the weaknesses and threats identified. Additionally, staying informed about technological developments and consumer trends will be essential for maintaining competitiveness in the dynamic smart home devices market.

Scenario Based Question 3: Exam-Sep-24

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

Answer:

According to Porter, strategies allow organizations to gain competitive advantage from three different bases: cost leadership, differentiation, and focus. Porter called these base generic strategies.

ABC Ltd. has opted for the Differentiation Strategy. The company has invested a huge amount in R & D and developed a formula for manufacturing sugar-free beverages to give the customer value and quality. They are **pioneers and serve specific customer needs that are not met by other companies** in the industry. The new product has been accepted by a class of customers. **Differentiated and unique sugar-free beverages** enable ABC Ltd. to charge **relatively higher** for its products, hence making higher profits and maintaining its competitive position in the market.

Sugar free beverage of ABC Ltd. is being accepted widely by a class of customers. Differentiation strategy is aimed at a broad mass market and involves the creation of a product or service that is perceived by the customers as unique. The uniqueness can be associated with product design, brand image, features, technology, and dealer network or customer service.

Achieving Differentiation Strategy

- ✓ Refer Topic - **Achieving Differentiation** on Page-65

Scenario Based Question 4: RTP-May'24, Sep '24

Inspite of high commodity inflation, shortage of components and the threat of third wave of COVID-19 pandemic in India, manufacturers of packaged goods, home appliances and consumer electronics are expecting the business to grow by 12 to 25 percent in the coming months. After one-and-a-half years of disruption, manufacturers are now confident about managing their inventories better, keeping their supply channels well-stocked and preparing themselves to minimalize the impact of any COVID related restrictions even as they gear up for the festive season, which usually accounts for 25 to 35 percent of their yearly sales.

The home appliances sector could be an example. After a dismal April-June quarter in the year 2021, producers of air conditioners, refrigerators and washing machines are expecting their business to grow by 15-20 percent in the months to come. All the companies operating in the sector have geared up to grab the opportunities available in the market.

A leading company in the home appliances domain, XXP India, is planning to launch various innovative product designs and offer loyalty programmes to lure consumers.

With reference to Michael Porter's generic strategies, identify which strategy XXP India has planner for? Explain how this strategy will be advantageous to the company to remain profitable?

Answer:

According to Michael Porter, strategies allow organizations to gain competitive advantage from three different bases: cost leadership, differentiation, and focus. Porter called these base generic strategies. XXP India Ltd. has planned for Differentiation Strategy. The company is planning to launch various innovative product designs and offer loyalty programmes to lure customers.

Differentiation strategy should be pursued only after a careful study of buyers' needs and preferences to determine the feasibility of incorporating one or more differentiating features into a unique product that features the desired attributes. A successful differentiation strategy allows a firm to charge a higher price for its product and to gain customer loyalty, because consumers may become strongly attached to the differentiated features.

Advantages of Differentiation Strategy

- ✓ Refer Topic - **Advantages of Differentiation** on Page-66

Scenario Based Question 5:

Rohit Sodhi runs a charitable organization for promotion of sports in the country. His organization conducts regular free training camps for youths interested in playing cricket, football, hockey, badminton and so on. Many of his trainees have reached national level contests. Rohit noticed that with success of IPL (Cricket) tournament there is an increasing trend to extend similar format in other sports as well. He wishes to know how the development is going help sports and to which industries it will offer opportunities and threats.

Answer:

With the success of IPL, league matches are taking place in other sports as well. These are held in a grandeur manner between several teams. **For example**, league matches in magnificent manner now take place in Football, Kabaddi and Hockey in India. These events are profit and entertainment driven. These are going to help sports in India by generating interest in sports, making them more popular, increasing quality of competition and bringing money into sports.

A number of entities and processes are involved in these events from various industries offering opportunities and threats to them. An opportunity is a favourable condition in the organisation's environment which enables it to strengthen its position. On the other hand, a threat is an unfavourable condition in the organisation's environment which causes a risk for, or damage to, the organisation's position. An opportunity is also a threat in case internal weaknesses do not allow organization to take their advantage in a manner rival can. It will offer opportunity and threats to the following:

Opportunities

- ♦ Stadia.
- ♦ Manufacturers of sports goods.
- ♦ Media Industry – Sports channels / television, advertisers.
- ♦ Hotel Industry linking events with their offerings.

Threats

- ♦ Entertainment industry engaged in TV serials, cinema theatres, Entertainment theme parks as competitors will be fighting for the same viewers/target customers.
- ♦ Event Management organization engaged in non-sports events.

Scenario Based Question 6:

Mohan has joined as the new CEO of XYZ Corporation and aims to make it a dominant technology company in the next five years. He aims to develop competencies for managers for achieving better performance and a competitive advantage for XYZ Corporation. Mohan is well aware of the importance of resources and capabilities in generating competitive advantage.

Discuss the four major characteristics of resources and capabilities required by XYZ Corporation to sustain the competitive advantage and its ability to earn profits from it.

Answer:

XYZ Corporation is aiming to transform into a dominant technology company under the leadership of Mohan, the new CEO. He aims to develop competencies for managers for achieving better performance and a competitive advantage for the corporation. Mohan is also well aware of the importance of resources and capabilities in generating and sustaining the competitive advantage. Therefore, he must focus on characteristics of resources and capabilities of the corporation.

The sustainability of competitive advantage and a firm's ability to earn profits from it depends, to a great extent, upon four major characteristics of resources and capabilities which are as follows:

- ✓ Refer Topic - **6.1 Sustainability of Competitive Advantage** on Page-63

Scenario Based Question 7:

Airlines industry in India is highly competitive with several players. Businesses face severe competition and aggressively market themselves with each other. Luxury Jet is a private Delhi based company with a fleet size of 9 small aircraft with seating capacity ranging between 6 seats to 9 seats. There aircrafts are chartered by big business houses and high net worth individuals for their personalised use. With customised tourism packages their aircrafts are also often hired by foreigners. Identify and explain the Michael Porter's Generic Strategy followed by Luxury Jet.

Answer:

The Airlines industry faces stiff competition. However, Luxury Jet has attempted to create a niche market by adopting focused differentiation strategy. A focused differentiation strategy requires offering unique features that fulfil the demands of a narrow market.

Luxury Jet compete in the market based on uniqueness and target a narrow market which provides business houses, high net worth individuals to maintain strict schedules. The option of charter flights provided several advantages including, flexibility, privacy, luxury and many a times cost saving. Apart from conveniences, the facility will provide time flexibility. Travelling by private jet is the most comfortable, safe and secure way of flying your company's senior business personnel.

Chartered services in airlines can have both business and private use. Personalized tourism packages can be provided to those who can afford it.

Scenario Based Question 8:

Gennex is a company that designs, manufactures and sells computer hardware and software. Gennex is well known for its innovative products that has helped the company to have advantage over its competitors. It also spends on research and development and concerned with innovative softwares. Often the unique features of their product, that are not available with their competitors helps them to gain competitive advantage. Gennex using the strategy is consistently gaining its position in the industry over its competitors.

Identify and explain the Porter's generic strategy which Gennex has opted to gain the competitive advantage.

Answer:

According to Porter, strategies allow organizations to gain competitive advantage from three different bases: cost leadership, differentiation, and focus. Porter called these base generic strategies.

Gennex has opted **differentiation strategy**. Its products are designed and produced to give the customer value and quality. They are unique and serve specific customer needs that are not met by other companies in the industry. Highly differentiated and unique hardware and software enables Gennex to charge premium prices for its products hence making higher profits and maintain its competitive position in the market.

Differentiation strategy is aimed at broad mass market and involves the creation of a product or service that is perceived by the customers as unique. The uniqueness can be associated with product design, brand image, features, technology, dealer network or customer service.

Scenario Based Question 9:

Sohan and Ramesh are two friends who are partners in their business of making biscuits. Sohan believe in making profits through selling more volume of products. Hence, he believes in charging lesser price to the customers. Ramesh, however, of the opinion that higher price should be charged to create an image of exclusivity and for this, he proposes that the product to undergo some change.

Analyse the nature of generic strategy used by Sohan and Ramesh.

Answer:

Considering the generic strategies of Porter there are three different bases: cost leadership, differentiation and focus. Sohan and Ramesh are contemplating pricing for their product.

Sohan is trying to have a low price and high volume is thereby trying for **cost leadership.** Cost leadership emphasizes producing standardised products at a very low per unit cost for consumers who are price sensitive.

Ramesh desires to create perceived value for the product and charge higher prices. He is trying to adopt differentiation. Differentiation is aimed at producing products and services considered unique industry wide and directed at consumers who are relatively price insensitive.

Scenario Based Question 10:

Infant care is a successful store chain that caters products for expectant mothers and new moms. They offer everything from nursing classes to strollers, toys, infant clothes, diapers and baby furniture. Due to a one-stop shop for infants, they are charging a premium for its products.

Identify and explain how the strategy adopted by infant care.

Answer:

Infant care is opting for differentiation strategy. A one-stop shop is a benefit for this type of customers, seeking convenience in a time. Infant care is catering the products only related to an infant that is perceived by the customers as unique. Because of differentiation, the Infant care is charging a premium for its product.

Scenario Based Question 11:

Rohit Patel is having a small chemist shop in the central part of Ahmedabad. What kind of competencies Rohit can build to gain competitive advantage over online medicine sellers?

Answer:

Capabilities that are **valuable, rare, costly to imitate, and non-substitutable** are core competencies. A small chemist shop has a local presence and functions within a limited geographical area. Still, it can build its own competencies to gain competitive advantage. Rohit Patel can build competencies in the areas of:

(i) Developing personal and cordial relations with the customers.

(ii) Providing home delivery with no additional cost.

(iii) Developing a system of speedy delivery that can be difficult to match by online sellers. Being in central part of city, he can create a network to supply at wider locations in the city.

(iv) Having extended working hours for convenience of buyers.

(v) Providing easy credit or a system of monthly payments to the patients consuming regular medicines.

Scenario Based Question 12:

'Value for Money' is a leading retail chain, on account of its ability to operate its business at low costs. The retail chain aims to further strengthen its top position in the retail industry. Marshal, the CEO of the retail chain is of the view that to achieve the goals they should focus on lowering the costs of procurement of products.

Highlight and explain the core competence of the 'Value for Money' retail chain.

Answer:

A core competence is a unique strength of an organization which may not be shared by others. Core competencies are those capabilities that are critical to a business achieving competitive advantage. In order to qualify as a core competence, the competency should differentiate the business from any other similar businesses. A core competency for a firm is whatever it does is highly beneficial to the organization.

'Value for Money' is the leader on account of its ability to keep costs low. The cost advantage that 'Value for Money' has created for itself has allowed the retailer to price goods lower than competitors. The core competency in this case is derived from the company's ability to generate large sales volume, allowing the company to remain profitable with low profit margin.\

Level Up To Exams

Question 1 **RTP-May '24**

There are four specific criteria of sustainable competitive advantage that firms can use to determine those capabilities that are known as core competencies. Explain.

Answer:

✓ Refer Topic - **Criteria for Building Core Competencies** on Page-61

Question 2 **MTP-May '24,RTP-Sep '24,Exam-Jan'25**

How can Mendelow's Matrix be used to analyze and manage the stakeholders effectively?

Answer:

Mendelow's Matrix can be used effectively to analyze and manage stakeholders through a grid-based approach by the following steps:

✓ Refer Topic **- 2.1 Mendelow's Stakeholder Matrix** on Page-53

Question 3 **MTP-Sep '24,RTP-Jan '25**

ABC Corporation, a leading manufacturer of consumer electronics, is considering launching a new line of smart home devices. As a strategic manager, conduct a SWOT analysis for ABC Corporation to assess the feasibility and potential success of this new venture. Consider both internal and external factors that could impact on the success of the new product line.

Answer:

SWOT Analysis for ABC Corporation's New Smart Home Devices Venture:

Strengths	Weaknesses
• Strong brand reputation in consumer electronics.	• Limited experience in the smart home devices market.
• Established distribution network.	• May require additional investments in research and development.
• Access to technological expertise for product development.	• Potential challenges in integrating a new product line with existing offerings.

• Financial resources to support product launch and marketing.	• Lack of established customer base for smart home devices.
Opportunities	**Threats**
• Growing market for smart home devices due to increasing consumer interest in home automation.	• Intense competition from established players in the smart home devices market.
• The possibility of partnering with existing smart home platform providers.	• Rapid technological advancements lead to short product life cycles.
• Potential to leverage brand loyalty from existing customers.	• Potential for cybersecurity threats in connected devices.
• Ability to differentiate through innovative features and design.	• Economic factors impacting consumer spending on discretionary items.

The SWOT analysis highlights that while ABC Corporation has several strengths that can support the launch of a new smart home devices line, there are also significant weaknesses and threats to consider. To maximize the chances of success, ABC Corporation should focus on leveraging its brand reputation and distribution network while carefully addressing the weaknesses and threats identified.

Question 4 **MTP-Sep '24,RTP-Jan '25,Exam-May '24**

What are channels? Why is channel analysis important? Explain the different types of channels?

Answer: Refer Topic - 3.4 Channels- on Page-59

Question-5 **MTP-May '24**

StarTech Solutions, an aerospace technology firm, operates in a highly competitive industry. Despite the fierce competition in the aerospace sector, StarTech has carved out a niche for itself by focusing on serving unique, high-end clients. Unlike its competitors, StarTech has chosen not to diversify its target market and instead specializes in providing cutting-edge solutions to this niche market.
Identify and explain the strategy adopted by StarTech Solutions. Discuss the advantages and disadvantages of this strategy.

Answer:

The strategy adopted by StarTech Solutions is Focused differentiation. This strategy involves targeting a specific segment of the market with unique products or services that are perceived as valuable by customers in that segment. By specializing in serving unique, high-end clients, StarTech is able to differentiate itself from competitors and create a competitive advantage.

✓ **Refer Topic - Focus Strategies- on Page-67**

Question-6 **MTP-Sep '24, MTP-Jan '25, Exam-Sep-24**

Major core competencies are identified in three areas - competitor differentiation, customer value and application to other markets. Discuss.

Answer:

According to C.K. Prahalad and Gary Hamel, major core competencies are identified in three areas - competitor differentiation, customer value, and application to other markets.

✓ **Refer Topic - Key Conditions for Core Competency- on Page-60**

Question-7 **MTP-Jan '25**

Chic Threads, a boutique fashion brand renowned for its commitment to sustainability and ethical practices, has recently launched a new line of eco-friendly clothing made from recycled materials. The brand recognizes the growing influence of environmentally conscious consumers who actively shape industry standards through their advocacy and purchasing decisions. These consumers align with Chic Threads' values and have a significant impact on its market position and reputation. How should Chic Threads effectively manage its relationship with environmentally conscious consumers, considering their high power and high interest in shaping the brand's success? (5 Marks)

Answer:

According to Mendelow's Matrix, environmentally conscious consumers who influence industry standards fall into the Key Players quadrant. These stakeholders possess both high power and high interest, making them crucial to the success of Chic Threads' sustainability-focused initiatives. Their high interest stems from their alignment with the brand's ethical and eco-friendly values, while their high power arises from their ability to shape market trends, advocate for sustainable practices, and impact on the brand's reputation through their purchasing decisions and influence within the industry.

As Key Players, these consumers require active engagement. Chic Threads must focus on satisfying their expectations by providing regular updates on sustainability efforts, maintaining transparent communication, and incorporating their feedback to ensure continued support. The brand should actively involve these stakeholders in its decision-making processes by seeking their input on product design and sustainability measures. Additionally, building strong relationships through targeted marketing campaigns, collaborations, and awareness initiatives will further solidify their trust and advocacy. Effectively managing this stakeholder group is vital, as their support and satisfaction directly contribute to the success of the brand's eco-friendly clothing line.

Question-8	**MTP-Jan '25**

Explain in brief the various basis of differentiation strategies.

Answer: **Refer Topic- Bases of Differentiation-on Page-65**

Question-9	**Exam-Jan '25**

Write a short note on the key strategic drivers of an organization.

Answer: **Refer Topic- Strategic Drivers-on Page-55**

4. STRATEGIC CHOICES

1. Introduction

Portfolio Analysis Models: Strategies are designed at various levels of an organization to achieve goals, satisfy shareholders, and allocate resources effectively. Top management makes strategic decisions, which are delegated to middle management and executed by functional managers.

Strategic Choices	Businesses use different strategies to enter, compete, and grow in the market. Examples include: 1. Grand Strategies: Stability, Growth, Retrenchment, and Combination (William F. Glueck and Lawrence R. Jauch). 2. Competitive Strategies: Cost Leadership, Differentiation, Focused Cost Leadership, and Focused Differentiation (Michael E. Porter). 3. Functional Strategies for areas like marketing and HR.
Types of Strategies	Strategies depend on organization levels, business lifecycle stages, and competition: Startups may use competitive (market entry with rivals) or collaborative (joint ventures) strategies. Most startups focus on market penetration to achieve break-even before pursuing growth. Established businesses may use competitive or collaborative strategies for growth.
Corporate Strategy	Strategies operate at different levels: 1. Corporate Level: Sets the overall direction. 2. Business Level: Focuses on specific products or processes (Strategic Business Units). 3. Functional Level: Implements corporate and business strategies in areas like production, marketing, finance, and HR.
Corporate Strategies	Organizations adopt one of four main corporate strategies: 1. Stability Strategy 2. Expansion Strategy 3. Retrenchment Strategy 4. Combination Strategy

2. Corporate Strategies

Stability	The firm stays with its current businesses and product markets; maintains the existing level of effort; and is satisfied with incremental growth.
Expansion	Here, the firm seeks significant growth-maybe within the current businesses; maybe by entering new business that are related to existing businesses; or by entering new businesses that are unrelated to existing businesses.
Retrenchment	The firm retrenches some of the activities in some business (es), or) or drops the business as such through sell-out or liquidation.
Combination	The firm combines the above strategic alternatives in some permutation/combination so as to suit the specific requirements of the firm.

2.1 Stability Strategy	
Stability Strategy	• A stability strategy focuses on maintaining a business's current strengths, interests, and market position. • It aims to achieve steady efficiency, safeguard existing successes, and optimize resource use for consistent returns. • This strategy ensures the business stays on its established path, retaining its competitive position and adapting to market changes.
When It's Used	A stability strategy is adopted when: • The firm serves similar markets with the same or similar products and services. • Products are in the maturity stage of their lifecycle. • The company has a strong market share and aims to retain it by staying updated with market trends. • Small organizations aim to consolidate before planning for growth.
Key Characteristics	The characteristics of a stability strategy include: 1. Continuing with the same business and product-market approach. 2. Maintaining the same level of effort as currently applied. 3. Making incremental improvements to enhance efficiency and resource use. 4. Avoiding significant changes or redefining the business. 5. A safe approach that maintains the status quo. 6. Requiring minimal new investments. 7. Involving low risk. 8. Allowing the organization to focus on core competencies and existing markets/products. 9. Typically chosen by firms with modest growth objectives.
Major Reasons	Businesses choose a stability strategy for reasons like: 1. Products have reached the maturity stage of their lifecycle. 2. Staff prefers the status quo due to fewer changes and risks. 3. The operating environment is relatively stable. 4. Expansion could be risky or unnecessary. 5. After rapid growth, the firm needs to stabilize and consolidate.

Why don't Startups aim for stability?

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

2.2 Growth/Expansion Strategy

- Growth or expansion strategy focuses on redefining and growing a business by broadening its scope and increasing investments.
- This approach is associated with energy, innovation, and success, but it may involve risks and uncertain paths.
- It often requires significant changes, such as setting new goals, pursuing new opportunities, and adopting new technologies, products, and markets.

Key Characteristics of Growth/Expansion Strategy	
Redefining the Business	It involves reshaping the company's direction and goals.
Opposite of Stability Strategy	Unlike a stability strategy with limited rewards and low risks, expansion strategy offers high rewards but comes with higher risks.
Enables Business Growth	Companies aiming for significant growth can achieve it only through this strategy.
Promotes Renewal	Expansion fuels business renewal through fresh investments and entry into new products, markets, and industries.
Versatility	It provides various growth options by adjusting products, markets, and functions to suit business needs.
Two Main Approaches	Intensification: Growing within current markets/products. Diversification: Expanding into new markets/products.

Why Businesses Choose Growth/Expansion Strategy	
Increased Demand	When the market environment requires faster growth
Satisfaction of Leadership	Leaders often prefer steering growth-oriented organizations.
Market Advantage	Gaining more control over the market compared to competitors.
Efficiency Gains	Benefits from economies of scale and improved processes.
Multiple Growth Options	Includes strategies like intensifying operations, diversifying products, acquisitions, and mergers.

Types of Growth/Expansion Strategy

Growth strategies can be categorized into two main types:

A. Internal Growth Strategies
B. External Growth Strategies

A. Internal Growth Strategies

Internal growth strategies focus on expanding within the organization by utilizing its own resources and capabilities. These can be further divided into:

1. Expansion through Intensification
2. Expansion through Diversification
3. Innovation

A1.Expansion through Intensification	
This strategy focuses on internal growth by enhancing the organization's operations and utilizing its existing resources. Growth is achieved by intensifying efforts in the current business or market. A firm adopts this strategy by leveraging its internal capabilities to grow. Intensification can be achieved through the following methods:	
Market Penetration	Focuses on the existing product in the existing market. The organization directs its resources to grow profitably by increasing its market share.
Market Development	Involves marketing existing products in new markets. Achieved by adding new distribution channels, changing advertising strategies, or using different promotional media.
Product Development	Involves creating new products or significantly modifying existing ones. Targets current customers using established distribution channels.

Igor. H. Ansoff gave a framework as shown in figure below which describes the intensification options available to a firm.

Market Penetration ♦ Increase market share. ♦ Increase product usage. ♦ Increase the frequency used. ♦ Increase the quantity used. ♦ Find new application for current users.	**Product Development** ♦ Add product features, product refinement. ♦ Develop a new-generation product. ♦ Develop new product for the same market.
Market Development ♦ Expand geographically Target new segments.	**Diversification involving new products and new markets** ♦ Related / Unrelated.

A2.Expansion or Growth through Diversification
• Diversification is a growth strategy where a firm expands into new products, services, or markets. • It is an internal growth strategy used by innovative and creative firms that seek new opportunities and challenges. • Diversification is often chosen because it offers better prospects for growth and profitability compared to other strategies like intensification.

What is Diversification?
• Diversification involves entering into areas that require different skills, technology, or knowledge than the firm currently possesses. For example: • A firm may introduce a new product or service that is unrelated to its current offerings and aimed at a completely different customer group. • This type of diversification, where both the product and market are unrelated to the firm's existing experience, is called conglomerate diversification.

Why Firms Choose Diversification	
Better Use of Existing Resources:	• Firms may have excess capacity in manufacturing, funds, marketing, or other areas that can be utilized more efficiently. • Diversification allows the firm to make better use of its existing facilities and capabilities.
Synergistic Advantage:	• By adding related or new products, firms can improve the sales and profitability of their existing products. • Linkages in technology or markets between the old and new products create additional benefits.

Types of Diversification	
Based on the relationship to existing businesses, diversification is categorized as:	
Concentric Diversification:	Expansion into related businesses to leverage synergistic gains.
Conglomerate Diversification	Expansion into unrelated businesses to explore new opportunities beyond current areas of expertise.
Concentric Diversification	• Involves expanding into related businesses to benefit from synergy. • The new business is linked to the firm's current business through processes, technology, or marketing. Example: A clothing manufacturer starts producing shoes.

Two Directions of Concentric Diversification:	
Vertical Integration:	Forward and backward integration forms part of vertically integrated diversification. In vertically integrated diversification, firms opt to engage in businesses that are vertically related to the existing business of the firm. The firm remains vertically within the same process. While diversifying, firms opt to engage in businesses that are linked forward or backward in the chain. Backward Integration: is concerned with creation of effective supply by entering business of input providers. Strategy employed to expand profits and gain greater control over production/supply of a product whereby a company will purchase or build a business that will increase its own supply capability or lessen its cost of production (e.g., a supermarket buying farms to control fresh produce supply). Forward Integration: Moving closer to customers by entering distribution or retail (e.g., a coffee bean manufacturer opening coffee shops).

Horizontal Integration:	Expanding by acquiring similar businesses at the same stage of production (e.g., a textile mill acquiring other textile mills or related businesses).
Conglomerate Diversification	Involves entering unrelated businesses to explore new opportunities and reduce reliance on current products or markets. Both the technology and market are different from the firm's existing expertise. Example: A food company diversifying into electronics.

Diversification can involve innovation, which can either relate to the firm's existing businesses or be entirely unrelated.

RELATED DIVERSIFICATION	UNRELATED DIVERSIFICATION
♦ Exchange or share assets or competencies by exploiting. ♦ Brand name. ♦ Marketing skills. ♦ Sales and distribution capacity ♦ Manufacturing skills. ♦ R&D and new product capability. ♦ Economies of scale.	♦ Investment in new product portfolios. ♦ Employment of new technologies. ♦ Focus on multiple products. ♦ Reduce risk by operating in multiple product markets. ♦ Defend against takeover bids. ♦ Provide executive interest.

Is it really worth expanding so much to diversify a business into unrelated products?

Despite of its complexity, conglomerate diversification (diversification into unrelated business) financially makes a lot of sense.

- It creates access a new pool of customers, thereby expanding its customer base.
- It allows access to markets and cross-selling new products, leading to increased revenues.
- Further, it eases the management of losses in a business; profits in one business can be used to keep the loss making business afloat within the same organisation.

A3.Innovation

Innovation involves upgrading existing product lines or processes, resulting in increased market share, revenues, profitability, and most importantly, customer satisfaction. While some argue it incurs unnecessary costs, innovation is critical for long-term growth and offers several benefits.

Key Benefits of Innovation

Helps Solve Complex Problems	Innovation identifies opportunities in societal problems and provides customer-centric, sustainable solutions. Example: Addressing environmental damage by shifting to renewable energy sources (solar, wind, sea waves). While initial costs are high, long-term benefits include economic and environmental sustainability.
Increases Productivity	Productivity measures the final output of a task or process.

	Innovation simplifies and automates tasks, reducing redundancies and improving organizational productivity. Example: MS Excel: A digital innovation used in finance to automate manual tasks, creating a ripple effect that drives improvements within and across industries.
Provides Competitive Advantage	Staying ahead of competitors is a strategic priority. Faster innovation creates a gap that is hard for competitors to bridge. Innovative products require less marketing as they offer added satisfaction, attracting both existing and new customers. Enhanced customer retention and acquisition through innovation.

External Growth Strategies

External growth strategies involve expanding through alliances with external organizations instead of relying solely on internal growth.

This is primarily achieved through mergers and acquisitions, which provide an instant means of expansion by circumventing the time, risks, and skills required for internal growth.

B1. Expansion through Mergers and Acquisitions

- Accelerate growth by leveraging external resources.
- Reduce the time, risks, and efforts required to build resources internally.
- Achieve synergy in areas such as physical facilities, technical expertise, managerial skills, distribution networks, and research and development.
- Synergy ensures that the combined resources produce greater positive effects than individual resources could achieve independently

Merger vs. Acquisition

Aspect	Merger	Acquisition
Definition	A process where two or more companies come together on friendly terms to expand their business.	A process where a stronger organization takes over a weaker one to control its operations.
Nature	Mutual agreement; results in a new, jointly owned entity.	Often occurs in recession or during declining profits, sometimes in a hostile manner.
Operation Name	The new entity operates under a new name.	Operations run under the name of the acquiring organization.
Objective	Growth, breaking trade barriers, and sharing profits.	Dominance, cost-cutting, and eliminating weaker competition.

Types of Mergers

Horizontal Merger	A combination of firms in the same industry or direct competitors. Objective: • Achieve economies of scale by reducing duplication. • Expand product lines. • Reduce fixed assets and working capital investment. • Eliminate competition. Example: Vodafone & Idea , HDFC & HDFC Bank

Vertical Merger	Definition: A merger between organizations operating in the same industry but at different stages of the production or distribution process. Backward Integration: • Acquiring suppliers or raw material producers. • Reduces input costs and improves control over supply chains. Forward Integration: • Acquiring buyers or distribution channels. • Enhances market control and increases margins. Advantages: Financial and operational economies, control over supply chain, and market dominance.
Co-generic Merger	A merger between organizations linked through related production processes, business markets, or technologies. Purpose: • Extend product lines or acquire complementary components for operations. • Diversify around a common set of resources and strategic requirements. • Example: A refrigerator manufacturer merging with a kitchen appliance company.
Conglomerate Merger	A conglomerate merger involves the combination of unrelated organizations with no linkages in: • Customer groups • Customer functions • Technologies used There are typically no significant common factors in production, marketing, R&D, or technology. However, there may be some overlap in practice

Advantages of Mergers and Acquisitions	
Rapid Growth	Instant access to new markets, technologies, or resources.
Synergy	Enhanced operational and managerial efficiency by combining resources
Cost Reduction	Economies of scale and elimination of redundancies.
Market Control	Reduced competition and greater control over supply and distribution chains.
Strategic Benefits	Access to new technologies, customer bases, or geographic regions.

B2.Expansion through Strategic Alliance

- A strategic alliance is a relationship between two or more businesses to achieve common strategic objectives that would not be possible independently.
- Each partner remains independent and shares benefits, control, and contributions.
- Common in global markets, often between companies from different regions.

Advantages of Strategic Alliances	
Category	Advantages
Organizational	• Learn new skills and capabilities. • Enhance productivity, expand supply chains, and improve distribution systems. • Gain legitimacy by associating with well-known partners.
Economic	• Reduce costs and risks by sharing them among partners. • Achieve economies of scale through increased production. • Co-specialization creates additional value (e.g., product bundling).
Strategic	• Cooperation among rivals reduces competition. • Vertical integration strengthens the supply chain. • Pooling resources enables competitive advantage, joint R&D, and new product development.
Political	• Facilitates entry into foreign markets via local partnerships. • Builds political influence and improves market positioning.

Disadvantages of Strategic Alliances	
Resource Sharing:	Sharing profits, resources, and trade secrets may lead to reluctance or disputes.
Knowledge Risks:	Sharing trade secrets can expose critical business information. Agreements to protect them depend on mutual adherence or legal enforcement.
Potential Competition	Alliances may create future competitors if one partner becomes independent.

3. Strategic Exits

Strategic Exits occur when an organization significantly reduces its scope of activity. This involves identifying problem areas, diagnosing their causes, and taking steps to address them. The outcome of this process can lead to different retrenchment strategies:

Types of Retrenchment Strategies	
Turnaround Strategy	Definition: Focuses on reversing the decline by improving internal efficiency. Objective: Restore profitability and stabilize the organization.
Divestment Strategy (Divestiture)	Definition: Involves cutting off loss-making units, divisions, or SBUs. Actions: Curtailing product lines or reducing functions performed. Objective: Eliminate unprofitable areas and refocus on core operations.
Liquidation Strategy	Definition: Abandoning all activities entirely when other strategies fail. Actions: Selling assets and ceasing operations. Objective: Settle debts and minimize losses for stakeholders.

3.1. Turnaround Strategy	
A turnaround strategy is an internal retrenchment measure aimed at improving internal efficiency to address declining performance and ensure survival. Conditions Indicating the Need for Turnaround : Turnaround is required if the organization faces the following: 1. Persistent negative cash flow. 2. Uncompetitive products or services. 3. Declining market share. 4. Deterioration in physical facilities. 5. Overstaffing, high employee turnover, or low morale. 6. Mismanagement.	
Action Plan for Turnaround	
Stage 1	Assessment of Current Problems • Identify root causes of issues and assess their impact. • Focus resources on immediate corrective actions.
Stage 2	Analyse the Situation and Develop a Strategic Plan • Determine the business's survival chances. • Identify core businesses, financing needs, and organizational resources. • Analyse strengths and weaknesses, then create a strategic plan with specific goals and actions.
Stage 3	Implementing an Emergency Action Plan • Develop measures to stabilize operations: • Restructure debts and improve working capital. • Reduce costs and prune unprofitable product lines. • Accelerate high-potential products. • Establish positive operating cash flow and secure funding for strategy implementation.
Stage 4	Restructuring the Business • Address financial challenges and reposition core products. • Prepare cash forecasts, analyze assets and debts, review profits and analyze other key financial functions • Changing the product mix and closing non-performing facilities. • Withdrawing from non-core markets. • Boosting employee morale with reward systems.
Stage 5	Returning to Normal • Focus on profitability and sustainable growth: • Introduce new products and improve customer service. • Form alliances and expand market share. • Enhance economic value-added through strategic efforts.

Key Elements of Turnaround Strategy	
1. Changes in Top Management	New leadership to address inefficiencies.
2. Credibility-Building Actions	Restore stakeholder confidence.
3. Neutralizing External Pressures	Manage stakeholder expectations.
4. Identifying Quick Payoff Activities	Focus on immediate revenue and cost-saving measures.
5. Quick Cost Reductions	Cut unnecessary expenses
6. Revenue Generation	Prioritize high-potential products and services.
7. Asset Liquidation	Sell non-core assets to generate cash
8. Better Internal Coordination	Streamline processes for improved efficiency.

3.2 Divestment Strategy	
Divestment strategy refers to the sale or liquidation of a portion of the business, a major division, profit center, or Strategic Business Unit (SBU). It is typically adopted as part of a rehabilitation or restructuring plan, especially when a turnaround strategy has failed. In some cases, divestment may be seen as the only viable option, bypassing a turnaround attempt.	
Reasons for Adopting a Divestment Strategy	
Acquired Business Mismatch:	When an acquired business cannot be integrated into the company, making it unsuitable for continued operation.
Negative Cash Flow:	Persistent negative cash flow from a particular business that creates financial strain on the entire organization.
Severe Competition:	Inability to cope with intense competition may lead a firm to divest.
Technological Challenges:	When a business requires technological upgradation to survive, but the firm is unable or unwilling to invest in this, divestment may be a better alternative.
Better Investment Alternatives:	A more profitable investment opportunity may arise, prompting the firm to divest from unprofitable areas.
Characteristics of Divestment Strategy	
Sale or Liquidation:	Involves the sale or liquidation of part of the business or specific operations.
Part of Corporate Strategy:	Divestment should be considered an integral part of a firm's overall corporate strategy, without any stigma attached.
Major Reasons for Retrenchment/Turnaround Strategy	
Continuous Losses:	Management may choose to exit partially or entirely due to ongoing losses and unviability.
Improving Viability:	Divesting unprofitable activities may be necessary to make the business more viable.
Acquisition Mismatch:	An acquired business that cannot be integrated within the company.
Negative Cash Flow:	A business that causes financial strain on the organization.
Intense Competition:	Inability to cope with severe competition leading to the decision to divest.

Technological Challenges:	When technological improvements are essential but investment is not possible, divestment becomes a preferable option.
Better Investment Opportunities:	Divesting unprofitable businesses to invest in more profitable alternatives.

Is Turnaround strategy only relevant to loss making businesses?

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

4. STRATEGIC OPTIONS

Strategic Options	• Strategic options are derived from existing products and industry innovations. Firms can use different models to make strategic decisions for their individual products or business units. These models are typically used for: • Competitive analysis and corporate strategic planning in multi-product and multi-business firms. • Less diversified firms with a main business and minor complementary interests can also use these strategies.
Advantages:	• A portfolio approach helps allocate resources at the corporate level to the most promising businesses. • For example, a diversified company might divert resources from cash-rich businesses to those with higher growth potential, helping the company achieve its corporate goals efficiently. • The management must analyse its business portfolio and decide where to invest more, less, or not at all. Based on this, growth strategies can be developed to add new products or businesses.

4.1 Ansoff's Product Market Growth Matrix

The Ansoff Product Market Growth Matrix is a tool that helps companies decide on their product and market growth strategies.

It helps businesses understand how their growth depends on entering new or existing markets with new or existing products.

The Product/Market Expansion Grid is a tool to identify growth opportunities.

Growth Strategies in Ansoff's Matrix

Market Penetration	Definition: Focuses on selling existing products in existing markets. Strategy: Increase sales to current customers without major changes to products. Methods: • Increase advertising, personal selling, and promotional campaigns. • Aggressive pricing strategies to outcompete rivals. Example: Gucci selling luxury clothing with new designs in European markets.
Market Development	Definition: Involves selling existing products in new markets.

	Strategy: Identify and enter new markets for current products, such as new geographical areas, new market segments, or new distribution channels. Example: Gucci expanding its luxury clothing in Chinese markets.
Product Development	Definition: Focuses on introducing new products in existing markets. Strategy: Modify or introduce new products to meet the needs of existing customers. Example: Gucci selling casual clothing in European markets.
Diversification	Definition: Involves introducing new products in new markets. Strategy: Enter new businesses and markets that are unrelated to the company's existing products. Risk: This strategy is risky as it involves venturing into unknown markets without relying on the company's current products or market position. Example: Gucci selling casual clothing in Chinese markets.
Shifting Strategies	As market conditions evolve, companies may change their growth strategies. For example: If the current market becomes saturated, companies may pursue market development or product development to continue growing.

4.2 ADL Matrix

Stage of Industry Maturity	Represents a position in the industry life cycle and acts as an environmental measure.
Competitive Position	Represents the business strength in the market and categorizes SBUs into five positions.

Competitive position	Stage of industry maturity: Embryonic	Growth	Mature	Ageing
Dominant	Fast grow Build barriers Act offensively	Fast grow Attend cost leadership Renew Defend position Act offensively	Defend position Attend cost leadership Renew Fast grow Act offensively	Defend position Renew Focus Consider withdrawal
Strong	Differentiate Fast grow	Differentiate Lower cost Attack small firms	Lower cost Focus Differentiate Grow with industry	Find niche Hold niche Harvest
Favourable	Differentiate Focus Fast grow	Focus Differentiate Defend	Focus Differentiate Harvest Find niche Hold niche Turnaround Grow with industry Hit smaller firms	Harvest Turnaround
Tenable	Grow with industry Focus	Hold niche Turnaround Focus Grow with industry Withdraw	Turnaround Hold niche Retrench	Divest Retrench
Weak	Find niche Catch-up Grow with industry	Turnaround Retrench Niche or withdraw	Withdraw Divest	Withdraw

Competitive Position	
Dominant	A rare position, often seen in monopolies or firms with protected technological leadership.
Strong	The firm enjoys strategic freedom and is not easily threatened by competitors.
Favourable	Occurs in fragmented industries where no single firm dominates, giving market leaders a reasonable degree of freedom.
Tenable	Firms in this category perform satisfactorily but are vulnerable to competition from stronger rivals.
Weak	Performance is unsatisfactory, but there are opportunities for improvement.

4.3 Boston Consulting Group (BCG) Growth – Share Matrix	
Definition	The BCG Growth-Share Matrix helps companies analyze their investment portfolio and allocate resources efficiently.
Alternative Name	Also known as the Cow and Dog Matrix, commonly used for resource allocation in diversified companies.
Classification	Businesses are classified on a two-dimensional matrix based on market growth rate and relative market share.
Axes of the Matrix	Vertical Axis: Represents market growth rate, indicating market attractiveness. Horizontal Axis: Represents relative market share, measuring company strength in the market.

Category	
Stars	• High growth, high market share businesses. • Require heavy investment to maintain position and expand further. • Represent best opportunities for growth.
Cash Cows	Low growth, high market share businesses. Generate steady cash flow with low costs. Require less investment to sustain market position. Stars eventually turn into Cash Cows when market growth slows down.
Question Marks (Problem Children / Wildcats)	High growth, low market share businesses. Need large investments to maintain or increase share. Have low cash generation potential but can be converted into Stars with proper strategy. If neglected, they may become cash traps.

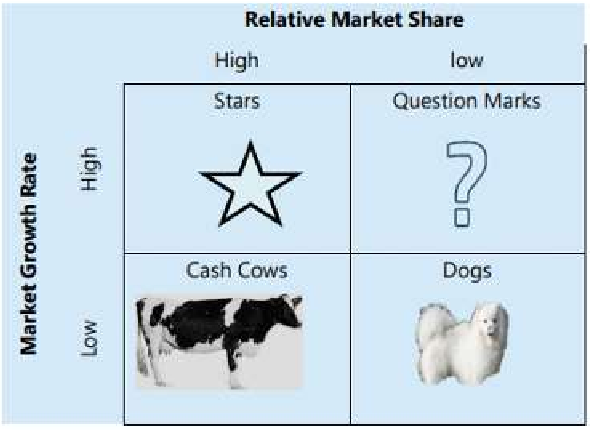


Figure: BCG Growth-Share Matrix

Dogs	Low growth, low market share businesses. May generate just enough cash to sustain, but have limited future prospects. Some require additional funding to survive. Should be minimized through divestment or liquidation.

BCG Matrix: Post Identification Strategies

Strategy	Objective
Build	Increase market share by prioritizing long-term growth over short-term earnings.
Hold	Maintain current market share without aggressive expansion.
Harvest	Maximize short-term cash flow, even if it impacts long-term prospects.
Divest	Sell or liquidate the business to reallocate resources more effectively.

Is the BCG Matrix Really Helpful?

Advantages	Limitations
• Helps in strategic planning.	• Complex and costly to implement.
• Guides resource allocation.	• Defining SBUs and market share is challenging.
• Provides a clear business classification.	• Focuses on current businesses, with little guidance for future planning.
• Identifies growth opportunities.	• May encourage risky expansions or premature divestments.

4.4 General Electric Matrix ["Stop-Light" Strategy Model]

Developed by	General Electric (GE) with assistance from McKinsey & Company.
Alternative Names	GE Nine-Cell Matrix, GE Model, Business Planning Matrix.
Concept	Inspired by traffic control lights: • Green: Go (Invest & Expand). • Amber/Yellow: Caution (Strategic Evaluation Needed). • Red: Stop (Retrenchment or Exit).
Strategic Factors	Two key factors for decision-making: • Business Strength • Market Attractiveness

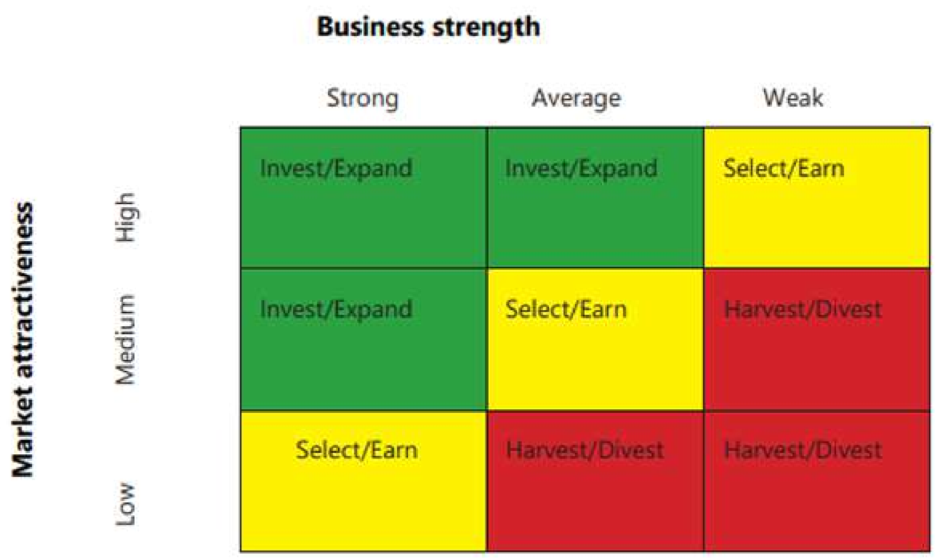
Understanding the GE Matrix

Axis	Factors Considered
Vertical Axis - Market Attractiveness	• Market Size & Growth Rate • Industry Profitability • Competitive Intensity • Technology Availability • Pricing Trends • Return Risk & Demand Variability • Segmentation & Distribution Structure
Horizontal Axis - Business Strength	• Market Share & Growth Rate • Profit Margins • Distribution Efficiency

	• Brand Image & Customer Loyalty • Competitive Ability (Price & Quality) • Production & Technological Capability • Management Strength & Cost Position

Strategic Decisions Based on Matrix Zones	
Zone	Strategy
Green (Advantageous Position)	Expand, Invest & Grow.
Amber/Yellow (Caution Required)	Evaluate Carefully, Manage Strategically.
Red (Risky & Loss-Making)	Retrench, Divest, or Liquidate.

Differences Between GE Model & BCG Matrix		
Factor	GE Model	BCG Matrix
Industry Attractiveness	Market Attractiveness (Broad Factors).	Market Growth Rate (Single Factor).
Competitive Position	Competitive Strength.	Market Share.



Multiple Choice Questions

1. Which strategy is implemented after the failure of turnaround strategy?
   (a) Expansion strategy
   (b) Diversification strategy
   (c) Divestment strategy
   (d) Growth strategy

2. Retrenchment strategy in the organization can be explained as
   (a) Reducing trenches (gaps) created between individuals.
   (b) Divesting a major product line or market.
   (c) Removal of employees from job through the process of reorganization.
   (d) Removal of employees from job in one business to relocate them in other business.

3. An organization diversifies in backward sequence in the product chain and enters specific product/process to be used in existing products. It is:
   (a) Forward diversification.
   (b) Vertical diversification.
   (c) Horizontal diversification.
   (d) Reactive diversification.

4. Corporate strategy includes:
   (i) expansion and growth, diversification, takeovers and mergers
   (ii) Vertical and horizontal integration, new investment and divestment areas
   (iii) determination of the business lines
   From the combinations given below select a correct alternative:
   (a) (i), and (ii)
   (b) (i) and (iii)
   (c) (ii) and (iii)
   (d) (i) (ii) and (iii)

5. Vertical integration may be beneficial when
   (a) Lower transaction costs and improved coordination are vital and achievable through vertical integration.
   (b) Flexibility is reduced, providing a more stationary position in the competitive environment.
   (c) Various segregated specializations will be combined.
   (d) The minimum efficient scales of two corporations are different.

6. Stability strategy is a strategy.
   (a) SBU level
   (b) Corporate level
   (c) Business level
   (d) Functional level

7. Conglomerate diversification is another name for which of the following?
   (a) Related diversification
   (b) Unrelated diversification
   (c) Portfolio diversification
   (d) Acquisition diversification

8. Diversification primarily helps to:
   (a) Reduce competition
   (b) Reduce risk
   (c) Reduce taxes
   (d) Reduce costs

9. If suppliers are unreliable or too costly, which of these strategies may be appropriate?
   (a) Horizontal integration
   (b) Backward integration
   (c) Market penetration
   (d) Forward integration

Answers to Multiple Choice Questions

1	(c)	2	(b)	3	(b)	4	(d)	5	(a)	6	(b)
7	(b)	8	(b)	9	(b)						

Scenario Based Questions

Scenario Based Question 1:

The CEO of a textile mill believes that his company, currently operating at a loss, can be turned around. Develop an action plan outlining steps the CEO can take to achieve this turnaround.

Answer: Refer topic -Retrenchment Strategy-on Page

Scenario Based Question 2:

XYZ Corporation is a multinational conglomerate operating in various industries. They have a diverse portfolio of businesses, including a leading consumer electronics division, a growing e-commerce platform, a mature industrial machinery division, and a newly established software development unit. Which division of XYZ Corporation would most likely be classified as a "Star" in the BCG Growth-Share Matrix?

Answer:

In the BCG Growth-Share Matrix, divisions or business units are classified into four categories: Stars, Cash Cows, Question Marks, and Dogs. These classifications are based on a combination of market share and market growth rate.

A "Star" in the BCG Matrix represents a business unit with a high market share in a high-growth market. In the scenario, the newly established software development unit would be classified as a "Star." The software development unit is described as "newly established," suggesting that it is operating in a high-growth market. Additionally, the potential for high market share can be inferred if the unit is strategically positioned to become a leader in the software development industry.

Stars typically require significant investment to fuel their growth, but they have the potential to become future Cash Cows as the market matures. Therefore, the software development unit's high growth potential and the opportunity to capture a substantial market share align with the characteristics of a BCG Matrix "Star."

Scenario Based Question 3: **MTP-Sep'24,MTP-May'24, RTP-Sep '24,Exam-Sep '24**

Pizza Galleria was India's first pizza delivery chain enjoying monopoly for several years. However, after the entry of Modino and Uncle Jack it is struggling to compete. Both Modino and Uncle Jack have opened several eateries and priced the product aggressively. In the last four years the chain has suffered significant losses. The chain wishes to know whether they should go for a turnaround strategy. List out components of action plan for turnaround strategy.

Answer: Refer topic -Retrenchment Strategy-on Page

Scenario Based Question 4:

Gautam and Siddhartha, two brothers, are the owners of a cloth manufacturing unit located in Faridabad. They are doing well and have substantial surplus funds available within the business. They have different approaches regarding corporate strategies to be followed to be more competitive and profitable in future.

Gautam is interested in acquiring another industrial unit located in Faridabad manufacturing stationery items such as permanent markers, notebooks, pencils and pencil sharpeners, envelopes and other office supplies. On the other hand, Siddhartha desires to start another unit to produce readymade garments.

Discuss the nature of strategic choices being suggested by the two brothers with reference to the payoffs and the risks involved.

Answer:

Gautam wishes to diversify in a business that is not related to their existing line of product and can be termed as conglomerate diversification. He is interested in acquiring another industrial unit located in Faridabad manufacturing stationery items such as permanent markers, notebooks, pencils and pencil sharpeners, envelopes and other office supplies, which is not related to their existing product. In conglomerate diversification, the new businesses/ products are disjointed from the existing businesses/products in every way; it is an unrelated diversification. In process/ technology/ function, there is no connection between the new products and the existing ones. Conglomerate diversification has no common thread at all with the firm's present position.

On the other hand, Siddhartha seeks to move forward in the chain of existing product by adopting vertically integrated diversification/ forward integration. The cloth being manufactured by the existing processes can be used as raw material of garments manufacturing business. In such diversification, firms opt to engage in businesses that are related to the existing business of the firm. The firm remains vertically within the same process and moves forward or backward in the chain. It enters specific product/process steps with the intention of making them into new businesses for the firm. The characteristic feature of vertically integrated diversification is that here, the firm does not jump outside the vertically linked product-process chain.

Both types of diversifications have their own risks. In conglomerate diversification, there are no linkages with customer group, customer marketing functions and technology used, which is a risk. In the case of vertical integrated diversification, there is a risk of lack of continued focus on the original business.

Scenario Based Question 5:

Organo is a large supermarket chain. It is considering the purchase of a number of farms that provides Organo with a significant amount of its fresh produce. Organo feels that by purchasing the farms, it will have greater control over its supply chain. Identify and explain the type of diversification opted by Organo?

Answer:

Organo is a large supermarket chain. By opting backward integration and purchase a number of farms, it will have greater control over its supply chain. Backward integration is a step towards, creation of effective supply by entering business of input providers. Strategy employed to expand profits and gain greater control over production of a product whereby a company will purchase or build a business that will increase its own supply capability or lessen its cost of production.

Scenario Based Question 6:

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

Answer:

It is advisable that divestment strategy should be adopted by X Pvt. Ltd.

In the given situation where the business of co-working spaces became unprofitable and unviable due to Global pandemic, the best option for the company is to divest the loss-making business.

Retrenchment may be done either internally or externally. Turnaround strategy is adopted in case of internal retrenchment where emphasis is laid on improving internal efficiency of the organization, while divestment strategy is adopted when a business turns unprofitable and unviable due to some external factors. In view of the above, the company should go for divestment strategy.

Further, divestment helps address issues like:

1. Persistent cash flows from loss making segment could affect other profit-making segments, which is the case in the given scenario.
2. Inability to cope from the losses, which again is uncertain due to pandemic.
3. Better investment opportunity, which could be the case if X Pvt. Ltd. can invest the money it generates from divestment.

Scenario Based Question 7:

Atrix Ltd. is a company engaged in the designing, manufacturing, and marketing of mechanical instruments like speed meters, oil pressure gauges, and so on. Their products are fitted into two and four wheelers. During the last couple of years, the company has been observing a fall in the market share.

This is on account of shift to the new range of electronic instruments. The customers are switching away mechanical instruments that have been the backbone of Atrix Ltd.

As a CEO of Atrix Ltd., what can be the strategic options available with you.

Answer:

Atrix is having a product portfolio that is evidently in the decline stage. The product is being replaced with the technologically superior product. Strategically the company should minimize their dependence on the existing products and identify other avenues for the survival and growth. As a CEO of Atrix Ltd., following can be the strategic options available with the CEO:

- Invest in new product development and switchover to the new technology. Atrix Ltd. also need time to invest in emerging new technology.
- They can acquire or takeover a competitor provided they have or are able to generate enough financial resources.
- They may also consider unrelated growth and identify other areas for expansion. This will enable Atrix Ltd. to spread their risks.
- In longer run, they should divest the existing products. However, they may continue with the existing products in a limited manner for such time there is demand for the product.

Descriptive Questions

Question 1 **MTP-Jan '25,Exam-Jan '25**

Describe the construction of BCG matrix and discuss its utility in strategic management.

Answer:

Companies that are large enough to be organized into strategic business units face the challenge of allocating resources among those units. In the early 1970's the Boston Consulting Group developed a model for managing portfolio of different business units or major product lines. The BCG growth- share matrix facilitates portfolio analysis of a company having invested in diverse businesses with varying scope of profits and growth.

Thus, BCG matrix is a powerful tool for strategic planning analysis and choice.

✓ Refer topic -**BCG Matrix**-on Page

Question 2

An industry comprises of only two firms-Soorya Ltd. and Chandra Ltd. From the following information relating to Soorya Ltd., prepare BCG Matrix:

Product	Revenues (in `)	Percent Revenues	Profits (in `)	Percent Profits	Percentage Market Share	Percentage Industry Growth rate
A	6 crore	48	120 lakh	48	80	+ 15
B	4 crore	32	50 lakh	20	40	+ 10
C	2 crore	16	75lakh	30	60	-20
D	50 lakh	4	5 lakh	2	5	-10
Total	12.5 crore	100	250 lakh	100		

Answer:

Using the BCG approach, a company classifies its different businesses on a two dimensional growth-share matrix. In the matrix, the vertical axis represents market growth rate and provides a measure of market attractiveness. The horizontal axis represents relative market share and serves as a measure of company strength in the market. With the given data on market share and industry growth rate of Soorya Ltd, its four products are placed in the BCG matrix as follows:

Retain Market Share

Product A is in best position as it has a high relative market share and a high industry growth rate. On the other hand, product B has a low relative market share, yet competes in a high growth industry. Product C has a high relative market share but competes in an industry with negative growth rate. The company should take advantage of its present position that may be difficult to sustain in long run. Product D is in the worst position as it has a low relative market share and competes in an industry with negative growth rate.

Question 3 **Exam-Jan '25**

Aurobindo, the pharmaceutical company wants to grow its business. Draw Ansoff's Product Market Growth Matrix to advise them of the available options.

Answer:

The Ansoff's product market growth matrix (proposed by Igor Ansoff) is a useful tool that helps businesses decide their product and market growth strategy.

- ✓ **Refer topic Ansoff's Matrix-on Page**

Question 4

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

(i) A leading producer of tooth paste, advises its customers to brush teeth twice a day to keep breath fresh.

(ii) A business giant in hotel industry decides to enter into dairy business.

(iii) One of India's premier utility vehicles manufacturing company ventures to foray into foreign markets.

(iv) A renowned auto manufacturing company launches ungeared scooters in the market.

Answer:

The Ansoff's product market growth matrix (proposed by Igor Ansoff) is a useful tool that helps businesses decide their product and market growth strategy. This matrix further helps to analyse different strategic directions. According to Ansoff there are four strategies that organization might follow.

(i) Market Penetration: A leading producer of toothpaste, advises its customers to brush teeth twice a day to keep breath fresh. It refers to a growth strategy where the business focuses on selling existing products into existing markets.

(ii) Diversification: A business giant in hotel industry decides to enter into dairy business. It refers to a growth strategy where a business markets new products in new markets.

(iii) Market Development: One of India's premier utility vehicles manufacturing company ventures to foray into foreign markets. It refers to a growth strategy where the business seeks to sell its existing products into new markets.

(iv) Product Development: A renowned auto manufacturing company launches ungeared scooters in the market. It refers to a growth strategy where business aims to introduce new products into existing markets.

LEVEL UP TO EXAMS

Question 1 **RTP-May '24**

XYZ Corporation is a multinational conglomerate operating in various industries. They have a diverse portfolio of businesses, including a leading consumer electronics division, a growing e-commerce platform, a mature industrial machinery division, and a newly established software development unit. Which division of XYZ Corporation would most likely be classified as a "Star" in the BCG Growth-Share Matrix?

Answer:

In the BCG Growth-Share Matrix, divisions or business units are classified into four categories: Stars, Cash Cows, Question Marks, and Dogs. These classifications are based on a combination of market share and market growth rate.

A "Star" in the BCG Matrix represents a business unit with a high market share in a high-growth market. In the scenario, the newly established software development unit would be classified as a "Star." The software development unit is described as "newly established," suggesting that it is operating in a high-growth market. Additionally, the potential for high market share can be inferred if the unit is strategically positioned to become a leader in the software development industry.

Stars typically require significant investment to fuel their growth, but they have the potential to become future Cash Cows as the market matures. Therefore, the software development unit's high growth potential and the opportunity to capture a substantial market share align with the characteristics of a BCG Matrix "Star."

Question 2 **RTP-May '24**

Justify the statement "Stability strategy is opposite of Expansion strategy".

Answer:

Stability Strategies, as the name suggests, are intended to safeguard the existing interests and strengths of business. It involves organisations pursuing established and tested objectives, continue on the chosen path, maintaining operational efficiency and so on. A stability strategy is pursued when a firm continues to serve in the same or similar markets and deals in the same products and services. In stability strategy, few functional changes are made in the products or markets, however, it is not a 'do nothing' strategy. This strategy is typical for mature business organizations. Some small organizations also frequently use stability as a strategic focus to maintain comfortable market or profit position.

On the other hand, expansion strategy is an aggressive strategy as it involves redefining the business by adding the scope of business substantially, increasing the efforts of the current business. In this sense, it becomes the opposite to stability strategy. Expansion is a promising and popular strategy that tends to be equated with dynamism, vigor, promise and success. Expansion also includes diversifying, acquiring and merging businesses. This strategy may take the enterprise along relatively unknown and risky paths, full of promises and pitfalls.

Question 3 **MTP-May'24,RTP-Sep '24**

Distinguish between Concentric Diversification and Conglomerate Diversification. ".

Answer:

The following are the principal points of distinction between concentric diversification and conglomerate diversification:

(i) Concentric diversification occurs when a firm adds related products or markets. On the other hand, conglomerate diversification occurs when a firm diversifies into areas that are unrelated to its current line of business.

(ii) In concentric diversification, the new business is linked to the existing businesses through process, technology or marketing. In
conglomerate diversification, no such linkages exist; the new business/product is disjointed from the existing businesses/ products.

(iii) The most common reasons for pursuing concentric diversification are that opportunities in a firm's existing line of business are available. However, common reasons for pursuing a conglomerate growth strategy are that opportunities in a firm's current line of business are limited or opportunities outside are highly lucrative.

Question 4 **RTP-Jan '25**

InnovaTech, a technology company with a range of business units, is assessing its investment opportunities. To allocate resources effectively, InnovaTech uses a matrix that evaluates each business unit based on two key factors: **industry attractiveness** and **business unit strength**. For example, the AI solutions division, positioned in a highly attractive industry with a strong competitive edge, receives a "go ahead" for further investment. In contrast, its legacy software division, operating in a less attractive industry with a weaker position, receives a "be careful" rating, suggesting limited investment. Identify and explain which analytical tool InnovaTech is using for this evaluation.

Answer:

InnovaTech is using the **GE Matrix**, a strategic tool designed to assess the resource allocation needs of different business units based on two factors: **industry attractiveness** and **business unit strength**. This matrix is a nine-cell grid that helps companies prioritize investments by categorizing units into "grow," "hold," or "harvest" zones, depending on their positions within the matrix.

For InnovaTech, the **AI solutions division**, which operates in a highly attractive industry with a strong competitive position, falls into the "grow" category, meriting further investment. Meanwhile, the **legacy software division** operates in a less attractive industry with weaker positioning, likely placing it in the "harvest" or "hold" category, where investments are minimized.

The GE Matrix enables companies like InnovaTech to systematically evaluate each business unit's potential, optimize resource allocation, and focus on divisions that align with long-term growth and profitability goals.

Question 5 **MTP-May'24,RTP-Jan '25, MTP-Jan '25**

What do you understand by Strategic Alliance? Discuss its advantages.

Answer:

A strategic alliance is a relationship between two or more businesses that enables each to achieve certain strategic objectives which neither would be able to achieve on its own. The strategic partners maintain their status as independent and separate entities, share the benefits and control over the partnership, and continue to make contributions to the alliance until it is terminated.

The advantages of strategic alliance can be broadly categorised as follows:

- ✓ Refer topic - **Strategic Alliance** -on Page-

Question 6 **MTP-Sep'24**

FreshDelight, renowned for its organic fruit juices, aims to expand its market presence by identifying emerging markets in countries where organic products are gaining popularity. To achieve this, FreshDelight launches targeted marketing campaigns and partners with local distributors to introduce its juices to these new regions. This strategy involves adapting product packaging and marketing messages to align with local preferences and regulations. By entering these new markets, FreshDelight hopes to increase its customer base and drive sales growth. What strategy is FreshDelight using to expand its market presence? (5 Marks)

Answer:

FreshDelight is employing a market development strategy to expand its market presence. This approach involves introducing their existing organic fruit juices to new markets, specifically targeting countries where the demand for organic products is on the rise. To achieve this, FreshDelight is launching targeted marketing campaigns and partnering with local distributors to effectively introduce their products to these new regions. Additionally, they are adapting their product packaging and marketing messages to align with local preferences and regulations, ensuring their offerings resonate with the new customer base. By entering these emerging markets, FreshDelight aims to increase its customer base and drive sales growth, leveraging the growing popularity of organic products.

Question 7 **Exam May'24**

'Innovation leads to unnecessary expenses that do not give as many returns.' Do you agree with the statement? Give reasons in support of your answer.

Answer

The statement "Innovation leads to unnecessary expenses that do not give as many returns" is often debated, but evidence strongly suggests that innovation is crucial for long-term business growth and success. I disagree with the statement for several reasons:

Innovation offers the following for a business to grow long term:

- ✓ **Refer-Topic-Innovation-On Page-**

Question 8 **Exam Sep'24**

Start-ups rarely aim for stability strategy. While agreeing with the statement or otherwise, support your point of view by briefly stating as to when the stability strategy is meaningful. State the major reasons for considering stability strategy as one of the corporate strategies by a company. (5 Marks)

Answer:

Agree with the given statement. Start-ups rarely aim for a stability strategy because they are in the early stages of ideation and development, where speed and agility are critical. Stability strategy is more relevant for businesses that have reached maturity, where maintaining current operations and market share becomes a priority. Start-ups, however, focus on rapid growth and market penetration, and stability is usually considered when a business has expanded to full capacity.

- ✓ **Refer-Topic-Stability Strategy-On Page-**

5. STRATEGY IMPLEMENTATION AND EVALUATION

1. INTRODUCTION

Strategy Implementation & Evaluation in Strategic Management	
Phase	Description
Implementation	Putting strategic plans and initiatives into action.
Evaluation	Measuring and assessing effectiveness of implemented strategies.

Overview of Implementation & Evaluation Methods	
Purpose	To assess success and identify improvements in strategy execution.
Process	Covers methods for executing and evaluating strategies.
Outcome	Equips readers with skills to effectively execute and assess strategies.
Next Step	Overview of strategic management process in the next section.

2. STRATEGIC MANAGEMENT PROCESS

The process of developing an organisation's strategy is quite methodical. The organisation first develops a clear vision, mission, values and goals. They then must then discuss and analyse several themes to determine which options are most promising.

All these aspects come together in a strategic plan that details the organisation's vision, mission, values, goals, strategic themes, a high-level implementation plan and key performance measures.

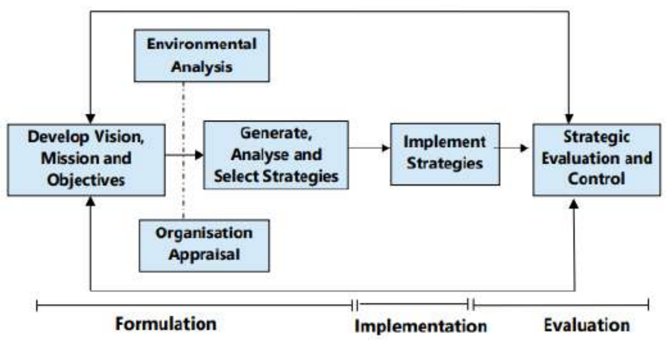


Figure: Strategic Management Model (Fred R David)

- The strategic management process is dynamic and continuous. A change in any one of the major components in the model can necessitate a change in any or all of the other components. For instance, a shift in the economy could represent a major opportunity and require a change in long-term objectives and strategies; a failure to accomplish annual objectives could require a change in policy; or a major competitor's change in strategy could require a change in the firm's mission.
- Therefore, strategy formulation, implementation, and evaluation activities should be performed on a continual basis, not just at the end of the year or semi-annually. The strategic management process never really ends.
- The strategic management process can best be studied and applied using a model. Every model represents some kind of process.

Strategic Management Process: Model & Application	
Strategic Management Model	A widely accepted comprehensive model (Fred R. David) used for formulating, implementing, and evaluating strategies.
Purpose of the Model	Provides a clear and practical approach, though it does not guarantee success.
Relationships in the Model	Shows connections among key strategic components.
Application of the Strategic Management Model	
Non-Linear Process	Strategy is not followed in a strict sequence but involves give-and-take across levels.
Iterative Nature	The process involves back-and-forth adjustments at different stages.
Formal Strategy Meetings	Held semi-annually to review and update vision, mission, SWOT, strategies, objectives, and performance.
Creativity & Communication	Encouraging creative input and ensuring good communication & feedback are essential for success.

2.1 Stages in Strategic Management

Stage	Description
Stage 1: Strategic Vision, Mission and Objectives	✹ Determine what directional path the company should take and what changes in the company's product – market – customer – technology – focus would improve its current market position and its future prospect. ✹ Top management's views and conclusions about the company's direction and the product-customer-market technology focus constitute a strategic vision for the company. ✹ Managers need to be clear about what they see as the role of their organization, and this is often expressed in terms of a statement of mission. ✹ Managers set objectives for truly stretching an organization to reach its full potential. Challenging company personnel to go all out and deliver big gains in performance pushes an enterprise to be more inventive, to exhibit some urgency in improving both its financial performance and its business position, and to be more intentional and focused in its actions.
Stage 2: Environmental and Organizational Analysis	This stage entails two types of analysis: • 1. Environmental scanning • 2. Organizational analysis External environment of a firm consists of economic, social, technological, market and other forces which affect its functioning. The firm's external environment is dynamic and uncertain. Management must systematically analyze various elements of the environment to determine opportunities and threats for the firm in future. Organizational analysis involves a review of financial resources, technological resources, productive capacity, marketing and distribution effectiveness, research and development, human resource skills and so on. This would reveal organizational strengths and weaknesses which could be matched with the threats and opportunities in the external environment.

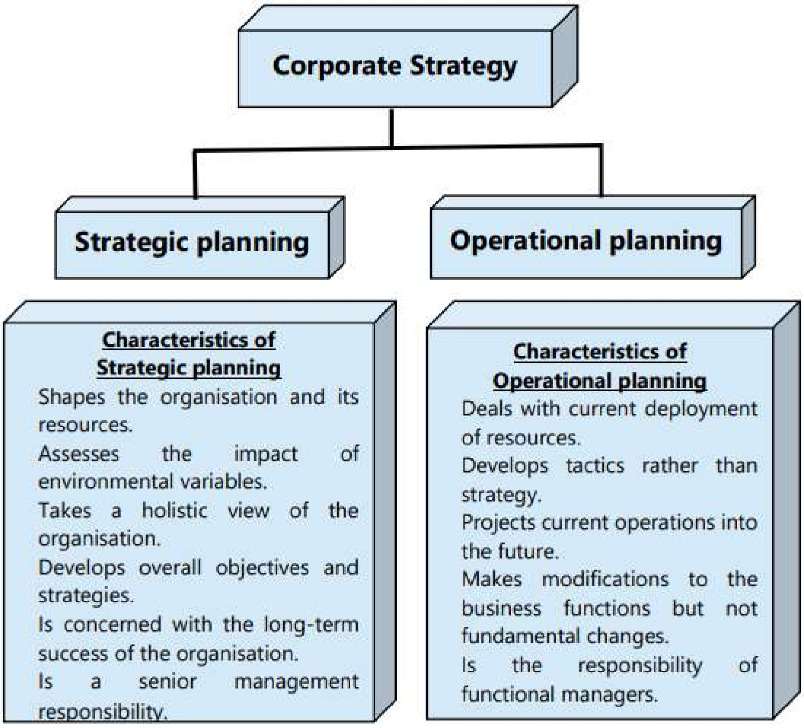
Stage 3: Formulating Strategy	First step is developing strategic alternatives in the light of organization strengths and weaknesses and opportunities and threats in the environment. Second step is the deep analysis of various strategic alternatives for the purpose of choosing the most appropriate alternative which will serve as strategy of the firm. A company may be confronted with several alternatives such as: • Continue in the same business carrying on the same volume of activities? • Grow by expanding the existing units or by establishing new units or by acquiring other units in the industry. • Diversify into related areas or unrelated areas? • Get out of an existing business fully or partially?
Stage 4: Implementation of Strategy	Operations-oriented, activity aimed at shaping the performance of core business activities in a strategy-supportive manner. Most demanding and time-consuming part of the strategy-management process. In most situations, strategy-execution process includes the following principal aspects: • Developing budgets that steer ample resources into those activities critical to strategic success. • Staffing the organization with the needed skills and expertise, consciously building and strengthening strategy-supportive competencies and competitive capabilities, and organizing the work effort. • Ensuring that policies and operating procedures facilitate rather than impede effective execution. • Using the best-known practices to perform core business activities and pushing for continuous improvement. • Installing information and operating systems that enable company personnel to better carry out their strategic roles day in and day out. • Motivating people to pursue the target objectives energetically. • Creating a company culture and work climate conducive to successful strategy implementation and execution. • Good strategy execution involves creating strong "fits" between strategy and organizational capabilities, between strategy and the reward structure, between strategy and internal operating systems, and between strategy and the organization's work climate and culture.
Stage 5 : Strategic Evaluation and Control	Evaluating the company's progress, assessing the impact of new external developments, and making corrective adjustments – is the trigger point for deciding whether to continue or change the company's vision, objectives, strategy, and/or strategy-execution methods. So long as the company's direction and strategy seem well matched to industry and competitive conditions and performance targets are being met, company executives may decide to stay the course. Whenever a company encounters disruptive changes in its external environment, questions need to be raised about the appropriateness of its direction and strategy. If a company experiences a downturn in its market position or

	shortfalls in performance, then company managers are obligated to ferret out whether the causes relate to poor strategy, poor execution, or both and then to take timely corrective action. A company's direction, objectives, and strategy have to be revisited anytime external or internal conditions warrant. It is to be expected that a company will modify its strategic vision, direction, objectives, and strategy over time. Proficient strategy execution is always the product of much organizational learning.

2.2 Strategy Formulation

Corporate Strategy

Planning	Planning involves deciding what needs to be done in the future (e.g., today, next week, next year) and creating action plans to achieve defined goals. It's a critical part of effective management.
Corporate Strategy	The game plan that directs a company toward success is called corporate strategy. This is a high-level plan developed by senior management to guide the company's actions.
Types of Planning	Planning can be operational or strategic.
Strategic Planning	Strategic plans are developed by senior management for the entire organization. They assess the organization's strengths, weaknesses, and external opportunities or threats. These plans focus on gathering and allocating resources to achieve organizational goals.
Operational Planning	Operational plans are developed by middle and lower-level management. These plans provide specific details on how resources will be used effectively to achieve the company's goals.



Corporate Strategy	The game plan that directs a company toward success is called corporate strategy. The company's success depends on how well this plan works.
Strategic Planning	Strategic planning is the process of defining the company's objectives, the resources needed to achieve them, and creating policies to manage the acquisition, use, and disposal of those resources.
Interactive Decision-Making	Strategic planning involves interactive and overlapping decisions that lead to the development of an effective strategy.
Direction and Methods	Strategic planning determines the company's direction over the next year or more and the methods for getting there.
Scope of Strategic Planning	The strategic planning process can be organization-wide or focused on a major function, such as a division or other key area.

Strategic uncertainty and how to deal with it?

Strategic Uncertainty	Strategic uncertainty refers to the unpredictability of future events or circumstances that may affect an organization's strategy and goals. It can be caused by changes in market, technology, competition, regulation, or other external factors.
Managing Uncertainty	To manage strategic uncertainty, organizations need flexibility, resilience, and agility to quickly respond to environmental changes and minimize their impact. Uncertainty can be grouped into logical clusters to assess its importance and prioritize information gathering and analysis.
Flexibility	Organizations can build flexibility into their strategies to quickly adapt to changes in the environment.
Diversification	Diversification (expanding the product portfolio, markets, or customer base) can reduce the impact of strategic uncertainty.
Monitoring & Scenario Planning	Regular monitoring of key indicators and scenario planning helps organizations prepare for different future scenarios that may affect their strategies.
Building Resilience	Organizations can build resilience by strengthening operational processes, improving financial flexibility, and enhancing risk management capabilities.
Collaboration & Partnerships	Collaboration with other organizations, suppliers, customers, and partners can help share resources, reduce risk, and open access to new markets or technologies.
Impact of Uncertainty	The impact of strategic uncertainty depends on the importance of the affected Strategic Business Unit (SBU). Some SBUs are more important based on factors like sales, profits, or costs. However, potential growth should also be considered, as these measures may not fully reflect the true value.

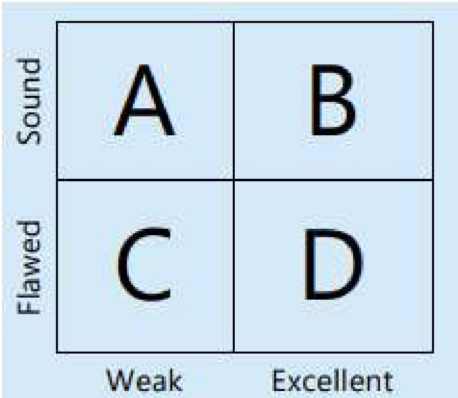
2.3 Strategy Implementation

Strategy Implementation	Strategy implementation involves putting a newly chosen strategy into action. It focuses on overseeing and making the strategy work, improving its execution, and tracking progress towards targeted results.
Translating Strategy to Action	Implementation involves translating strategic decisions into action. This assumes that the decision (strategic choice) was made after considering its feasibility and acceptability.

Resource Allocation	Resources must be allocated to support new actions. This may also require adjusting the organization's structure to handle new activities.
Training and Systems	There may be a need for training personnel and creating appropriate systems to support the new strategy.

Relationship with strategy formulation

Distinguishing Strategy Formulation & Implementation	Many managers fail to see the difference between strategy formulation and strategy implementation. Understanding this difference is crucial because they require very different skills.
Success Requires Both	A company can only succeed when both the strategy formulation is solid and the implementation is excellent. There is no such thing as successful strategic design alone.
Common Mistake	Often, people blame the strategy model for failure, but the real issue may be failed implementation.
Organizational Success	Organizational success depends on both a good strategy and proper implementation.
Strategy Formulation vs. Implementation	The matrix represents various combinations of strategy formulation and implementation to illustrate their differences and impact.

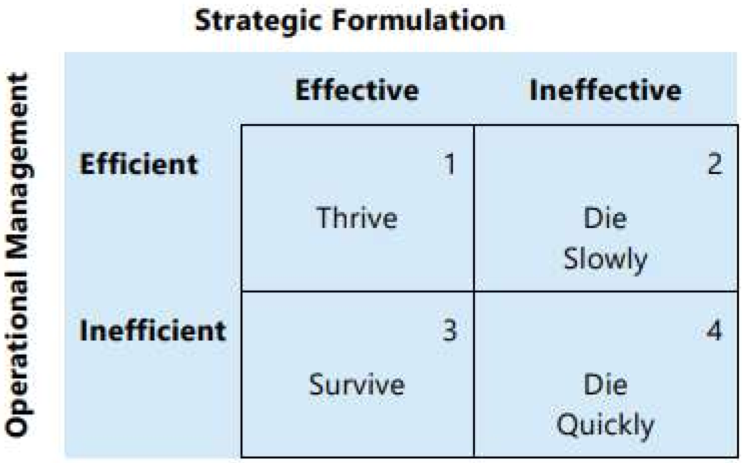


Distinction Between Strategy & Implementation	The figure shows the distinction between sound/flawed strategy formulation and excellent/weak strategy implementation.
Square A	Square A represents a situation where a company has a competitive strategy but struggles with implementation. This could be due to factors like lack of experience, resources, or leadership. The goal is to move from Square A to Square B by addressing these challenges.
Square B (Ideal Situation)	Square B is the ideal situation, where the company has a solid strategy and successful implementation.
Square D (Flawed Strategy)	Square D is when the strategy is flawed but the company has excellent implementation skills. The first step is to redesign the strategy before adjusting the implementation/execution.
Square C (Flawed Strategy & Execution)	Square C represents companies with both a flawed strategy and poor implementation. They need to redesign the business model and readjust implementation/execution to succeed.

Competitive Position	Business strategy is seen as a set of actions to gain and maintain a competitive position relative to competitors.
Strategy vs. Long-Term Plan	Strategy is not just a long-term plan, but rather a company's efforts to adapt its competitive position as circumstances change. Moves may be planned, but they must be adjusted based on competitors' actions.

Efficiency vs. Effectiveness	In organizations with no strategic direction, the focus is on efficiency (short-term cost cutting, shedding unprofitable divisions). However, effectiveness focuses on achieving organizational goals and desired competitive position, linking the organization to its environment.
Role of Management	Operational managers are responsible for efficiency, while top management is responsible for the strategic orientation of the organization.

Cell 1 (Ideal Position)	An organization in cell 1 is thriving because it achieves its goals with an efficient output/input ratio.
Cell 2 & 4 (Doomed Without Strategy)	Organizations in cell 2 or cell 4 are in a weak position and are doomed unless they establish a strategic direction.
Cell 3 (Strategic Direction Present)	Cell 3 is better than cell 2 because, although the organization uses more input to generate output, it has a strategic direction ensuring effectiveness.



Effectiveness vs. Efficiency	Effectiveness is about doing the right thing (ensuring survival), while efficiency is doing things right. Emphasizing efficiency over effectiveness is a mistake.
Determining Effectiveness	Effectiveness is determined by a variety of interest groups within the organization (e.g., shareholders, employees, suppliers, consumers, government, pressure groups).
Strategic Planning vs. Implementation	A perfect strategic plan is useless without effective implementation. Many organizations focus too much on planning, treating implementation as an afterthought. Change happens through implementation and evaluation, not just the plan.
Execution Over Perfection	A technically imperfect plan that is well implemented will achieve more than a perfect plan that remains on paper.
Strategy Formulation vs. Execution	Successful strategy formulation does not guarantee success in strategy implementation. It's always harder to execute than to formulate a strategy.

Difference between Strategy Formulation and Implementation

Aspect	Strategy Formulation	Strategy Implementation
Definition	Involves planning and decision-making to develop the organization's strategic goals and plans.	Involves the means and actions related to executing the strategic plans.
Focus	Placing the forces before action.	Managing forces during the action.

Nature of Activity	Entrepreneurial activity focused on strategic decision-making.	Administrative task focused on both strategic and operational decisions.
Emphasis	Focuses on effectiveness.	Focuses on efficiency.
Process Type	Primarily an intellectual and rational process.	Primarily an operational process.
Coordination Level	Requires coordination among a few top-level individuals.	Requires coordination among many middle and lower-level individuals.
Skills Required	Requires initiative, logical, conceptual, intuitive, and analytical skills.	Requires motivational and leadership traits.
Sequence	Strategy formulation precedes strategy implementation.	Strategy implementation follows strategy formulation.
Variation by Organization Type	Strategy formulation tools don't differ greatly between small, large, for-profit, or non-profit organizations.	Strategy implementation varies substantially across different types and sizes of organizations.
Implementation Activities	No direct mention.	Activities include changing sales territories, adding departments, hiring new employees, changing pricing strategies, building new facilities, and improving management information systems.
Interdependence of Phases	Strategy formulation is a separate phase.	Strategy implementation is a separate phase.
Linkages Between Phases	Forward linkages (strategy formulation's impact on implementation).	Backward linkages (implementation's impact on formulation).

2.5 Linkages and Issues in Strategy Implementation

Linkages

Strategy Formulation	Entrepreneurial activity focused on strategic decision-making.
Strategy Implementation	Administrative task involving both strategic and operational decision-making.
Forward Linkages	Elements of strategy formulation (objective setting, environmental/organizational appraisal, alternatives/choice, strategic plan) define the organization's course. New or modified strategies require organizational changes, such as: ✹ Adapting organizational structure. ✹ Adjusting leadership style. ✹ Forward linkages connect strategy formulation with its implementation.
Backward Linkages	Implementation factors also influence formulation. Past strategic actions affect strategic choice. Organizations tend to choose strategies that:

	✸ Align with current resource structure. ✸ Require incremental changes. ✸ These small changes progressively lead the organization to its desired goals.

Issues in Strategy Implementation

Broad Scope	Strategy implementation encompasses nearly all aspects of management. Strategists need wide-ranging knowledge, skills, and abilities to handle resources, structure, policies, and leadership.
Strategies vs. Actions	Strategies are statements of intent, requiring implementation to activate them. Implementation tasks convert intent into action through programmes, projects, and resources.
Programmes	Programmes include goals, policies, procedures, rules, and steps to execute plans. Supported by allocated funds for implementation.
Projects	Projects are specific parts of programmes with time schedules and predetermined costs. Funds allocated through capital budgeting (e.g., R&D projects).
Comprehensive Approach	Beyond planning, implementation requires: resource allocation, organizational structure, systems installation, functional policies, and behavioral inputs.

Sequential Issues in Strategy Implementation

Project Implementation	Execution of planned projects within time and cost constraints.
Procedural Implementation	Defining and following procedures for smooth execution of strategies.
Resource Allocation	Ensuring optimal distribution of resources (financial, human, etc.) for plans and projects.
Structural Implementation	Designing or modifying the organizational structure to support strategies.
Functional Implementation	Developing functional policies (e.g., HR, operations) aligned with strategies.
Behavioral Implementation	Managing people's attitudes, reducing resistance to change, and building a strategy-supportive culture.

Key Management Issues

Shift in Responsibility	Strategy formulation led by strategists transitions to divisional/functional managers for implementation. This can lead to issues if decisions surprise middle/lower-level managers.
Alignment of Interests	Managers/employees are motivated by self-interests, which must align with organizational interests. Involve them in strategy formulation for better alignment.
Annual Objectives and Policies	Setting clear annual objectives and policies to guide implementation.

Organizational Changes	Restructuring, reengineering, revising reward systems, and minimizing resistance to change are often required. Necessary when strategies take the firm in a new direction.
Strategy-Supportive Culture	Developing a culture that fosters strategy implementation.
Employee and Manager Training	Training employees and managers to ensure world-class performance and competitive edge.
Communication	Clear top-down communication to build bottom-up support. Explain objectives, external threats/opportunities, and competitor analysis to all levels.
Competitor Focus	Encourage benchmarking against best-in-class competitors at all hierarchical levels.

3. STRATEGIC CHANGE THROUGH DIGITAL TRANSFORMATION

Organizations are being pushed harder than ever to shift digitally in order to stay competitive. Digital transformation, however, may be a difficult and complicated process. To guarantee that projects for digital transformation are effective, change management is crucial. We will now examine change management's function in the digital transformation.

3.1 Strategic Change

Need for Strategic Change	Changes in environmental forces require businesses to adapt by modifying existing strategies or developing new strategies.- Focuses on new markets, products, services, and business methods.

Steps to Initiate Strategic Change

Recognize the Need	♦ Diagnose the corporate culture to identify strategy-supportive and non-supportive facets. ♦ Use environmental scanning (e.g., SWOT analysis) to locate gaps and areas for change.
Create a Shared Vision	♦ Align individual and organizational objectives to avoid conflict. ♦ Senior managers must communicate the vision clearly and convincingly. ♦ Actions should be credible, visible, and serious.
Institutionalize Change	♦ Implement and sustain the changed strategy. ♦ Build a capacity for self-renewal to prevent reverting to old habits. ♦ Monitor and review the change process, correcting deviations as needed.

Kurt Lewin's Change Model

Unfreezing	• Prepares members for change by breaking down old attitudes, behaviors, and traditions. • The process of unfreezing simply makes the individuals or organizations aware of the necessity for change and prepares them for such a change. • Changes should not come as a surprise to the members of the organization.

	• Sudden and unannounced change would be socially destructive and morale lowering. The management must pave the way for the change by first "unfreezing the situation", so that members would be willing and ready to accept the change. • Use announcements, meetings, and promotion of new ideas to ease the transition.
Changing	Redefines members' behavior patterns after unfreezing. H.C. Kellman suggests three methods: • Compliance: Enforce rewards and punishments. • Identification: Encourage adopting role models. • Internalization: Allow internal adjustment of thoughts and behaviors.
Refreezing	• Reinforces new behavior as the normal way of life. • Ensures permanent change by continuous reinforcement of new behaviors. • Prevents return to old practices.

How does digital transformation work?

Digital Transformation	The use of digital technologies to create new or improved business processes, products, or services. A fundamental adjustment that is difficult to implement.
Role of Change Management	Change management helps organizations plan, prepare, and implement digital transformation. Ensures firms overcome challenges and maximize benefits.

Key Elements of Change Management in Digital Transformation

1. Defining Goals	Clearly define the goals and objectives of the digital transformation.
2. Assessing Current State	Evaluate the organization's current state and identify gaps that need to be addressed.
3. Creating a Roadmap	Develop a detailed roadmap that outlines the steps required to achieve the desired state.
4. Implementation	Implement and manage change at every organizational level, ensuring consistent progress.

How does change management work?

Definition	A process, set of tools, and best practices used to manage organizational changes.
Purpose	Ensuring changes are made in a safe and regulated manner. Minimizes the risk of negative impacts on the organization.
Applicability	Can be applied in businesses, governmental bodies, non-profits, and even families.

Key Components of Change Management

1. Clear Vision	Establish a clear vision for the change to provide direction and purpose.
2. Stakeholder Involvement	Actively involve stakeholders in the process to ensure alignment and support.
3. Implementation Plan	Develop a structured plan for executing the change.
4. Monitoring Results	Continuously monitor outcomes to evaluate effectiveness and make necessary adjustments.

The role of change management in digital transformation

Digital Transformation	A process of organizational change using technology to create new value for customers, employees, and stakeholders.
Role of Change Management	Ensures planning, implementation, and monitoring of changes. Helps achieve objectives while minimizing risks and disruptions.
Importance	Critical for organizations undergoing a digital transition. Increases chances of success through a proactive and organized approach.

Benefits of a Proper Change Management Strategy

1. Defining Parameters	Clearly specify the goals and objectives of the digital transformation.
2. Identifying Modifications	Determine the procedures and tools that require changes or updates.
3. Implementation Planning	Develop a structured plan for executing changes effectively.
4. Stakeholder Involvement	Actively engage employees and stakeholders in the transformation process.
5. Progress Monitoring	Continuously track progress and make necessary adjustments to stay on course.

Change Management Strategies for Digital Transformation

Importance of Change Management	Essential for successful transformation in modern businesses. Firms must handle new technologies, market opportunities, and shifts in customer preferences.
Need for Adaptation	Modern firms must adapt their management techniques to handle change effectively.

Five Best Practices for Managing Change

1. Begin at the Top	Change starts with a united and focused leadership. Leadership must create a culture that motivates the organization to embrace change.
2. Ensure Necessity and Desire	Confirm the change is necessary and backed by a clear strategy. Avoid introducing too much too fast, which can lead to future challenges.
3. Reduce Disruption	Minimize the impact of change on employees by: Communicating early and preparing for some interruptions. Providing knowledge and tools to adjust. Creating a change-friendly environment. Empowering change agents (e.g., project managers). Ensuring the IT department is ready for tech/infrastructure changes.
4. Encourage Communication	Develop channels for workers to share queries and concerns. Promote collaboration to spread ideas and innovations.

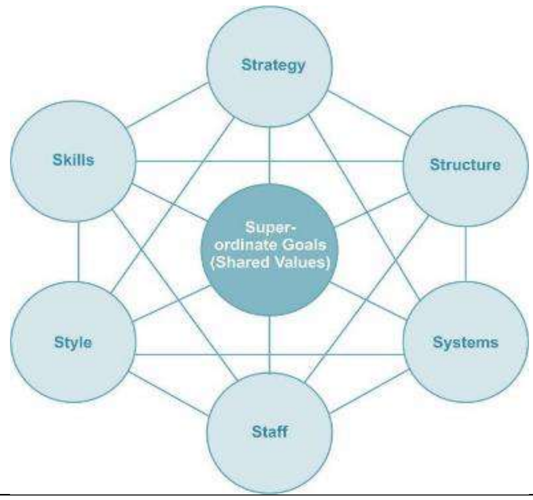
	Use communication to reassure employees and align everyone with the vision.
5. Recognize Change as the Norm	Understand that change is continuous, not a one-time event. Change readiness involves responding to shifts proactively to minimize risks and sustain performance.

Tips for Navigating Change During Digital Transformation

1. Specify Aims and Objectives	Clearly define the goals and outcomes of the transformation. Ensure everyone understands the specific objectives to align efforts.
2. Communicate Consistently	Open and honest communication is key. Regularly discuss objectives and the impact on stakeholders (employees, clients, etc.).
3. Be Ready for Resistance	Resistance to change is common, even for positive changes. Have a strategy to manage resistance effectively.
4. Implement Gradually	Introduce changes step by step to avoid overwhelming employees. Gradual changes allow people to adapt to the new way of working.
5. Offer Assistance and Training	Provide guidance and training for new tools, procedures, and technologies to help employees adjust smoothly.

4. ORGRANISATIONAL FRAMEWORK

Definition	The McKinsey 7S Model is a tool used to analyze a company's organizational design.
Goal	It aims to show how effectiveness can be achieved by understanding the interactions of various organizational elements.
Focus	The model emphasizes the relationship between Hard Ss (tangible elements) and Soft Ss (intangible elements) in maintaining organizational balance.



Hard elements are:	Soft 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?	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. 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.

Category	Elements	Details
Hard Elements	Strategy	Direction of the organization; blueprint to build core competencies and achieve competitive advantage.
	Structure	Organizational setup based on resource availability and degree of centralization or decentralization.
	Systems	Development of daily operations, tasks, and teams to execute goals efficiently and effectively.
Soft Elements	Shared Values	Core organizational values reflected in culture and ethical code of management.
	Style	Leadership style that influences strategic decisions, staff motivation, and goal delivery.
	Staff	The talent pool of the organization.
	Skills	Key competencies or skills of employees critical for success.

Limitations of the McKinsey 7S Model

External Environment Ignored	Focuses only on internal elements, neglecting external factors impacting organizational effectiveness.
Lack of Clear Performance Metrics	Does not clearly define what constitutes organizational effectiveness or success.
Static Nature	Seen as inflexible, missing real gaps in strategy conceptualization and execution.

4.1 Organization Structure

The ideal organizational structure is a place where ideas filter up as well as down where the merit of ideas carries more weight than their source and where participation and shared objectives are valued more than executive order – Edson Spencer

Changes in Corporate Strategy and Organizational Structure

Reason 1: Structure's Role in Objectives and Policies	Structure influences how operational objectives and policies are developed to meet strategic goals. Example: A geographic structure develops objectives in geographic terms, while a product structure focuses on products. The format for objectives and policies impacts all strategy-implementation activities.
Reason 2: Structure's Role in Resource Allocation	Structure determines how resources are allocated to achieve strategic objectives. Example: A customer-group structure allocates resources by customer group, while a functional structure does so by functional areas.

Chandler's Insights on Strategy and Structure

Insight	Details
Structure Follows Strategy	Changes in strategy require changes in structure to effectively pursue organizational goals.
Sequence of Structure Evolution	As organizations grow, they typically move from simple to complex structures, linking multiple strategies.

Organizational Design Based on Size and Industry

Firm Type	Common Structure
Small Firms	Functional Structure (Centralized)
Medium-Sized Firms	Divisional Structure (Decentralized)
Large Firms	SBU (Strategic Business Unit) or Matrix Structure
Consumer Goods Firms	Often adopt Divisional Structure by Product

Influence on Firms	Firms face internal and external forces, but changing structure for each force would lead to chaos.

Ineffective Structures	Signs include: 1. Too many levels of management 2. Excessive meetings with many attendees 3. Focus on interdepartmental conflicts 4. Large spans of control 5. Unachieved objectives

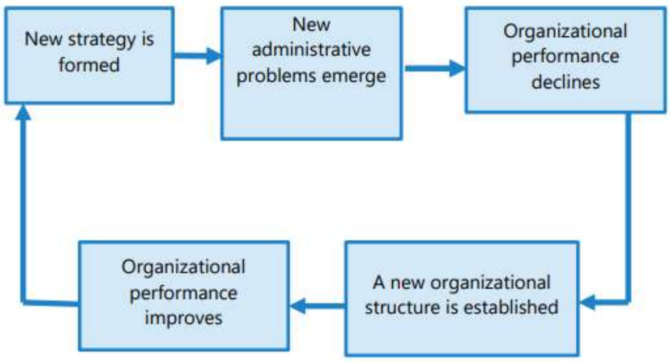


Figure: Chandler's Strategy-Structure Relationship

Impact of Strategy on Structure	A new strategy can make the current structure ineffective. Structure changes can support strategy implementation but cannot fix bad strategy, bad managers, or bad products.
Impact of Structure on Strategy	Structure can influence strategy. If a strategy requires extensive structural changes, it may be unattractive.
Key Concern	Identify necessary structural changes to implement strategies and determine the best approach to execute them.
Types of Structures	Focus on: • Functional • Divisional (by geographic area, product, customer, or process) • Strategic Business Unit (SBU) • Matrix
Need for Structure	All firms need organizational structure for implementing strategies. As firms grow, diversify, or adopt new strategies, they may need new structures.

Types of Organization Structure	
Organizational Structure	The formal configuration of roles, procedures, governance, authority, and decision-making processes in a company.
Influencing Factors	Influenced by factors like age and size of the organization.
Purpose of Structure	Acts as a framework reflecting how the company completes tasks based on the chosen strategy.
Key Issue	The structure must fit or be congruent with the company's strategy for effective implementation.

1. Simple Structure	
Simple Organizational Structure	Best for companies with a single-business strategy, offering a single product line in one geographic market. Also suitable for focused cost leadership or focused differentiation strategies.
Key Characteristics	• Owner-manager makes all major decisions • Little task specialization, few rules, unsophisticated systems • Direct involvement in day-to-day operations • Frequent, direct communication • Rapid product introduction, potential competitive advantage
Advantages of Simple Structure	• Openness to innovation • Greater flexibility • Faster response to environmental changes • Fewer coordination problems compared to larger organizations
Challenges with Growth	As the company grows, the simple structure becomes ineffective. Increased information-processing requirements create pressure on owner-managers due to lack of experience or time.
Solution for Growth	Companies must recognize inefficiencies in the simple structure and transition to a functional structure to handle more complex operations. Functional structure is used by larger companies or those with low diversification.

2. Functional Structure

Functional Structure	A commonly used structure due to its simplicity and low cost.
Task Grouping	Groups tasks by business functions, such as: Production/operations, Marketing Finance/accounting R&D Management information systems

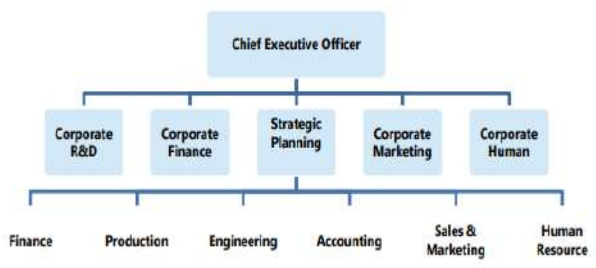


Figure: Functional Structure

Advantages	• Promotes specialization of labour • Encourages efficiency	• Minimizes the need for an elaborate control system • Allows for rapid decision making

Functional Structure	Consists of a CEO or managing director supported by functional line managers in areas like: Production, Finance/accounting , Marketing, R&D , Engineering, HR.
Benefits	• Overcomes growth constraints of the simple structure • Facilitates communication and coordination across functions
Potential Problems	• Differences in functional specialization may hinder communication and coordination • Functional specialists may develop a narrow perspective, losing sight of the company's strategic vision
Solution to Problems	To address this, the CEO must integrate decision-making and coordinate actions across functions. If issues persist, consider implementing a multidivisional structure.

3. Divisional Structure

Divisional Structure	As a firm grows, managing different products and markets becomes difficult, making a divisional structure necessary.
Purpose of Divisional Structure	Helps motivate employees, control operations, and compete in diverse markets.
Types of Divisional Structure	Can be organized in four ways: • By geographic area • By product/service • By customer • By process
Functional Activities	In a divisional structure, functional activities are performed both centrally and separately within each division.

Advantages of Divisional Structure	1. Clear accountability for managers (sales, profits) 2. Delegation of authority allows visibility of performance 3. Higher employee morale 4. Career development opportunities for managers 5. Allows local control and creates a competitive climate 6. Easier to add new businesses/products

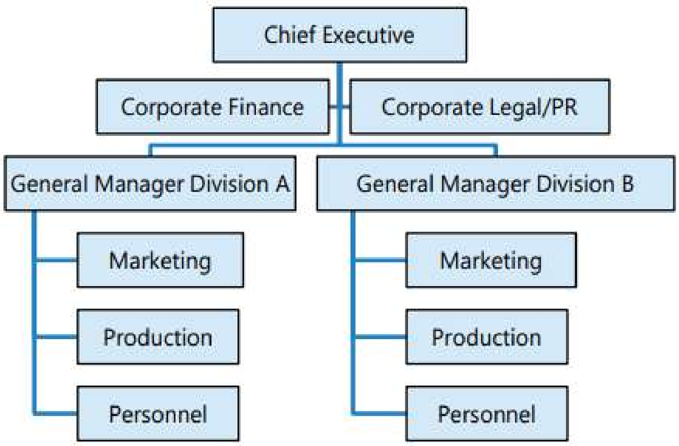


Figure: Divisional Structure

Limitations of Divisional Structure	1. Costly due to: Need for functional specialists in each division 2. Duplication of staff, services, and facilities

Limitations of Divisional Structure	3. Requires well-qualified managers with higher salaries, Needs an elaborate control system 4. May lead to special treatment for regions/products/customers,Hard to maintain consistent practices companywide
Geographic Area Divisional Structure	Best for organizations with geographically dispersed branches or when strategies are tailored to specific regional needs. Provides local decision-making and better coordination.
Product/Service Divisional Structure	Used when certain products/services require special attention. Effective for companies with a few or diverse products. Provides strict control over products but may reduce top management control. Example: General Motors, DuPont, Procter & Gamble.
Customer Divisional Structure	Best when major customers need specialized services. It allows for catering to specific customer groups. Example: book publishing (colleges, schools), airlines (passengers vs freight), or banks (personal vs corporate).
Process Divisional Structure	Similar to a functional structure, but processes are organized by how work is done. Divisional process departments are evaluated on profits/revenues, unlike functional departments.

4.Multi Divisional Structure	
Multidivisional (M-form) Structure	Composed of separate operating divisions, each representing a distinct business. The corporate office delegates day-to-day operations and strategies to division managers.
Role of Corporate Office	The corporate office is responsible for overall corporate strategy and strategic/financial controls over the divisions.
History of M-form	Developed in the 1920s to solve coordination and control issues in large firms. Before M-form, problems included: • Difficulty in managing distinct product lines and markets • Costs not allocated to products • Loss of control over resource allocation and long-term strategy
M-form Characteristics	• Separate divisions, each with its own functional hierarchy • Division managers handle day-to-day operations • Corporate office focuses on long-term strategy and overall financial control
Benefits of M-form	• Easier to monitor individual business performance • Simplifies control problems • Facilitates resource allocation • Encourages performance improvement in poorly performing divisions
Strategic vs Financial Controls	• Strategic control: Used when the firm is less diversified, focusing on strategy alignment in divisions. • Financial control: Used as diversification increases, focusing on cash flow and profits of divisions.

Strategic Business Units (SBU)	When financial controls dominate, divisions become more independent, requiring SBUs to manage performance without dependence on other divisions.

5.Strategic Business Unit (SBU) Structure	
SBU Concept	Relevant for multi-product, multi-business enterprises. It is impractical to provide separate strategic planning for each product or business, so they must be grouped into strategic business units (SBUs) for easier planning.
Purpose of SBU	Group related businesses into a manageable number of SBUs to allow for effective strategic planning and control of each business/product.
Characteristics of an SBU	1. A single business or a collection of related businesses. 2. Has its own set of competitors. 3. Managed by a manager responsible for strategy and profit performance.
Historical Planning Issues	Large firms used to handle planning on a territorial basis. Problems included: • Same product treated with varied strategic planning across territories. • Unrelated products were given the same strategic treatment within territorial units.
SBU Structure	• Operating units represent separate businesses. • Top corporate officer delegates day-to-day operations and business unit strategy to managers. • Corporate office focuses on overall corporate strategy and manages SBUs through strategic and financial controls.
Advantages of SBU Structure	1. Facilitates coordination between similar divisions. 2. Delegates authority to managers. 3. Helps improve accountability for each business unit. 4. Supports effective strategy implementation.

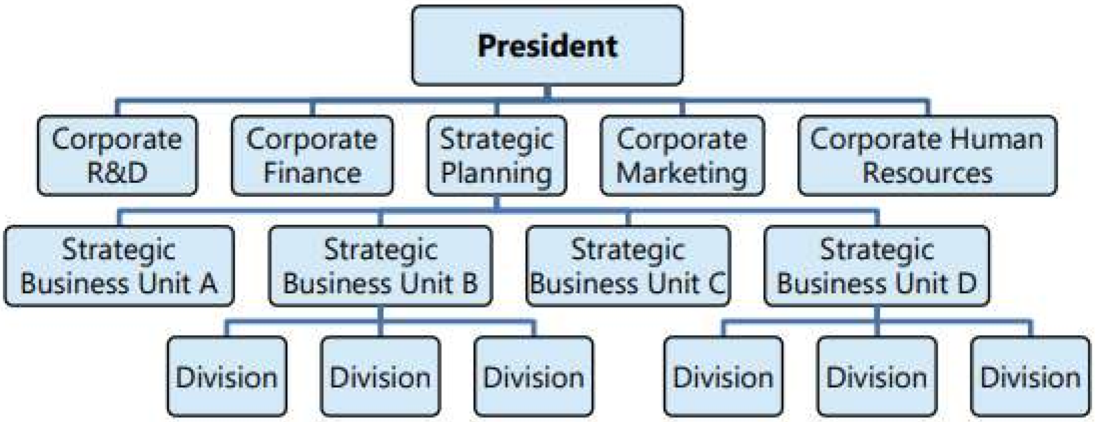


Figure: SBU Structure

SBU Structure	Consists of corporate headquarters at the top, SBU groups at the second level, and divisions within each SBU at the third level.
Purpose	Helps monitor business performance, simplifies control, and facilitates comparisons between divisions. Promotes better resource allocation.
SBU Divisions	Divisions within an SBU are related by similar products or technologies. SBUs are unrelated to each other.

Synergy within SBU	Divisions within SBU can achieve synergy due to shared products/technologies. SBUs are treated as profit centres, allowing strategic planning at HQ.
Grouping Principle	Related products or functions fall under one SBU. This structure helps in scientific grouping and strategic management.
Benefits of SBU Structure	• Scientific grouping for strategic planning. • Improves over territorial grouping. • Provides clarity and correct priorities and resources.
Strategic Planning within SBU	SBUs receive distinct strategic planning with specific missions, objectives, competitors, and strategies.
SBU CEO Responsibilities	Each SBU has its own CEO, responsible for strategic planning and profit performance.
Issues Related to SBUs	• SBUs can be related based on technologies, products/services, or markets. • SBUs might be serving similar or different markets. Even if technology or products differ, it may be that the customers are similar. For example, Unilever has unrelated technologies but similar marketing skills. • Competences on which the competitive advantage of different SBUs are built have similarities.
SBU Identification	Identifying SBUs helps clearly assign responsibilities for strategic planning.

6. Matrix Structure

Functional Structure	Organizes around functions (e.g., engineering, marketing). Simple and effective for clear roles and responsibilities.
Divisional Structure	Organizes around products, geography, or markets. Useful for companies with diverse offerings.
Matrix Structure	Combines functional and product/project forms at the same level. Employees have two superiors (a product/project manager and a functional manager).
Matrix Structure Complexity	Most complex structure due to vertical and horizontal authority and communication flows. Can increase management overhead.
Key Characteristics	• Dual lines of authority. • Dual reporting channels. • Shared authority. • Need for strong communication systems.
Advantages of Matrix Structure	• Clear project objectives. • Multiple communication channels. • Visible results of work. • Easy to shut down projects.
Conditions for Effectiveness	Requires planning, training, clear roles, mutual trust, and excellent communication.

Use Cases	Common in industries like construction, healthcare, research, and defense. Used when businesses expand into new products, customers, or technologies.
When to Use Matrix	Effective when several factors (e.g., product, customer, technology, geography) have roughly equal strategic priorities.
Stability vs. Flexibility	Combines stability of the functional structure with the flexibility of the product form, useful in complex and changeable external environments.
Challenges	Can cause conflicts over duties, authority, and resource allocation. Potential for power struggles between managers if goals are unclear. The matrix structure is difficult to implement and can cause management troubles, making it less popular.

The matrix structure is often found in an organization or within an SBU when the following three conditions exists:

1) Ideas need to be cross-fertilised across projects or products,
2) Resources are scarce and
3) Abilities to process information and to make decisions need to be improved.

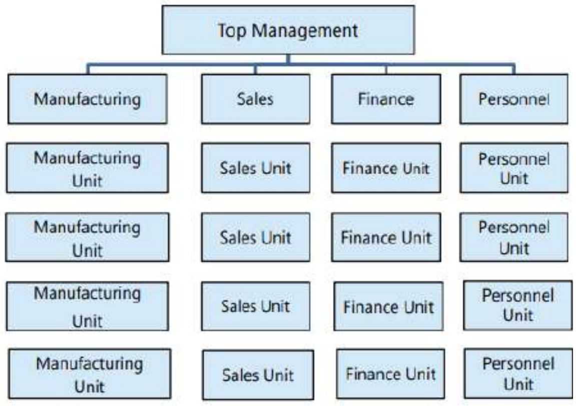


Figure: Matrix Structure

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

For development of matrix structure Davis and Lawrence, have proposed **three distinct phases:**	
1. Cross-functional Task Forces	Temporary cross-functional task forces are created when a new product line is introduced. A project manager acts as the key horizontal link.
2. Product/Brand Management	Cross-functional task forces become more permanent. The project manager transitions to a product/brand manager. Function remains the primary structure.
3. Mature Matrix	A dual-authority structure emerges. Both functional and product structures are permanent. Employees report to both a functional superior and a product manager.

7.Network Structure

Network Structure	A radical design where in-house functions are minimized. Often referred to as a "non-structure" or a virtual organization.
Outsourcing	Many activities are outsourced. The company works with project groups or collaborations, connected through non-hierarchical, cobweb-like networks.
Use Case	Most useful when the environment is unstable and requires innovation and quick response.

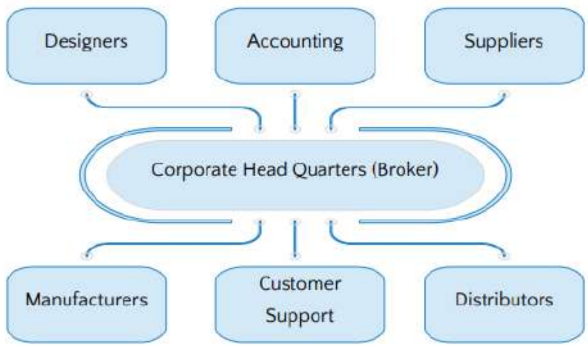


Figure: Network Structure

Contracts	The company may contract with people for specific projects or periods. Long-term contracts replace vertical integration, with suppliers and distributors.
Technology	Electronic markets and sophisticated information systems reduce transaction costs, supporting the choice to buy instead of make.
Geographical Distribution	Business functions are located at different geographical locations, with the company being a "shell" and a small headquarters acting as a broker.
Ultimate Form	The network organization consists of independent firms or business units linked by a common system for designing, producing, and marketing a product/service.

Airtel's Use of Network Structure	Companies like Airtel use the network structure by subcontracting manufacturing to low-cost firms.
Flexibility and Adaptability	The network structure offers increased flexibility and adaptability to handle technological change and shifting trade patterns.
Focus on Competencies	Allows companies to concentrate on their distinctive competencies while gaining efficiencies from other firms that specialize in their areas of expertise.
Disadvantages	• Numerous partners can cause issues. • Outsourcing may prevent the company from discovering synergies. • Over-specialization can lead to non-competitiveness.
New Structural Arrangements	Evolving structures are driven by social and technological advances. They enable the management of dispersed organizations, but come with implications.
Learning Organization	Requires employees to be self-motivated and continuous learners. However, employees may lack the confidence to participate in learning experiences.
Flatter Structures	Flatter structures can be intrusive, requiring more personal interactions with internal and external stakeholders, which can increase stress for employees.

8. Hourglass Structure

Impact of IT and Communication	Information technology and communications are reducing the role of middle management by automating their tasks.
Hourglass Structure	The hourglass structure has three layers: a narrow middle layer and top and bottom layers linked by technology.

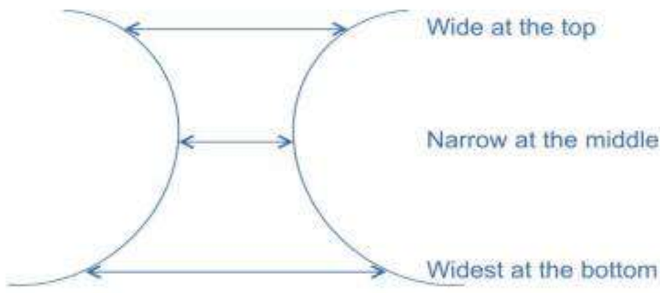


Figure: Hourglass Organisation Structure

Middle Management in Hourglass	The middle layer is shrunken and focuses on coordinating activities across lower levels. Managers in this layer are generalists, handling a variety of tasks.
Task Shift	Traditional middle managers, who are specialists, are replaced by technology. The hourglass managers handle cross-functional issues (e.g., marketing, finance, production).
Benefits of Hourglass Structure	• Reduced costs • Enhanced responsiveness by simplifying decision-making. • Decision authority is closer to the source of information, speeding up decisions.
Challenges	• Fewer promotion opportunities at lower levels. • Monotony and lack of interest due to limited career progression. • Hard to maintain motivation.
Solutions	Companies overcome challenges by: • Assigning challenging tasks. • Lateral transfers. • Offering rewards for good performance.

4.2 Organization Culture

Every organization has a unique culture shaped by:	
Philosophy and Principles	The organization's philosophy, principles, and values.
History and Rituals	Its history and rituals that shape its identity.
Approach to Problems	The way it approaches problems and decision-making.
Work Climate	The work climate which reflects the overall atmosphere.
Embedded Patterns	Embedded patterns of action that define how things are done.
Beliefs and Practices	Its ingrained beliefs, thought patterns, and practices that form the corporate culture.

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

Where Does Corporate Culture Come From?

A company's culture is shown in:	
Values and Business Principles	The values and business principles management follows.
Ethical Standards & Policies	The organization's ethical standards and official policies.
Stakeholder Relationships	Relationships with employees, unions, stockholders, vendors, and the community.
Traditions and Supervisory Practices	The organization's traditions and supervisory practices.
Employee Attitudes & Behavior	Employee attitudes and behavior within the organization.
Stories and Legends	The stories and legends shared about events in the organization.
Peer Pressure & Politics	Peer pressure and organizational politics that affect the work environment.
Origins of Culture	Beliefs and practices in the culture can originate from individuals, work groups, departments, or any level in the organizational hierarchy.
Role of Stories	Stories often illustrate values and beliefs and help convey the culture to newcomers.

Culture: ally or obstacle to strategy execution?

Culture and Strategy Execution	An organization's culture can either help or hinder strategy execution.
Compatible Culture	When the culture aligns with the company's beliefs, vision, objectives, and business practices, it becomes a valuable ally in strategy implementation.
Conflicting Culture	If the culture conflicts with the company's direction, performance targets, or strategy, it becomes an obstacle to successful strategy execution.

Role of culture in strategy execution

Culture and Strategy Execution	A strong culture supports strategy execution when it aligns, and hinders it when there's little fit.
Culture Fit with Strategy	A culture based on values, practices, and norms that match the strategy energizes employees to perform in a strategy-supportive way, enhancing effectiveness.
Examples of Strategy-Supportive Culture	• Frugality supports a low-cost leadership strategy. • Creativity, embracing change, and challenging the status quo support product innovation and technological leadership. • A culture focused on listening to customers, employee pride, and decision-making authority supports superior customer value strategies.
Work Environment & Strategy Fit	A matching culture creates informal rules and peer pressure to guide business conduct, positively affecting organizational energy, work habits, cooperation, and customer treatment.

Benefits of Strategy-Supportive Culture	A strategy-supportive culture motivates employees, aligns them with the company's vision, performance targets, and strategy. This boosts job satisfaction and collaboration.
Employee Motivation and Engagement	Employees feel genuinely better about their jobs and work environment, are motivated to realize the company's vision, and collaborate to achieve strategic goals.

Perils of Strategy-Culture Conflict	
When culture conflicts with strategy, it must be changed quickly, provided the issue is cultural, not strategic. Typically, the culture needs to change to align with the strategy.	
Challenges in Changing Culture	The deeper the entrenched cultural aspects, the harder it is to implement new strategies. Prolonged strategy-culture conflict weakens efforts and may derail the strategy.
Creating a Strong Strategy-Culture Fit	The strategy maker selects a strategy compatible with the company's core culture. The implementer ensures that cultural aspects that hinder execution are changed.
Changing a Problem Culture	Changing culture is tough because of deeply held values and habits. It requires sustained, strategic efforts over time to replace unhealthy culture with a more strategy-supportive one.
Steps to Changing Culture	1. Diagnose which cultural aspects align with strategy. 2. Open discussions about what needs to change. 3. Visible actions to modify culture (policies, rewards, etc.).
Culture-Changing Actions	• Revise policies and procedures. • Adjust incentives to reward desired behaviors. • Praise and recognize those displaying new cultural traits. • Recruit new managers and employees with desired values.
Communicating Change	It's essential to communicate the reasons for cultural change and its benefits to everyone involved, ensuring full understanding and commitment.

Culture-Building Commitment	Implanting a strong culture requires a sincere, sustained commitment from the chief executive. Reinforce culture through both words and deeds at every opportunity.
Role of Leadership	Charisma is not essential, but personal engagement with teams and talking to departmental groups about the reasons for change is critical for success.
Collective Responsibility	Culture-building is a team effort. Senior managers, department heads, and middle managers must consistently reiterate values and integrate the philosophy into daily practice.
Support from Supervisors and Employees	First-line supervisors and employee opinion leaders must be convinced to enforce and practice new cultural norms at all levels of the organization.

Employee Commitment	To succeed, the majority of employees must embrace and commit emotionally to the new culture, values, and behavioral norms.
Long-Term Process	Culture change is not a short-term task. It takes time—often 2-5 years in large organizations—to shift a culture. The bigger the shift, the longer it will take.
Challenge of Changing Culture	It's harder to reshape a deeply ingrained culture than to build a new strategy-supportive culture from scratch.
Balancing Management	An over-focus on hard management may result in limited improvements. The best approach balances hard and soft management, adapting to the changing realities in the modern world.

5. STRATEGIC LEADERSHIP

Weak leadership can wreck the soundest strategy; forceful execution of even a poor plan can often bring victory. – Sun Zi

A leader lives in the field with his troops. – H. Ross Perot

Strategic Leadership	Sets the direction of the firm by developing and communicating a vision for the future, formulating strategies based on internal and external environments, and inspiring staff to contribute to strategy execution.	
Roles of Strategic Leaders	1. Visionary 2. Chief Entrepreneur and Strategist 3. Administrator 4. Culture Builder 5. Resource Acquirer and Allocator 6. Capabilities Builder 7. Crisis Manager	8. Spokesperson 9. Negotiator 10. Motivator 11. Arbitrator 12. Policy Maker 13. Policy Enforcer 14. Head Cheerleader
Leadership Style	Sometimes authoritarian, sometimes participative, and at times, a coach or adviser. Adapt the style based on the situation and team needs.	
Role as Change Agent	A strategic leader initiates strategic changes, ensuring their successful implementation. Major change efforts are top-down and vision-driven.	
Leadership Roles in Execution	1. Monitor progress, solve issues, and identify obstacles. 2. Promote a culture that mobilizes and energizes the team for strategy execution. 3. Keep the organization responsive to changing conditions. 4. Lead with ethical leadership and corporate responsibility. 5. Push corrective actions to improve strategy execution and performance.	
Examples of Strategic Leaders	Dhirubhai Ambani: Known for conceptualizing sweeping strategies, clear direction, and strong interpersonal skills.	
Leadership Role in Implementation	Strategic leaders guide the strategic management process, help in forming strategic intent and mission, facilitate strategic plans, and provide guidance for achieving strategic goals.	

Strategic Leadership	Involves anticipating, envisioning, maintaining flexibility, and empowering others to create strategic change based on external factors. It is a complex form of leadership.
Key Abilities of Strategic Leaders	Guide the company through new competitive landscapes. Influence behavior, thoughts, and feelings of co-workers. Manage through others effectively. Process complex information and handle uncertainty.

Figure: Effective Strategic Leadership

Role in Change and Uncertainty	Successful dealing with change and ambiguity, making sense of uncertain situations, and driving strategic change.
Managerial Frame of Reference	A set of assumptions, premises, and accepted wisdom that bounds a manager's understanding of the company, its industry, and core competencies. This shapes the manager's mindset.
Importance of Managerial Frame	Competitive battles are between mindsets or managerial frames, not just companies or products. Effective strategic leaders must handle cognitively complex competitive situations.
Responsibilities of Strategic Leaders	1. Making strategic decisions 2. Formulating policies and action plans 3. Effective communication 4. Managing human capital 5. Managing change 6. Creating and sustaining a strong corporate culture 7. Sustaining high performance over time
Strategic vs. Managerial Leadership	Strategic leadership focuses on long-term vision, while managerial leadership focuses on day-to-day operations.
Leadership Styles	**Transformational Leadership vs. Transactional Leadership**
Transformational Leadership	• Uses charisma and enthusiasm to inspire major changes. Works well in turbulent environments or during major organizational changes. • Transformational leaders offer excitement, vision, intellectual stimulation and personal satisfaction • Motivates followers to exceed expectations and promotes innovation.
Transactional Leadership	• Focus on systems design and controlling activities. • Works in static environments or mature industries.

	• This style uses the authority of its office to exchange rewards, such as pay and status. • prefer a more formalized approach to motivation, setting clear goals with explicit rewards or penalties for achievement or non-achievement • Builds on existing culture, sets clear goals with rewards or penalties for achievement.

6. STRATEGIC CONTROL

Controlling Function	• Ensures planned activities are performed and goals are achieved. • Regulates and checks the behaviour of events and people. • Keeps systems on track by measuring progress and ensuring proper use of resources.
Purpose of Control	• Ensures plans are translated into results. • Safeguards assets and ensures efficiency. • Continuously learns from experiences and improves the organization's ability to cope with growth.
Process of Control	• Objectives: Operationalize measurable and controllable standards. • Monitoring Mechanism: Measures system performance. • Comparison Mechanism: Compares actual results with standards. • Feedback Mechanism: Corrects and adapts the system based on deviations.

Types of Organizational Control	
Operational Control	• Focuses on individual tasks or transactions. • Involves specific activities, such as inventory procurement or production processes. • Based on measurable relationships between inputs and outputs. Examples: stock control, production control, quality control, cost control, and budgetary control.
Management Control	• More inclusive than operational control; covers entire departments or organizations. • Ensures the achievement of enterprise goals in an efficient and effective manner. • Ensures that resources are obtained and used effectively. • Influences behavior to conform to plans.
Strategic Control	Focuses on two main questions: 1. Is the strategy being implemented as planned? 2. Are the results of the strategy as intended? Evaluates strategy during formulation and implementation.

Time Gap Between Formulation and Implementation	Strategies may be affected by changes in internal and external environments. Warning systems are needed to track strategy during implementation.

Types of Strategic Control	
1. Premise Control	• Monitors assumptions or premises on which strategy is based. • Ensures validity of premises, considering: • Environmental factors: economic, technology, social, legal-regulatory. • Industry factors: competitors, suppliers, substitutes. • Focus on premises likely to change and impact strategy.
2. Strategic Surveillance	• General, unfocused monitoring to uncover unanticipated information affecting strategy. • Involves environmental browsing: reading news, attending meetings, conferences. • Can uncover relevant info for strategic adjustments.
3. Special Alert Control	• Responds to unexpected events: government changes, natural disasters, mergers, etc. • Crisis management teams handle immediate strategic reviews.
4. Implementation Control	• Ensures concrete actions are aligned with the strategy. • Monitors the need for adjustments based on unfolding events. • Not a replacement for operational control. Forms of Implementation Control 1. Monitoring Strategic Thrusts: Ensures strategy progresses as planned, adjusting if necessary. 2. Milestone Reviews: Segregates key activities by time/events/resources and reassesses strategy direction

7. STRATEGIC PERFORMANCE MEASURES

Strategic Performance Measurement (SPM)	A method to track progress toward strategic goals using clear performance measurements. Helps eliminate silos by creating a common language across divisions for open communication.
Importance of SPM	Enhances understanding of goals and enables continuous tracking. Improves alignment between strategy and organizational objectives.
Key Performance Indicators (KPIs)	Must establish a cause-and-effect relationship with strategic outcomes. Carefully select KPIs to influence organizational behavior. Avoid "paralysis by over-analysis."

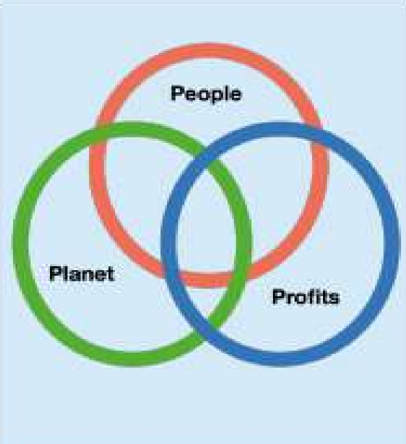
Managing Political Aspects	1. Rational forces: Openness, communication, and self-analysis. 2. Political forces: Preserve empires, foster rivalry, retain knowledge, and selective communication. 3. Conflicting forces may result in explicit and implicit strategies.

Types of Strategic Performance Measures

Financial Measures	Examples: Revenue growth, ROI, profit margins. Measures financial performance and profit-generating ability.
Customer Satisfaction Measures	Examples: Customer satisfaction, retention, loyalty. Measures the ability to meet customer needs and provide quality products/services.
Market Measures	Examples: Market share, customer acquisition, customer referrals. Measures competitiveness and ability to attract/retain customers.
Employee Measures	Examples: Employee satisfaction, turnover rate, engagement. Measures ability to attract/retain talent and create a positive work environment.
Innovation Measures	Examples: R&D spending, patents, new product launches. Measures ability to innovate and meet customer needs with new products/services.
Environmental Measures	Examples: Energy consumption, waste reduction, carbon emissions. Measures environmental impact and sustainability efforts.

Toward More Holistic Measures of Strategic Performance

Development of management thought and practice has persistently pushed the frontier of strategic performance beyond financial metrics. Thus, the Triple Bottom Line framework (TBL) emphasises People and Planetary Concerns besides profitability or Economic Prosperity alone. The Quadruple Bottomline adds the 4th P to add a spiritual dimension named 'Purpose.'



Importance of Strategic Performance Measures	1. Goal Alignment: Ensures strategies align with goals, keeping the organization on track to achieve desired outcomes. 2. Resource Allocation: Provides data for informed decisions on resource allocation. 3. Continuous Improvement: Enables tracking progress and making adjustments for better performance over time. 4. External Accountability: Demonstrates accountability to stakeholders, such as shareholders and customers.
Choosing the Right Performance Measures	1. Relevance: Measures should be directly aligned with goals and provide actionable, meaningful information. 2. Data Availability: The data should be readily available, allowing for timely analysis. 3. Data Quality: The data used should be accurate and reliable for informed decision-making. 4. Data Timeliness: Measures must be based on current, up-to-date data to make quick, informed decisions.
Factors to Consider for Choosing Measures	1. Relevance: Ensures alignment with goals and actionable insights. 2. Data Availability: Efficient collection and analysis. 3. Data Quality: Accurate and reliable data. 4. Data Timeliness: Current data for quick response to changes.
Framework for Success	1. Review and update measures regularly to maintain alignment with organizational goals and objectives. 2. Effectiveness: Measures should be understandable, relevant, and meaningful for strategic decision-making.

Multiple Choice Questions

1. __________ leadership style may be appropriate in turbulent environment.
   (a) Transactional
   (b) Transformational
   (c) Autocratic
   (d) None of these

2. An organizational structure with constricted middle level is:
   (a) Divisional structure
   (b) Network structure
   (c) Hourglass structure
   (d) Matrix structure

3. You are the head of operations of a company. When you focus on total or aggregate management functions in the sense of embracing the integrated activities of a complete department et al, you are practicing: -
   (a) Strategic Control
   (b) Management control
   (c) Administrative Control
   (d) Operations Control

4. Which of the following would be chosen by the core strategist to implement operational control: -
   (a) Premise Control
   (b) Special Alert Control
   (c) Implementation Control
   (d) Budgetary Control

5. Compliance, Identification and Internalization are the three processes involved in:
   (a) Refreezing
   (b) Defreezing
   (c) Changing behavior patterns
   (d) Breaking down old attitudes

6. Which one is NOT a type of strategic control?
   (a) Operational control
   (b) Strategic surveillance
   (c) Special alert control
   (d) Premise control

Answers for Multiple Choice Questions

1	(b)	2	(c)	3	(b)	4	(d)	5	(c)	6	(a)

Scenario Based Questions

Scenario Based Question 1: RTP & MTP- May '24,Exam-Sep'24

Imagine you are a consultant advising a small manufacturing company embarking on a digital transformation journey. The company's leadership is concerned about managing the change effectively. Using the best practices for managing change in small and medium-sized businesses, outline a strategy to help the company navigate this transformation successfully.

Answer:

To help the small manufacturing company navigate its digital transformation successfully, we would recommend the following strategy:

- ✓ **Refer topic-Navigate through digital transformation on Page-**

Scenario Based Question 2: RTP-Sep '24,MTP-May24,Jan'25

A Mumbai-based conglomerate, PQR Ltd., has announced a major restructuring of its business operations. The company has decided to split its business into four separate units: Manufacturing, Retail, Services, and Technology. Each unit will operate as a separate business, with delegated responsibility for day-to-day operations and strategy to the respective unit managers. Identify the organization structure that PQR Ltd. has planned to implement. Discuss any four attributes and the benefits the firm may derive by using this organization structure.

Answer: Refer topic-Attributes of SBU on Page-

Scenario Based Question 3: RTP-May '24, Exam-May'24, RTP-Jan '25

York Investors, recognizing the importance of aligning its organizational elements with strategic objectives, has strategically invested in training programs, technology, and communication systems. The company aims to enhance the skills and capabilities of its workforce through comprehensive training initiatives. Simultaneously, York Investors leverages cutting-edge technology to streamline its operations and improve overall efficiency. The investment in communication systems ensures seamless collaboration and information flow across various departments. Identify and explain the model used by York Investors to achieve its strategic objectives.

Answer: Refer topic-**Mckensey 7s Model** on Page-

Scenario Based Question 4:

Ramesh, is owner of a popular brand of Breads. Yashpal, his son after completing Chartered Accountancy started assisting his father in running of business. The approaches followed by father and son in management were very different. While Ramesh preferred to use authority and having a formal system of defining goals and motivation with explicit rewards and punishments, Yashpal believed in involving employees and generating enthusiasm to inspire people to deliver in the organization.

Discuss the difference in leadership style of father and son.

Answer:

Ramesh is a follower of transactional leadership style that focuses on designing systems and controlling the organization's activities. Such a leader believes in using authority of its office to exchange rewards, such as pay and status. They prefer a more formalized approach to motivation, setting clear goals with explicit rewards or penalties for achievement or non-achievement. Transactional leaders try to build on the existing culture and enhance current practices. The style is better suited in persuading people to work efficiently and run operations smoothly.

On the other hand, Yashpal is follower of transformational leadership style. The style uses charisma and enthusiasm to inspire people to exert them for the good of the organization. Transformational leaders offer excitement, vision, intellectual stimulation and 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 organizational performance. Such a leadership motivates followers to do more than originally affected to do by stretching their abilities and increasing their self-confidence, and also promote innovation throughout the organization.

Scenario Based Question 5:

Suresh Sinha has been recently appointed as the head of a strategic business unit of a large multiproduct company. Advise Mr Sinha about the leadership role to be played by him in execution of strategy.

Answer:

Leading change has to start with diagnosing the situation and then deciding which of several ways to handle it. Managers have **five leadership roles** to play in pushing for good strategy execution:

- ✓ Refer topic-**Strategic Leadership**-On page-

Scenario Based Question 6:

KaAthens Ltd., a diversified business entity having business operations across the globe. The company leadership has just changed as Mr. D. Bandopadhyay handed over the pedals to his son Aditya Bandopadhyay, due to his poor health. Aditya is a highly educated with an engineering degree from IIT, Delhi. However, being very young he is not clear about his role and responsibilities,

In your view, what are the responsibilities of Aditya Bandopadhyay as CEO of the company.

Answer:

Aditya Bandopadhyay, an effective strategic leader of KaAthens Ltd. must be able to deal with the diverse and cognitively complex competitive situations that are characteristic of today's competitive landscape.

A Strategic leader has several responsibilities, including the following:

- ✓ Refer topic-**Strategic Leadership**-On page-

Scenario Based Question 7:

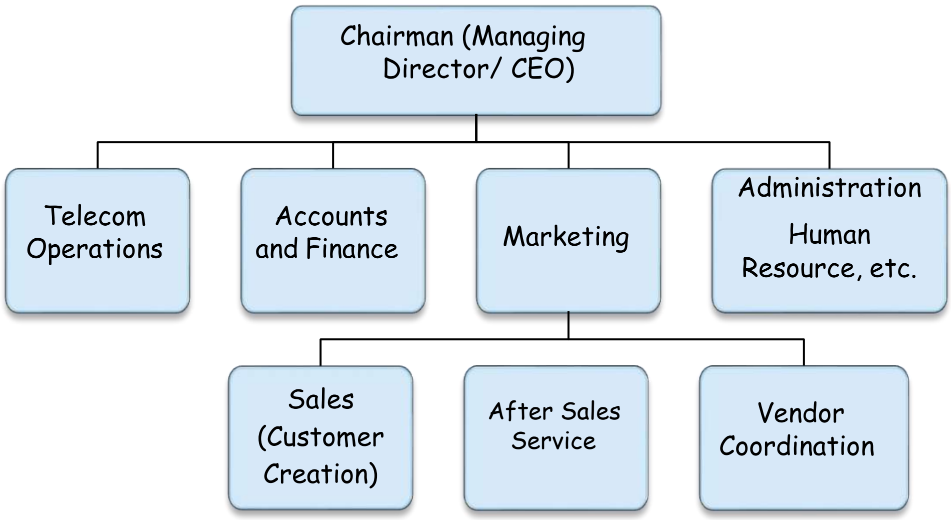
Manoj started his telecom business in 2010. Over next five years, he gradually hired fifty people for various activities such as to keep his accounts, administration, sell his products in the market, create more customers, provide after sales service, coordinate with vendors.

Draw the organization structure Manoj should implement in his organization and name it.

Answer:

Manoj has started a telecom business. Accounts, Administration, Marketing (customer creation, after sales service, vendor coordination) are the functional areas that are desired in the organisational structure. Further there is inherent need to have a department for the management of telecom services/ operations.

Thus, the functional structure in the telecom business of Manoj can be as follows:



Scenario Based Question 8:

Moonlight Private Limited deals in multi-products and multi-businesses. It has its own set of competitors. It seems impractical for the company to provide separate strategic planning treatment to each one of its product or businesses.

As a strategic manager, suggest the type of structure best suitable for Moonlight Private Limited and state its benefits.

Answer:

It is advisable for Moonlight Private Limited to follow the **strategic business unit (SBU) structure.**

Moonlight Private Limited has a multi-product and multi-business structure where, each of these businesses has its own set of competitors. In the given case, Strategic Business Unit (SBU) structure would best suit the interests of the company.

SBU is a part of a large business organization that is treated separately for strategic management purposes. It is separate part of large business serving product markets with readily identifiable competitors. It is created by adding another level of management in a divisional structure after the divisions have been grouped under a divisional top management authority based on the common strategic interests.

Very large organizations, particularly those running into several products, or operating at distant geographical locations that are extremely diverse in terms of environmental factors, can be better managed by creating strategic business units, just as is the case for Moonlight Private Limited. SBU structure becomes imperative in an organization with increase in number, size and diversity.

Benefits of SBUs:

1. Establishing coordination between divisions having common strategic interest.
2. Facilitate strategic management and control.
3. Determine accountability at the level of distinct business units.
4. Allow strategic planning to be done at the most relevant level within the total enterprise.
5. Make the task of strategic review by top executives more objective and more effective.
6. Help to allocate resources to areas with better opportunities.

Thus, an SBU structure with its set of advantages would be most suitable for the company with the given diverse businesses having separate identifiable competitors, but a common organizational goal.

Scenario Based Question 9:

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

Answer:

Sanya Private Limited deteriorating performance due to poor implementation of plans that is improper use of resources, undesirable tendencies of the workers, and non-conformance to norms and standards, all point towards weak controls in the organization. Implementation of plans cannot assure results unless strong and sufficient controls are put in place. The management of the company should focus diligently on developing controls especially in the identified problem areas.

The process of control has the following elements:

(a) Objectives of the business system which could be operationalized into measurable and controllable standards.

(b) A mechanism for monitoring and measuring the performance of the system.

(c) A mechanism (i) for comparing the actual results with reference to the standards (ii) for detecting deviations from standards and (iii) for learning new insights on standards themselves.

(d) A mechanism for feeding back corrective and adaptive information and instructions to the system, for effecting the desired changes to set right the system to keep it on course.

Above elements of control would ensure a proper check on improper use of resources, undesirable tendencies of the workers, and non-conformance to norms and standards and ensure a result oriented implementation of plans.

Descriptive Questions

Question 1:

Draw 'Divisional Structure' with the help of a diagram. Also, give advantages and disadvantages of this structure in brief.

Answer: Refer topic -Divisional Organization Structure-on page

Question 2:

What is an 'hourglass structure'? How can this structure benefit an organization?

Answer: Refer topic -Hourglass Organization Structure-on page

Question 3:

How can you differentiate between transformational and transactional leaders?

Answer:

Difference between transformational and transactional leadership

1. Transformational leadership style uses charisma and enthusiasm to inspire people to exert them for the good of organization. Transactional leadership style uses the authority of its office to exchange rewards such as pay, status symbols etc.
2. Transformational leadership style may be appropriate in turbulent environment, in industries at the very start or end of their cycles, poorly performing organisations, when there is a need to inspire a company to embrace major changes. Transactional leadership style can be appropriate in static environment, in growing or mature industries and in organisations that are performing well.
3. Transformational leaders inspire employees by offering excitement, vision, intellectual stimulation and personal satisfaction. Transactional leaders prefer a more formalized approach to motivation, setting clear goals with explicit rewards or penalties for achievement and non- achievement. Transactional leaders focus mainly to build on existing culture and enhance current practices.

Question 4:

What is strategic change? Explain the change process proposed by Kurt Lewin that can be useful in implementing strategies?

Answer:

Refer, **Kurt Lewin** Change Process on Page-

Question 5:

What are the differences between operational control and management control?

Answer:

Differences between Operational Control and Management Control are as under:

(i) The thrust of operational control is on individual tasks or transactions as against total or more aggregative management functions. When compared with operational, management control is more inclusive and more aggregative, in the sense of embracing the integrated activities of a complete department, division or even entire organization, instead or mere narrowly circumscribed activities of sub-units. **For example**, *procuring specific items for inventory is a matter of operational control, in contrast to inventory management as a whole.*

(ii) Many of the control systems in organisations are operational and mechanistic in nature. A set of standards, plans and instructions are formulated. On the other hand, the basic purpose of management control is the achievement of enterprise goals – short range and long range – in an effective and efficient manner.

Question 6:

What is strategic control? Briefly explain the different types of strategic control.

Answer:

Refer topic **Strategic Control** on page-

Question 7:

What is implementation control? Discuss its basic forms.

Answer:

Refer topic **Strategic Control** on page-.

LEVEL UP TO EXAMS

Question 1 **RTP Sep '24, MTP May '24, Exam Jan'25**

Why Strategic Performance Measures are essential for organizations?

Answer:

Refer concept- Strategic performance measures-on Page-

Question 2 **RTP-Jan '25**

EcoTec, a company specializing in sustainable technology solutions, is facing challenges due to shifts in environmental regulations and market preferences. To manage these uncertainties, they regularly review and update their business assumptions and strategic plans based on changing regulatory environments and consumer trends. This proactive approach helps them stay aligned with evolving market conditions and maintain a competitive edge. Explain which approach is EcoTech to adapt to changes in regulations and market conditions?

Answer:

EcoTech is using **Premise Control** to adapt to changes in regulations and market conditions. Premise Control is a strategic management approach focused on continuously monitoring and reviewing the underlying assumptions that form the basis of an organization's strategy. By regularly assessing these assumptions—such as environmental regulations and consumer preferences, EcoTech ensures that its strategic plans remain relevant and responsive to external changes. This proactive process helps the company make timely adjustments to its strategies, allowing it to stay competitive and aligned with the evolving market environment.

Question 3 **RTP-Jan '25**

While the McKinsey 7-S Model provides a structured approach to analyzing organizational effectiveness, it has certain limitations:

Answer:

1. **Limited Focus on External Environment**: The model focuses only on internal elements, potentially overlooking external factors impacting the organization.
2. **Undefined Organizational Effectiveness**: It does not clearly explain how to measure or achieve organizational effectiveness.
3. **Static Nature**: The model is considered more static and may lack flexibility in dynamic decision-making situations.
4. **Potential Gaps in Strategy Execution**: It may not fully capture gaps between strategy development and execution.

By applying the McKinsey 7-S Model, **GloWare Ltd.** can gain a comprehensive understanding of the interconnected elements within its organization and how they impact overall performance. Insights gathered from a questionnaire based on this model can inform strategic decisions, allowing **GloWare** to enhance growth, operational efficiency, and competitiveness in a changing market.

Question 4 **Exam-Sep'24**

M/s. MTS Ltd, is one of the mobile telephone service providers in India. It has its own mobile network, towers and distribution channels. It operates through its team of network operation, technicians, marketing, sales and after sales services. Currently all the team members are on its roll.

Company knows that market is densely competitive. The environment is quite unstable and likely to remain so. Customer's taste and preferences are changing very fast. There is a strong need for innovation and quick response. While eliminating in-house business functions, company is considering outsourcing major activities and focusing on its core competencies.

In the given situation identify the organizational structure suitable for the company. Also outline the merits and demerits in going for the identified structure.

Answer: Refer Concept Network Structure-on Page-

Question 5 **MTP May'24 & Jan'25, Exam Sep'24**

Strategic performance measures are key indicators that organizations use to track the effectiveness of their strategies and make informed decisions about resource allocation. In light of the statement, state various types of Strategic performance measures.

Answer: Refer concept- Strategic performance measures-on Page-

Question 6 **Exam Jan'25,MTP Sep'24**

ABC group of companies has five projects at different geographical locations. Each project is managed by a dedicated project manager. A Chief Executive Officer (CEO) is supported by a team of subject matter experts (SMEs) in each function at the corporate level of the company. As an accepted practice, the authority and communication flow vertically and horizontally in the company. There are five common functions, i.e., finance, human resource, operations, marketing, and information technology, facilitating each project. Each functional manager has an administrative relationship with the respective project manager and a functional relationship with the related SME, with a clear mutual understanding of their roles and responsibilities.

Identify and explain the organizational structure best suited in the above scenario. State the advantages and disadvantages of the above structure

Answer:

In the given situation, where ABC group of companies has five projects at different geographical locations and Each project is managed by a dedicated project manager, the Matrix Organizational Structure would be most suitable.

- ✓ **Refer concept- Matrix Structure-on Page-**

Question 7 **MTP Sep'24**

What factors should organizations consider when choosing strategic performance measures, and why are these factors important?

Answer: Refer concept- Strategic performance measures-on Page-

Question 8 **MTP Jan'25**

Differentiation between Strategic Planning and Operational Planning.

Answer: Refer concept- Corporate Strategy-on Page-

Question 9 **MTP Jan'25**

Jupiter Electronics Ltd. is known for its ability to come out with path- breaking products. Though the work environment at Jupiters is relaxed and casual, there is a very strong commitment to deadlines. The employees believe in a "work hard play hard" ethic. The organisation has moved away from formal and hierarchical set up to a more results-driven approach. Employees are committed to strategies and work towards achieving them. They guard innovations, maintain confidentiality and secrecy in their work. They are closely related to values, practices, and norms of organisations. What aspects of an organization are being discussed? Explain. (5 Marks)

Answer:

The scenario being referred to is culture in Jupiter Electronics. Strong culture promotes good strategy execution when there's fit and impels execution when there's negligible fit. A culture grounded in values, practices, and behavioral norms that match what is needed for good strategy execution helps energize people throughout the organization to do their jobs in a strategy-supportive manner. A culture built around such business principles as listening to customers, encouraging employees to take pride in their work, and giving employees a high degree of decision- making responsibility. This is very conducive to successful execution of a strategy of delivering superior customer service.

A strong strategy-supportive culture makes employees feel genuinely better about their jobs and work environment and the merits of what the company is trying to accomplish. Employees are stimulated to take on the challenge of realizing the organizational vision, do their jobs competently and with enthusiasm, and collaborate with others

WINNER!

Let's score high in SM! Yes, it's absolutely achievable, and I'm ready to put in the work for you. But remember, it takes two hands to clap. So, come on—join me! Together, we can conquer this and achieve success.

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