MANAGEMENT

- key group in an organisation in-charge of its affairs. the chief organ entrusted with the task of making it a purposeful and productive entity, by undertaking the task of bringing together and integrating the disorganised resources of manpower, money, material, and technology, which are then combined into a functioning whole.
- set of interrelated functions and processes carried out by the management of an organisation. These functions include Planning, Organising, Directing, Staffing and Control.

strategic management managerial process of developing the firm's vision and mission; strategic analysis; developing objectives; creating, choosing, and implementing strategies; and measuring and evaluating performance.

'strategy' as a long-range blueprint of an organization's desired image, direction and destination, i.e., what it wants to be, what it wants to do, how it wants to do things, and where it wants to go.

strategy is **no substitute for sound, alert and responsible management**. It must be recognised that strategy can never be perfect, flawless and optimal. It is in the very nature of strategy that it is flexible and pragmatic to take care of sudden emergencies.

Strategy is **partly proactive and partly reactive:** A company's strategy is blend of:
♦ Proactive actions on the part of managers to improve the company's market position and financial performance.
♦ Reactions to unanticipated developments and fresh market conditions in the dynamic business environment.

Proactive: 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.

Reactive: 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 or some aspect of a company's strategy hits a stone wall, some kind of strategic reaction or adjustment is required.

<u>Importance of Strategic Management</u>

- gives a direction to the company to move ahead.
- helps organisations to be proactive instead of reactive in shaping its future.
- provides frameworks for all major decisions of an enterprise
- seeks to prepare the organisation to face the future and act as pathfinder to various business opportunities.
- serves as a corporate defence mechanism against mistakes and pitfalls
- helps the organisation to develop certain core competencies and competitive advantages
- helps to enhance the longevity of the business

Limitations of Strategic Management

- Environment is highly complex and turbulent. It is difficult to understand the complex environment and exactly pinpoint how it will shape-up in future. The organisational estimate about its future shape may awfully go wrong and jeopardise all strategic plans.
- Strategic management is a time-consuming process. Organisations spend a lot of time in preparing, communicating the strategies that may impede daily operations
- Strategic management is a costly process. it adds a lot of expenses to an organization. Expert strategic planners need to be engaged,These can be really costly for organisations with limited resources particularly when small and medium organisation
- competitive scenario, where all organisations are trying to move strategically, it is difficult to clearly estimate the competitive responses to a firm's strategies.

Vision: It describes where the organisation wants to land. what the organisation would like to become in future. company's product-market-customer-technology focus. "where we are to go"

Essentials of a strategic vision

- to think creatively about how to prepare a company for the future
- exercise in intelligent entrepreneurship.
- creates enthusiasm among the members of the organisation.
- illuminates direction in which organisation is headed.

Mission: A mission statement helps to identify, 'what business the firm undertakes.' It defines the present capabilities, activities, customer focus and role in society. ways to reach the goals. 'what business are we in and what we do

Why should an organisation have a mission?

♦ To ensure unanimity of purpose within the organisation.
♦ To develop a basis for allocating organisational resources.
♦ To provide a basis for motivating the use of the organisation's resources.
♦ To establish a general tone or organisational climate,
♦ To serve as a focal point for those who can identify with the organisation's purpose and direction.
♦ To facilitate the translation of objective and goals into a work structure
♦ To specify organisational purposes and the translation of these purposes into goals

Good mission statements are – **unique to the organisation** for which they are developed.

Goals and Objectives

Goals are the end results, that the organisation attempts to achieve. objectives are time-based measurable targets. Goals are open-ended attributes that denote the future states or outcomes. Objectives are close-ended attributes which are precise and expressed in specific terms. no distinction is made between goals and objectives and both the terms are used interchangeably.

Characteristics of Objectives

♦ Objectives should define the organisation's relationship with its environment.
♦ They should be facilitative towards achievement of mission and purpose.
♦ They should provide the basis for strategic decision-making.
♦ They should provide standards for performance appraisal.
♦ They should be concrete and specific.
♦ They should be related to a time frame.
♦ They should be measurable and controllable.
♦ They should be challenging.
♦ Different objectives should correlate with each other.
♦ Objectives should be set within the constraints of organisational resources and external environment.

Long-term objectives:

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

Values/ Value System: Values are the deep-rooted principles which guide an organisation's decisions and actions. A company's value sets the tone for how the people of think and behave, especially in situations of dilemma. It creates a sense of shared purpose and focus on longevity of the company's success. Employees prefer to work with employers whose values resonate with them. **Examples** of values are – Integrity, Trust, Accountability, Humility, Innovation, and Diversity.

Three main levels of management:

♦ **Corporate level** - consists of CEO, other senior executives, the board of directors, and corporate staff. overseeing resource allocation and managing the divestment and acquisition processes, corporate-level managers provide a link between the people who oversee the strategic development of a firm and those who own it (the shareholders). Corporate-level managers can be viewed as the guardians of shareholders' welfare.

Roles

- oversee the development of strategies for the whole organization.
- 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

SBU: strategic business unit is a self-contained division (with its own functions).

♦ **Business level:** business-level manager, is the head of the division. The strategic role of these managers is to translate the general statements of direction and intent that come from the corporate level into concrete strategies for individual businesses.

♦ **Functional level:** responsible for the specific business functions and responsibility is confined to one organizational activity.
provide most of the information that makes it possible for business- and corporate-level general managers to **formulate realistic and attainable strategies**.they are closer to the customer than the typical general manager so, functional managers themselves may generate important ideas that subsequently may become major strategies for the company.

Network of relationship between the three levels

1. **Functional and Divisional Relationship:** independent relationship, where each function or a division is run independently headed by the function/division head, who is a business level manager, reporting directly to the business head,
2. **Matrix Relationship:** It features a grid-like structure of levels in an organisation, with teams formed with people from various departments that are built for temporary task-based projects. This relationship helps manage huge conglomerates
3. **Horizontal Relationship:** It is a flat structure where everyone is considered at same level. This leads to openness and transparency in work culture and focused more on idea sharing and innovation. This type of relationship between levels is more suitable for startups where the need to share ideas with speed is more desirable.

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.

STRATEGIC ANALYSIS

Strategy formulation is not a task in which managers can get by with intuition, opinions, instincts, and creative thinking.

The two important situational considerations are:
(1) industry and competitive conditions, and
(2) an organisation's own capabilities, resources, internal strengths, weaknesses, and market position.

Limitations of strategic analysis
- it gives a lot of innovative options but doesn't tell which one to pick.
- it can be time-consuming at times, hurting overall organisational functioning

Issues to consider for Strategic Analysis
1. **Strategy evolves over a period of time:** A current strategy is the result of several little choices taken over a protracted period of time.
2. **Balance of external and internal factors:** strategic analysis necessitates creating a reasonable balance between many and conflicting challenges, because a perfect fit between them is unlikely.
3. **Risk:** In strategic analysis, the principle of maintaining balance is important. However, the complexity and intermingling of variables in the environment reduces the strategic balance in the organisation.

External Risk
a. Short Term: strategic failure
b. Long Term: obsolescence of strategy.

Internal Risk
a. Short Term: unable to cope up with demands.
b. Long Term: changes in internal capacities and preferences

Business Environment refers to all external factors, influences, or situations that in some way affect business decisions, plans, and operations.

Benefits of Business Environment
1. **Determine opportunities and threats:** explain opportunities and threats to the business. It helps to find new needs and wants of the consumers, changes in laws, changes in social behaviours, and tells what new products the competitors are bringing in the market to attract consumers.
2. Give direction for growth: identify the areas for growth and expansion of their activities.
3. Continuous Learning: The managers are motivated to continuously update their knowledge, understanding and skills to meet the predicted changes in the realm of business.
4. Image Building: helps the business organizations to improve their image by showing their sensitivity to the environment in which they operate.
5. Meeting Competition: analyse the competitors' strategies and formulate their own strategies accordingly.

The external environment can be categorised in two major types

1. Micro environment is related to small area or immediate periphery of an organization.
2. Macro environment has broader dimensions as it consists of economic, socio-cultural, technological, political and legal factors.

Demographic Environment:

- Demographics are the characteristics of a population such as age, gender, and income, education, possession of assets, house ownership, job position, region, and the degree of education.
- The size, age distribution, geographic dispersion, ethnic mix, and income distribution of a population are all of great importance to the organisation to determine opportunities threat and size of market.

Socio-Cultural Environment

social traditions, values and beliefs,
level and standards of literacy, the ethical standards and state of society, the extent of social stratification, conflict, cohesiveness and so forth.

Economic Environment

- economic situation around the business and include conditions at the regional, national and global levels.
- purchasing power in an economy depends on current income, prices, savings, circulation of money, debt and credit availability. Income distribution pattern
- availability of capital, foreign exchange reserve, growth of foreign trade, strength of capital market, interest rates, disposable income, unemployment, inflation, etc.

Political-Legal Environment

- degree of political morality, the state of law and order, political stability, the political ideology and practises of the ruling party, the effectiveness and purposefulness of governmental agencies, and the scope and type of governmental intervention in the economy and industry.
- Business is highly guided and controlled by government policies. Hence the type of government running a country is a powerful influence on business.

Technological Environment

- Businesses help society access the outcomes of technological research and development, raising everyone's standard of living.
- helps to reduce costs of companies, and shrink time and distance, thus, capturing a competitive advantage for the company.
- Technology is leading to many new business opportunities as well as making obsolete most of the existing business products and services.

PESTLE analysis involves identifying the political, economic, socio-cultural, technological, legal and environmental influences on an organization and providing a way of scanning the environmental influences that have affected or are likely to affect an organization or its policy.

Political factors are how and to what extent the government intervenes in the economy and the activities of business firms.

Economic factors have major impacts on how businesses operate and take decisions.

Social factors affect the demand for a company's products and how that company operates.

Technological factors can determine barriers to entry, minimum efficient production level and influence outsourcing decisions.

Legal factors affect how a company operates, its costs, and the demand for its products, ease of business.

Environmental factors affect industries such as tourism, farming, and insurance. Growing awareness to climate change is affecting how companies operate and the products they offer--it is both creating new markets and diminishing or destroying existing ones.

Internationalization of Business integration of the world into one huge market.

Characteristics of a global business

- conglomerate of multiple units
- Multiple units draw on a common pool of resources, such as money, Trade name etc.
- The units respond to some common strategy.

Why Business Go Global?

- finding opportunities in the other parts of the globe
- realised that the domestic markets are no longer adequate.
- rapid shrinking of time and distance across the globe, because of faster communication, speedier transportation
- reduce high transportation costs. It may be cheaper to produce near the market to reduce the time and costs involved in transportation.
- generate higher sales and better cash flow.
- The trade tariffs and custom barriers are getting lowered, resulting in increased flow of business.
- form strategic alliances to ward off economic and technological threats and leverage their respective comparative and competitive advantages.

International Environment

1. **Multinational environmental analysis**
   identifying, anticipating, and monitoring significant components of the global environment on a large scale. Governments may have free or interventionist tendencies in economies that needs to be carefully considered.
2. **Regional environmental analysis** more in-depth evaluation of the critical factors in a specific geographical area**.**

3. **Country environmental analysis** take a deeper look at the important environmental factors. Study of economic, legal, political, and cultural dimensions is required**.**

Businesses sell products. A product can be either a good or a service.

1. **Products are either tangible or intangible.** (Tangible - laptop, intangible - Banking services)
2. **Product has a price**. On account of competition, businesses are not able to fix market price by adding profit margin on the costs. Rather, they work on reducing the costs given the prevailing market price.
3. Products have certain **features that deliver satisfaction**. A product feature is a component of a product that satisfies a consumer need. Features determine product pricing, and businesses alter features during the development process to optimise the user experience.
4. Product is **pivotal for business.** The product is at the centre of business around which all strategic activities revolve.
5. A product has a **useful life.** Every product has a usable life after which it must be replace reinvented or may cease to exist.

PRODUCT LIFE CYCLE (PLC)
PLC is an *S-shaped curve* which exhibits the relationship of sales with respect of time for a product that passes through the *four successive stages.*

1st Stage **INTRODUCTION**:
- slow sales growth
- competition is almost negligible
- prices are relatively high and markets are limited.
- The growth in sales is at a lower rate because of lack of awareness on the part of customers.

2nd Stage **GROWTH**:
- rapid market acceptance.
- the demand expands rapidly
- prices fall, competition increases, and market expands.
- The customer has knowledge about the product and shows interest in purchasing it.

3rd Stage **MATURITY**:
- slowdown in growth rate.
- the competition gets tough, and market gets stablised.
- Profit comes down because of stiff competition.
- organisations have to work for maintaining stability.

4th Stage **DECLINE**:
- sharp downward drift in sales.
- The sales and profits fall down sharply due to some new product replaces the existing product.
- a combination of strategies can be implemented to stay in the market either by diversification or retrenchment.

Value chain analysis : method of examining each activity in value chain of a business in order to identify areas for improvement. analyse how each stage in the process adds or subtracts value
from the end product or service.

The **primary activities** of the organization are grouped into **five main areas**:

- *inbound logistics*: receiving, storing and distributing the inputs to the product/service. materials handling, stock control, transport etc. Like, transportation and warehousing.
- *operations*: Operations transform these inputs into the final product or service
- *outbound logistics*: collect, store and distribute the product to custom. warehousing, materials handling, transport, etc. For Service arrangements for bringing customers to the service
- *marketing and sales*: provide the means whereby consumers/users are made aware of the product/service and are able to purchase it. This would include sales administration, advertising, selling
- *service*: all those activities, which enhance or maintain the value of a product/service, such as installation, repair, training and spares.

Each of these groups of primary activities are linked to <u>support activities.</u>

a. **Procurement**: This refers to the processes for acquiring the various resource inputs to the primary activities (e.g. R&D product design) or with processes (e.g. process development) or with a particular resource (e.g. raw materials improvements).
b. **Technology development**: All value activities have a 'technology', even if it is simply know-how.
c. **Human resource management**: This is a particularly important area which transcends all primary activities. It is concerned with those activities involved in recruiting, managing, training, developing and rewarding people.
d. **Infrastructure**: The systems of planning, finance, quality control, information management, etc.

<u>Industry environment analysis</u>: estimate the amount of competitive pressures the business is presently facing and is expected to face in the near future.

<u>**Porter's Five Forces Model**</u> one of the most effective and enduring conceptual frameworks used to assess the nature of the competitive environment and to describe an industry's structure.

1.The Threat of New Entrants
New entrants can reduce industry profitability because they add new production capacity leading to an increase supply of the product even at a lower price and can substantially erode existing firm's market share position.

To discourage new entrants, existing firms can try to raise barriers to entry. Barriers to entry represent economic forces that slow down or impede entry by other firms.

a. Capital Requirements: When a large amount of capital is required to enter an industry, firms lacking funds are effectively barred from the industry

b. Economies of Scale: Many industries are characterized by economic activities driven by economies of scale. A large firm that enjoys economies of scale can produce high volumes of goods at successively lower costs. This tends to discourage new entrants.
c. Product Differentiation: make a product special or unique in the eyes of customers. Differentiation works to reinforce entry barriers because the cost of creating genuine product differences may be too high for the new entrants.
d. Switching Costs: Buyers often incur substantial financial (and psychological) costs in switching between firms. When such switching costs are high, buyers are often reluctant to change.
e. Brand Identity: The brand identity of products or services offered by existing firms can serve as another entry barrier. New entrants often encounter significant difficulties in building up the brand identity, because to do so they must commit substantial resources over a long period.
f. Access to Distribution Channels: The unavailability of distribution channels for new entrants poses another significant entry barrier.
g. Possibility of Aggressive Retaliation: mere threat of aggressive retaliation by incumbents can deter entry by other firms into an existing industry.

2.Bargaining Power of Buyers
Buyers of an industry's products or services can sometimes exert considerable pressure on existing firms to secure lower prices or better services.

This leverage is particularly evident when:
(i) Buyers have full knowledge of the sources of products and their substitutes.
(ii) They spend a lot of money on the industry's products
(iii)The industry's product is not perceived as critical to the buyer's needs. They can easily switch to the substitutes available.

3. Bargaining Power of Suppliers
Suppliers can influence the profitability of an industry in a number of ways.

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

4. The Nature of Rivalry in the Industry
The intensity of rivalry in an industry is a significant determinant of industry attractiveness and profitability,The more intensive the rivalry, the less attractive is the industry.

(i) Industry Leader: A strong industry leader can discourage price wars by disciplining initiators of such activity
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(ii) Number of Competitors: Even when an industry leader exists, the leader's ability to exert pricing discipline diminishes with the increased number of rivals in the industry.

Fixed Costs: When rivals operate with high fixed costs. firms seek to produce more to cover costs that must be paid regardless of industry demand. For this reason, profitability tends to be lower in industries characterized by high fixed costs

(iv) Exit Barriers: Rivalry among competitors declines if some competitors leave an industry. When barriers to exit are powerful, competitors desiring exit may refrain from leaving. Their continued presence in an industry exerts downward pressure on the profitability of all competitors.

(v) Product Differentiation: Firms can sometimes insulate themselves from price wars by differentiating their products from those of rivals

(vi) Slow Growth: Industries whose growth is slowing down tend to face more intense rivalry. As industry growth slows, rivals must often fight harder to grow or even to keep their existing market share.

Threat of Substitutes
Substitute products are a latent source of competition in an industry. they may 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

Attractiveness of Industry Factors:-
- The industry's growth potential,
- adequate profitability and whether competitive forces will become stronger or weaker?
- profitability will be favourably or unfavourably
- The competitive position of an organisation in the industry and whether its position is likely to grow stronger or weaker
- The potential to capitalize on the vulnerabilities of weaker rivals
- company is able to defend against the factors that make the industry unattractive?
- risk and uncertainty in the industry's future.
- The severity of problems confronting the industry as a whole.

Experience curve
- It is based on the commonly observed phenomenon that unit costs decline as a firm accumulates experience in terms of a cumulative volume of production.
- Experience curve results from a variety of factors such as learning effects, economies of scale, product redesign and technological improvements in production.

Value Creation
- activity through which company increase perceived value of its products
- value consumer wants to pay, over and above the price that the business wants to charge from the consumer. This excess amount is called value creation, wherein the consumers value the product or service more than it actually costs them

MARKET & CUSTOMER

A **market** is a place for interested parties, buyers and sellers, where items and services can be exchanged for a price. it may be physical or virtual.

"**Marketing**" encompasses a wide range of operations, including research, designing, pricing, promotion, transportation, and distribution. Often market activities are categorised and explained in terms of four **Ps of marketing – product, place, pricing, and promotion**

Product orientation think that buyers will choose those products that have the best quality, performance, design, or features.

Sales oriented businesses believe that if they spend enough money on advertisement, sales and promotion, customers can be persuaded to make a purchase.

A customer centric business is one that continuously learn from its customers' needs and market dynamics.

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

Customer Behaviour Explain how
they purchase products. It examines elements like shopping frequency, product preferences, and the perception of your marketing, sales, and service offerings.

Consumer behaviour may be influenced by **three conceptual domains:**

External influences, like advertisement, peer recommendations or social norms, have a direct impact on the psychological
and internal processes that influence various consumer decisions.
Internal Influences: Internal processes are psychological factors internal to customer and affect consumer decision making. as motivation and attitudes.
Decision Making: A rational consumer, as decision maker would seek information about potential decisions and carefully integrate this with the existing knowledge about the product

- Problem recognition
- Search for desirable alternative and list them
- Seeking information on available alternatives and weighing their pros and cons.
- Make a final choice

Post-decision Processes: After making a decision and purchasing a product, the final phase in the decision-making process is evaluating the outcome happy customer may make repeat purchase and recommend to others, customer with dissonance will neither purchase the product again nor recommend it to others.

Competitive Strategy: the creation of competitive advantage and the protection of competitive advantage.
Competitive landscape is a business analysis which identifies competitors, either direct or indirect. Understanding of competitive landscape requires an application of “competitive intelligence”

Steps to understand the Competitive Landscape
i. Identify the competitor: identify the competitors in the firm's industry and have actual data about their respective market share.

This answers the question:
Who are the competitors and how big are they?

ii. Understand the competitors: the
strategist can use market research report, internet, newspapers, social media, industry reports, and various other sources to understand the products and services offered by them in different markets.

This answers the question:
What are their product and services?

iii. Determine the strengths of the competitors:

This Answers the question:
- What are their financial positions?
- What gives them cost and price advantage?
- What are they likely to do next?
- How strong is their distribution network?
- What are their human resource strengths?

iv. Determine the weaknesses of the competitors: Identify the areas where the competitor is lacking or is weak. Financial strength and weakness can always be learnt from annual reports

This answers the question
Where are they lacking?

v. Put all of the information together: the strategist should put together all information about competitors and draw inference about what they are not offering and what the firm can do to fill in the gaps.

This answers the questions:
- What will the business do with this information?
- What improvements does the firm need to make?
- How can the firm exploit the weaknesses of competitors?

Key success factors are the prerequisites for industry success or, to put it another way, KSFs are the factors that shape whether a company will be financially and competitively successful
- On what basis do customers choose between the competing brands of sellers?
- What product attributes are crucial to sales?
- What resources and competitive capabilities does a seller need to have to be competitively successful

CH-3

Stakeholders- all those individuals and entities that have a stake in its success and can impact it as well.
expectations of key stakeholders can influence the organisation's strategy, a clash of objectives may have unfavourable consequences for the organisation.

Example of stakeholder
1. Shareholder (ROI,Highest Market Share)
2. CEO & BOD (Revenue & Profit Growth)
3. Major Vendor (stable Margin)
4. Customer (Value for money)
5. Employee (pride of working for a reputed organisation)

Mendelow's Matrix

KEEP SATISFIED Stakeholders: High power, less interested people keep them satisfied with their intended information on a regular basis. For example, banks, government, customers, et

KEY PLAYERS Stakeholders: High power, highly interested people -greatest efforts to satisfy them, take their advice, build actions and keep them informed with all information on a regular basis. For example, Shareholders, CEO, Board of Directors, etc.

LOW PRIORITY Stakeholders: Low power, less interested people minimal efforts should be spent on this group of
stakeholders while keeping an eye to check if their levels of interest or power change. For example, business magazines, media houses, etc.

KEEP INFORMED Stakeholders: Low power, highly interested people communicate with them to ensure that no major issues arise. For example, employees, vendors, suppliers, legal experts, etc.

Environment is highly dynamic and certain things might happen that can cause stakeholders to suddenly move between quadrants. Eg. contravene a regulation, say GST the Indirect Taxes Department to move from High Power, Low Interest to High Power, High Interest

the key strategic drivers of an organisation include:
- industry and markets
- customers
- products/services
- channels

Industry and Markets
it is very important for an organisation to understand it's relative position in the industry and in the market in which it operates.

Similar companies are grouped together into **industries**. Basically, industry grouping is based on the primary product that a company makes or sells.

A **market** is defined as the sum total of all the buyers and sellers in the area or region under consideration

incorrect to say that market is the same for all businesses. Each business has its own set of customers

Analysing Industry and Markets
Industry and market analysis is extremely important to identify one's position as compared to the competitors. A tool used for this is called - Strategic Group Mapping

The procedure for constructing a strategic group map

- Identify the competitive characteristics that differentiate firms in the industry typical variables are price/quality rang,geographic coverage, degree of vertical integration (none, partial, full); product-line breadth (wide, narrow); use of distribution channels (one, some, all); and degree of service offered
- Plot the firms on a two-variable map
- Assign firms that fall in about the same strategy space to the same strategic group.
- Draw circles around each strategic group making the circles proportional to the size of the group's respective share of total industry sales revenues.

2. Customers
Understanding the different types of customers
example of a headphones brand - the customers can be grouped under high value buyers, medium value buyers and low value buyers based on the amount they are willing to spend

Product/Services
- business identifies the key products/ services that the organisation offers and how those products/services are performing.
- Product stands for the combination of "goods-and-services" that the company offers to the target market.
- products and markets are infinitely dynamic. An organization has to capture such dynamics through a set of policies and strategies
- Products can also be differentiated on the basis of size, shape, colour, packaging, brand names, after-sales service and so on.
- Quite often the differentiation is psychological rather than physical
- Organizations formalize product differentiation through designating 'brand names' to their respective products. These are generally reinforced with legal sanctions and protection firms' image is built around brands through advertising and other promotional strategies.

For a new product, pricing strategies for entering a market
- Have a customer-centric approach while making a product.
- Produce sufficient returns through a reasonable margin over cost.

- Increasing market share.

Social Marketing: programs seeking to increase the acceptability of social ideas, cause. publicity campaign for prohibition of smoking in Delhi explained the place where one can an

Augmented Marketing: This type of marketing includes additional customer services and benefits that a product can offer besides the core and actual product that is being offered

Direct Marketing: interact directly with consumers, generally calling for the consumer to make a direct response.

Relationship Marketing: The process of creating, maintaining, and enhancing strong relationships with customers and other stakeholders. For example, Airlines offer special lounges at major airports for frequent flyers.

Services Marketing: It is applying the concepts, tools, and techniques of marketing to services.

Person Marketing: activities undertaken to create, maintain, or change attitudes and behaviour of target audiences towards an organization.

Place Marketing: activities undertaken to create,maintain, or change attitudes and behaviour towards particular places

Organization Marketing: activities undertaken to create, maintain, or change attitudes and behaviour of target audiences towards an organization.

Enlightened Marketing: the best long-run performance, customer-oriented marketing, innovative marketing, value marketing, sense-of-mission marketing, and societal marketing.

Differential Marketing:decides to target several market segments and designs separate offers for each. For example, Hindustan Unilever Limited has Lifebuoy, Lux and Rexona in the popular segment and Dove and Pears in premium segment

synchro-marketing can be used to find ways to alter the pattern of demand through flexible pricing, promotion, and other incentives. For example, products such as movie tickets can be sold at lower prices over weekdays to generate demand.

Concentrated Marketing a firm goes after a large share of one or few sub-markets. it can be Niche Marketing

Demarketing: It includes marketing strategies to reduce demand temporarily or permanently. The aim is not to destroy demand, but only to reduce or shift it.

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

1. The sales channel - These are the intermediaries involved in selling the product
2. The product channel - The product channel focuses on the series of intermediaries who physically handle the product on its path from its producer to the end user.
3. The service channel - The service channel refers to the entities that provide necessary services to support the product

Channel analysis is important to scale up and expand beyond the current geographies and markets.

CORE COMPETENCIES ARE CAPABILITIES THAT SERVES AS SOURCE OF COMPETITIVE
FOR A FIRM OVER ITS RIVALS

An organization's combination of technological and managerial know-how, wisdom and experience are a complex set of capabilities and resources that can lead to a competitive advantage compared to a competitor.

core competencies are identified in three areas -
♦ competitor differentiation- unique and it is difficult for competitors to imitate. This can provide a company with an edge compared to competitors.
♦ customer value - When purchasing a product or service it has to deliver a fundamental benefit for the end customer in order to be a core competence.
♦ application to other markets - to other markets. Core competence must be applicable to the whole organization; it cannot be only one particular skill or specified area of expertise.

Core competencies are created by superior integration of technological, physical and human resources.

<u>Criteria to build Core Competency</u>
Rare: Core competencies are very rare capabilities and very few of the competitors possess these.

Valuable: Valuable capabilities are the ones that allow the firm to exploit opportunities or avert the threats in its external environment

Costly to imitate: Costly to imitate means such capabilities that competing firms are unable to develop easily.

Non-substitutable: Capabilities that do not have strategic equivalents are called non-substitutable capabilities.

COMBINING EXTERNAL AND INTERNAL ANALYSIS (SWOT ANALYSIS)

- The primary objective of a SWOT analysis is to help organizations develop a full awareness of all the factors (external as well as internal), involved in making a business decision.
- focus on leveraging strengths and opportunities to overcome weaknesses and threats.
- The analysis can show areas where an organization is performing well, as well as areas that need improvement

An organization is said to have **competitive advantage** if its profitability is higher than the average profitability for all companies in its industry

Sustainability of Competitive Advantage

1. Durability: The period over which a competitive advantage is sustained depends in part on the rate at which a firm's resources and capabilities deteriorate. In industries where the rate of product innovation is fast, product patents are quite likely to become obsolete.
2. Transferability:The ability of rivals to attack position of competitive advantage relies on their gaining access to the necessary resources and capabilities
3. Imitability: If resources and capabilities cannot be purchased by a would-be imitator, then they must be built from scratch. How easily and quickly can the competitors build the resources and capabilities on which a firm's competitive advantage is based? This is the true test of imitability.
4. Appropriability: Appropriability refers to the ability of the firm's owners to appropriate the returns on its resource base. who receives the returns on these resources.

<u>Michael Porter's Generic Strategies</u>

Cost leadership: producing standardized products at a very low per-unit cost for consumers who are price-sensitive.

Differentiation producing products and services considered unique industry-wide and directed at consumers who are
relatively price-insensitive.

Focus producing products and services that fulfil the needs of small
groups of consumers with very specific taste.

Cost Leadership Strategy

It is a low-cost competitive strategy that aims at broad mass market. example, McDonald's fast-food restaurants

To be a low-cost producer in an industry can especially be effective,

- when the market is composed of many price-sensitive buyers and
- when there are few ways to achieve product differentiation.

Achieving Cost Leadership Strategy

1. Prompt forecasting of demand of a product or service.
2. Optimum utilization of the resources l
3. Achieving economies of scale

4. Standardisation of products for mass production
5. Invest in cost saving technologies and using advance technology
6. Resistance to differentiation till it becomes essential.

Advantages of Cost Leadership Strategy

Rivalry – Competitors are likely to avoid a price war, since the low-cost firm will continue to earn profits even after competitors compete away their profits.

Buyers – Powerful buyers/customers would not be able to exploit the cost leader firm and will continue to buy its product.

Suppliers – Cost leaders are able to absorb greater price increases from suppliers before they need to raise prices for customers.

Entrants – Low-cost leaders create barriers to market entry through their continuous focus on efficiency and cost reduction.

Substitutes – Low-cost leaders are more likely to lower the costs to induce existing customers to stay with their products, invest in developing substitutes, and even purchase patents

Disadvantages of Cost Leadership Strategy

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

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 cost of advertising, market research, and research and development, but this approach can prove to be expensive in the long run.

4. Technological advancement areas a great threat to cost leaders.

Differentiation Strategy

This strategy is aimed at broad mass market and involves the creation of a product or service that is perceived by the customers as unique.

Basis of Differentiation

1. **Product:** Innovative products that meet customer needs can be an area where a company has an advantage over competitors.For example, Apple iPhone continuous R&D.
2. **Pricing:** Companies that differentiate based on product price can either determine to offer the lowest price or can attempt to establish superiority through higher prices
3. **Organisation:** Organisational differentiation is yet another form of differentiation. Maximizing the power of a brand Location advantage, name recognition and

customer loyalty can all provide additional ways for a company differentiate itself from the competition

Achieving Differentiation Strategy

- match products with their tastes and preferences of customer.
- Improve performance of the product
- high-quality product/service for buyer satisfaction.
- Rapid product innovation
- enhancing brand image and brand value.
- Fixing product prices based on the unique features of product and buying capacity of the customer

Advantages of Differentiation Strategy

Rivalry - Brand loyalty acts as a safeguard against competitors

Buyers – They do not negotiate for price as they get special features and they have fewer options in the market.

Suppliers – Because differentiators charge a premium price, they can afford to absorb higher costs of supplies

Entrants – Innovative features are an expensive offer

Substitutes – Substitute products can't replace differentiated products which have high brand value and enjoy customer loyalty.

Disadvantages of Differentiation Strategy

1. 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**.**

A successful focus strategy depends on an industry segment that is of sufficient size, has good growth potential, and is not crucial to the success of other major competitors.

Focused differentiation: A focused differentiation strategy requires offering unique features that fulfil the demands of a narrow market

achieve focused cost leadership/differentiation, following strategies could be adopted by an organization:
1. Selecting specific niches
2. Creating superior skills for catering such niche markets.
3. Generating high efficiencies for serving such niche markets.
4. Developing innovative ways in managing the value chain

Advantages of Focused Strategy
1. Premium prices can be charged
2. rivals and new entrants may find it difficult to compete

Disadvantages of Focused Strategy
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
3. In the long run, the niche could disappear or be taken over by larger competitors

Best-cost provider strategy: providing customers more value for the money by emphasizing on lower cost and better-quality differences.

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

The **corporate strategies** a firm can adopt may be classified into **four categories:**
1. **Stability strategy**:- The firm stays with its current businesses and product markets; maintains the existing level of effort; and is satisfied with incremental growth.
2. **Expansion strategy**:- 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.
3. **Retrenchment strategy**:- The firm retrenches some of the activities in some business (es), or) or drops the business as such through sell-out or liquidation
4. **Combination strategy**:- The firm combines the above strategic alternatives in some permutation/combination so as to suit the specific requirements of the firm.

Stability Strategy is pursued by a firm when:
♦ It continues to serve in the same or similar markets and deals in same or similar products
♦ product have reached the maturity stage of product life cycle or those who have a sufficient market share but need to retain that in dynamic and volatile business world.

Characteristics of Stability Strategy
- does not involve a redefinition of the business
- safe strategy
- does not warrant much of fresh investments.
- The risk involved in this strategy is less.
- leading to building of core competencies.
- The firms with modest growth objective choose this strategy.

Major Reasons for Stability Strategy
- The staff feels comfortable with the status quo
- environment in which an organisation is operating is relatively stable.
- not advisable to expand as it may be perceived as threatening.
- rapid expansion, a firm might want to stabilize and consolidate itself.

Why don’t Startups aim for stability?
factors are speed and agility, because of
it being in a nascent stage of operations.

Growth/Expansion Strategy:-
redefining the business by enlarging
the scope of business. strategy that can be equated with dynamism, vigour, promise and success.

Characteristics of Expansion Strategy
- involves a redefinition of the business
- the opposite of stability strategy.
- Expansion strategy leads to business growth
- renewal of the firm through fresh investments and new businesses/products/markets
- highly versatile strategy; it offers several permutations and combinations for growth.

Major Reasons for Expansion Strategy

- more satisfied with the prospects of growth from expansion;
- become imperative when environment demands
- greater control over the market
- Advantages from the experience curve and scale of operations
- includes intensifying, diversifying, acquiring and merging businesses.

Types of Growth/ Expansion Strategy

A. Internal growth strategies

1.Expansion through Intensification:- organisation tries to grow internally by intensifying its operations

a. **Market Penetration:** market penetration/concentration on the current business.The firm directs its resources to the profitable growth of its existing product in the existing market.
b. **Market Development**: marketing present products, to customers in related market areas by adding different channels of distribution or changing content of Advertisement.
c. **Product development**: substantial modification of existing products or creation of new but related items that can be marketed to current customers through established channels.

2. Expansion through Diversification:

expand by diversifying into various products or fields, it is called growth by diversification entry into new products or product lines, new services or new markets, involving substantially different skills, technology and knowledge.

(i) Concentric diversification: diversification into related business to benefit from synergistic gains, diversifies into is linked to the existing businesses through process, technology or marketing.

a. **Vertically integrated Diversification** engage in businesses that are related to the existing business of the firm moves forward or backward in product process chain.
   i. Backward integration is concerned with creation of effective supply by entering business of input providers.
   For example, A large supermarket chain considers to purchase a number of farms
   ii. Forward integration is moving forward in the value chain and entering business lines that use existing products
   For example, A coffee bean manufacture may choose to merge with a coffee cafe.

Horizontal Integrated Diversification: acquisition of one or more similar businesses operating at the same stage of the production-marketing chain

(ii) **Conglomerate diversification**: diversification into unrelated business to explore more opportunities beyond existing areas of expertise. Conglomerate diversification, no linkages related to product, market or technology exist; the new businesses/products are disjointed from the existing businesses/products in every way; it is a totally unrelated diversification. No linkages related to product, market or technology exist; the new businesses/products are disjointed from the existing businesses/products in every way; it is a totally unrelated diversification.

For example, A cement manufacturer diversifies into the manufacture of steel and rubber products.

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

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. profits in one business can be used to keep the loss making business afloat within the same organisation.

(iii) Innovation drives upgradation of existing product lines or processes, leading to increased market share, revenues, profitability and customer satisfaction.

- *Helps to solve complex problems*: A business strives to find opportunities in existing problems of the society, and it does so though planned innovation in areas of expertise
- *Increases Productivity:* Innovation leads to simplification and in most cases automation of existing tasks.Innovation, by automating repetitive tasks, and simplifying the long chain of processes, adds to productivity of teams and thereby the organisation as a whole.
- *Gives Competitive Advantage*: Being ahead of competition is a need,Innovative products need less marketing as they aim to provide added satisfaction to consumers, thus, creating a competitive advantage.

B. External growth strategies

- Expansion through Mergers and Acquisitions

Merger is a process when two or more companies come together to expand their business operations.

Types of Mergers

(a) **Horizontal merger** is a combination of firms engaged in the same industry. It is a merger with a direct competitor. achieve economies of scale, getting rid of competition and so on.

(b) **Vertical Merger** two organizations that are operating in the same industry but at different stages of production or distribution system.

organization takes over its supplier/producers of raw material, then it leads to **backward integration.**

Forward integration happens when an organization decides to take over its buyer organizations or distribution channels

(C) **Co-generic merger** two or more merging organizations are associated in some way or the other related to the production processes, business markets, or basic required technologies. Such merger includes the extension of the product line or acquiring components that are required in the daily operations

(d) **Conglomerate mergers** are the combination of organizations that are unrelated to each other. There are no linkages with respect to customer groups, customer functions and technologies being used.

Expansion through Strategic Alliance

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

Advantages of Strategic Alliance

1. Organizational: learn necessary skills and obtain certain capabilities, help to enhance productive capacity,creating a synergy, creditability to a new venture

Economic: There can be reduction in costs and risks by distributing them across the members of the alliance.

Strategic: Rivals can join together to cooperate instead of competing with each other. useful to create a competitive advantage by the pooling of resources and skills.

Political: Sometimes strategic alliances are formed with a local foreign business to gain entry into a foreign market, alliances with politically influential partners may also help improve your own influence and position.

Disadvantages of Strategic Alliance

- Alliance May also create potential competition when an ally becomes an opponent in future when it decides to separate out
- Sharing knowledge and skills can be problematic it they involve trade secrets.

STRATEGIC EXITS

Strategic Exits are followed when an organization substantially reduces the scope of its activity.

Turnaround Strategy:internal retrenchment to take place, emphasis is laid on improving internal efficiency, known as turnaround strategy.

Indicators which point out that a turnaround

- Persistent negative cash flow from business
- Uncompetitive products or services
- Declining market share
- Deterioration in physical facilities
- Over-staffing, high turnover of employees, and low morale
- Mismanagement

Action Plan for Turnaround;

1. Stage One – Assessment of current problems: The first step is to assess the current problems and get to the root causes and the extent of damage the problem has caused
2. Stage Two –Analyze the situation and develop a strategic plan: Before you make any major changes; determine the chances of the business's survival.
3. Stage Three –Implementing an emergency action plan: If the organization is in a critical stage, an appropriate action plan must be developed to stop the bleeding and enable the organization to survive. restructure debts, improve working capital, reduce costs
4. Stage Four –Restructuring the business: The financial state of the organization's core business is particularly important.Prepare cash forecasts, analyze assets and debts, review profits and analyze other key financial functions. Core products neglected over time may require immediate attention to remain competitive. Some facilities might be closed; the organization Reward and compensation systems that encourage dedication and creativity amongst employees to think about profits and return on investments.
5. Stage Five –Returning to normal:organization should begin to show signs of profitability, return on investments and enhancing economic value-added.

The important elements of turnaround strategy are as follows:

- Changes in the top management
- Initial credibility-building actions
- Neutralising external pressures
- Identifying quick payoff activities
- Quick cost reductions
- Revenue generation
- Asset liquidation for generating cash
- Better internal coordination

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

Reason for divestment (Same as above for Turnaround)

Reasons for Retrenchment/Turnaround Strategy

- The management no longer wishes to remain in business either partly or wholly due to continuous losses and unviability.
- The management feels that business could be made viable by divesting some of the activities or liquidation of unprofitable activities.
- A business that had been acquired proves to be a mismatch and cannot be integrated within the company.
- Persistent negative cash flows from a particular business create financial problems for the whole company, creating the need for divestment of that

business.
- Severity of competition and the inability of a firm to cope with it may cause it to divest.
- Technological upgradation is required if the business is to survive but where it is not possible for the firm to invest in it, a preferable option would be to divest.
- A better alternative may be available for investment, causing a firm to divest a part of its unprofitable businesses.

STRATEGIC OPTIONS

multi-product and multi business firms. main advantage in adopting a portfolio approach in a multi-product, multi-business firm is that resources could be channelised at the corporate level to those businesses that possess the greatest potential.

<u>Ansoff's Product Market Growth Matrix</u> product market growth matrix (proposed by Igor Ansoff)

Markets in new or existing products in both new and existing markets.

Market Penetration: focuses on selling existing products into existing markets. e greater spending on advertising or personal selling. aggressive promotional campaign, supported by a pricing strategy effort on increasing usage by existing customers.

Market Development:business seeks to sell its existing products into new markets. identifying and developing new markets for current company products. new geographical markets, new product dimensions or packaging, new distribution channels

Product Development: introduce new products into existing markets.offering modified or new products to current markets. develop modified products which can appeal to existing markets.

Diversification:business markets new products in new markets. It is a strategy by starting up or acquiring businesses outside the company's current products and markets. This strategy is risky business is moving into markets in which it has little or no experience.

<u>ADL Matrix</u>

(derived its name from Arthur D. Little) is a portfolio analysis technique that is *based on product life cycle*

products or SBU's into one of five competitive positions:
- dominant,
- strong,
- favourable,
- tenable and
- weak

Dominant: This is a comparatively rare position, a monopoly or a strong and protected technological leadership.

Strong: the firm has a considerable degree of freedom over its choice of strategies and is often able to act without its market position being unduly threatened by its competitions.

Favourable: industry is fragmented and no one competitor stand out clearly.

Tenable: able to perform satisfactorily and can justify staying in the industry,

Weak: The performance of firms in this category is generally unsatisfactory although the opportunities for improvement do exist

BCG growth-share matrix cow and dog metaphors

◆ vertical axis - market growth rate and provides a measure of market attractiveness.

◆ horizontal axis - relative market share and serves as a measure of company strength in the market.

Stars products or SBUs that are growing rapidly. They also need heavy investment to maintain their position. They represent best opportunities for expansion.

Cash Cows

- low-growth, high market share
- generate cash and have low costs.
- less investment to maintain their market share.
- In long run when the growth rate slows down, stars become cash cows.

Question Marks, sometimes called problem children or wildcats,

- are low market share business in high-growth markets. They require a lot of cash to hold their share. They need heavy investments with low potential to generate cash.
- Question marks if left unattended are capable of becoming cash traps.
- growth rate is high, increasing it should be relatively easier. It is for business organisations to turn them stars and then to cash cows when the growth rate reduces

Dogs are low-growth, low-share businesses and products. They may generate enough cash to maintain themselves, but do not have much future. Dogs should be minimised by means of divestment or liquidation.

BCG Matrix: Post Identification Strategies

1. Build: Here the objective is to increase market share, even by forgoing short-term earnings in favour of building a strong future with large market share.
2. Hold: Here the objective is to preserve market share.
3. Harvest: Here the objective is to increase short-term cash flow regardless of long-term effect.
4. Divest: Here the objective is to sell or liquidate the business because resources can be better used elsewhere.

Is BCG Matrix really helpful?
BCG matrix can be difficult, time-consuming, and costly to implement. Management may find it difficult to
define SBUs and measure market share and growth.This can cause unwise expansion into hot, new, risky ventures or divesting established units too quickly.

<u>GE Nine-Cell Matrix and GE Model</u>.

+ inspired from traffic control lights.
+ General Electric Matrix ["Stop-Light" Strategy Model]
+ green for go, amber or yellow for caution, and red for stop.
+ The vertical axis indicates market attractiveness, and the horizontal axis shows the business strength in the industry.

The market attractiveness is measured by a number of factors like:

+ ♦ Size of the market.
+ ♦ Market growth rate.
+ ♦ Industry profitability.
+ ♦ Competitive intensity.
+ ♦ Availability of Technology.
+ ♦ Pricing trends.
+ ♦ Overall risk of returns in the industry.
+ ♦ Opportunity for differentiation of products and services.
+ ♦ Demand variability.

Business strength is measured by considering the typical drivers like:
♦ Market share.
♦ Market share growth rate.
♦ Profit margin.
♦ Distribution efficiency.
♦ Brand image.
♦ Ability to compete on price and quality.
♦ Customer loyalty.
♦ Production capacity.
♦ Technological capability.
♦ Relative cost position.
♦ Management calibre, etc.

If a product is in **green section**, the business is at advantageous position here, expand, to invest and grow.
If a product is in the **amber or yellow zone,** it needs caution and managerial discretion is called for making the strategic choices.
If a product is in the **red zone**, lead to losses that would make things difficult for organisations. the appropriate strategy should be retrenchment, divestment or liquidation.

GE model is similar to the BCG growth-share matrix. However, there are differences. Firstly, market attractiveness replaces market growth & competitive strength replaces Market Share.

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CONTENTS CH-1,2,3&4 STRATEGIC MANAGEMENT WE ASSURE IT IS SUFFICIENT FOR YOUR REVISION. NO CONTAINT IS DROPPED TO REDUCE NUMBER OF PAGES

WHAT ADDITIONALLY YOU MUST DO:-

DRAWING CHART/MATRIX SHOWS DEPTH OF KNOWLEDGE YOU HAVE
In ch-1 SM no chart

In ch-2 SM CHART
- **Strategic Risk chart (short term long term)**
- **PLC Curve: S shaped (Introduction,Growth, Maturity, Decline)**
- **Value Chain chart by Michael Porter**

Ch-3 SM CHART
- **Mendelow's Matrix**
- **SWOT Analysis**
- **Michael Porter's Generic Strategies**

Ch-4 SM CHART
- **GE/BCG/ADL/Anshoff**

Q. then why you have not drawn charts in PDF itself then?
- draw charts by self twice or thrice before exam it will be better for recall in exam hall correct axis

Thank you
Your suggestions are welcomed