Before We **Begin**

Dear Students,

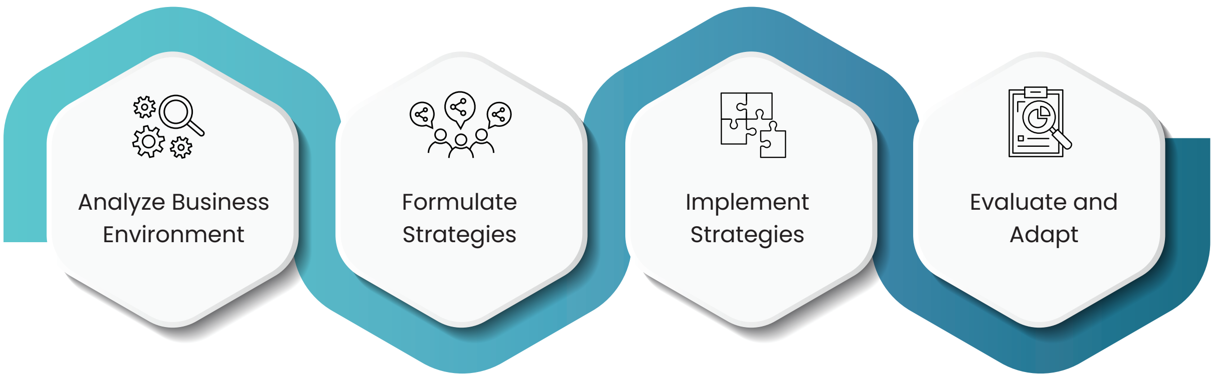
Welcome to the fascinating world of **Strategic Management**, a subject that is not just an academic discipline but a **real-world guide** to making informed business decisions. Whether you aim to lead an organization, become an entrepreneur, or excel in your career as a Chartered Accountant, mastering strategic management will give you the **analytical mindset** and **decision-making skills** necessary for success.

Before diving into the subject, let's **set the stage** for an effective learning journey.

What is Strategic Management?

Strategic Management is more than just theories and frameworks; it's about applying structured thinking to navigate business challenges and opportunities. It involves:

Flowchart: Strategic Management Process



Before We **Begin**

Key Areas of Focus

- **Analyzing the Business Environment –** Identifying external opportunities and threats along with internal strengths and weaknesses.
- **Formulating Strategies –** Developing long-term plans that align with business goals.
- **Implementing & Evaluating Strategies –** Executing plans effectively and making necessary adjustments.

How to Approach This Subject

To master **Strategic Management**, follow a structured approach:

Mind Map: Key Focus Areas

Business Environment | Strategy Formulation | Implementation & Control

Start with the Basics

- Grasp fundamental concepts like **strategy, strategic levels, and business environment analysis.**
- Read with an **inquisitive mindset** and relate theories to **real-world scenarios**.

Focus on Conceptual Clarity

- Avoid rote memorization—**understand why strategies work** in different business contexts.
- Use **flowcharts, diagrams, and case studies** for better retention.

Use Practical Illustrations

- Apply concepts to **recent business events** or industry case studies.
- Keep up with **business news** to see **strategy in action**.

Memorization Tips and Acronyms

To help you retain key concepts easily, use the following memory aids:

- **PESTLE for external environment analysis:** **P**olitical, **E**conomic, **S**ocial, **T**echnological, **L**egal, **E**nvironmental.
- **SWOT for internal analysis:** **S**trengths, **W**eaknesses, **O**pportunities, **T**hreats.
- **SMART objectives:** **S**pecific, **M**easurable, **A**chievable, **R**elevant, **T**ime-bound.
- **VRIO framework for competitive advantage:** **V**alue, **R**arity, **I**mitability, **O**rganization.
- **Porter's Five Forces:** **T**hreat of new entrants, **B**argaining power of buyers, **B**argaining power of suppliers, **T**hreat of substitutes, **I**ndustry rivalry.

Success in Strategic Management depends on **conceptual clarity, logical thinking, and real-world application**. Approach this subject with curiosity and a **problem-solving mindset**, and you will not only **excel in exams** but also develop **a skillset for lifelong success**.

Wishing you all the best in your journey ahead!

Board of Studies, ICAI

The Institute of Chartered Accountants of India
(Setup by an Act of Parliament)
Board of Studies

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Strategic Management

Chapter 1: Introduction to Strategic Management

Introduction to Strategic Management

- Meaning and nature of Strategic Management
- Concept of Strategy
- Strategic Management
  - Importance of Strategic Management
  - Limitations of Strategic Management
- Strategic Intent
- Strategic Levels in Organisations
  - Corporate Level
  - Business Level
  - Functional Level

Concept of Management

Management is an influence process to make things happen, to gain command over phenomena, to induce and direct events and people in a particular manner. The term is often used

- As a key group in an organisation in-charge of its affairs.
- As a set of interrelated functions and processes carried out by the management if an organisation to attain its objectives.

Concept of Strategy

We may define the term '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 and where it wants to go.

Igor H. Ansoff : The common thread among the organization's activities and product-markets that defines the essential nature of business that the organization has or planned to be in future.

William F. Glueck : A unified, comprehensive and integrated plan designed to assure that the basic objectives of the enterprise are achieved.

Strategy is consciously considered and flexibly designed scheme of corporate intent and action to mobilise resources, to direct human effort and behaviour, to handle events and problems, to perceive and utilise opportunities, and to meet challenges and threats for corporate survival and success.

Strategy is partly proactive and partly reactive

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.

Reactions to unanticipated developments and fresh market conditions in the dynamic business environment.

Proactive strategy is planned strategy whereas reactive strategy is adaptive reaction to changing circumstances.

Company experiences, know-how resources, Strength, Weaknesses and Competition capabilities

Proactive strategy elements	New initiatives plus ongoing strategy elements continued from prior periods.	Adaptive reactions to changing circumstances.	Reactive strategy elements

Abandoned strategy elements

Latest version of company strategy (Actual strategy)

Figure: A company's actual strategy is partly planned & partly reactive

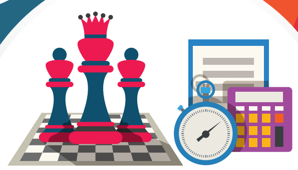
Strategic Management

Process of developing a strategic vision, setting objectives, crafting a strategy, implementing and evaluating the strategy, and initiating corrective adjustments where deemed appropriate.

The overall objectives of strategic management are two-fold:

- To create competitive advantage **(something unique and valued by the customer)**
- To guide the company successfully through all changes in the environment. That is to react in the right manner

Importance of Strategic Management



Importance of Strategic Management

- Defines the goals and mission.
- Helps the organisation to develop certain core competencies and competitive advantages.
- Helps organisations to be proactive instead of reactive in shaping its future.
- Provides framework for all major decisions of an enterprise.
- Prepares the organisation to face the future.
- Serves as a corporate defense mechanism against mistakes and pitfalls.
- Enhance the longevity of the business.

Limitations of Strategic Management

Complex and Turbulent Environment

Environment is highly complex and turbulent. It is difficult to understand the complex environment and exactly pinpoint how it will shape-up in future.

Time-consuming Process

Strategic management is a time-consuming process.

Costly Process

Strategic management is a costly process. It add lot of expenses to an organization.

Difficult to estimate competitor's response

Competition is unpredictable.

It is difficult to clearly estimate the competitive responses to a firm's strategies.

Strategic Intent (Vision, Mission, Goals, Objectives and Values)

Strategic intent refers to purposes of what the organisation strives for senior managers must define "what they want to do" and "why they want to do".

"Why they want to do" represents strategic intent of the firm. Clarity in strategic intent is extremely important for the future success and growth of the enterprise, irrespective of its nature and size.

It implies the purposes, which an organisation endeavours to achieve. It is a statement that provides a perspective of the means, which will lead the organisation, reach its vision in the long run.

Components of Strategic Intent

Values/Value System

Vision

Vision implies the blueprint of the company's future position. It depicts the organisation's aspirations and provides a glimpse of what the organisation would like to become in future.

Essentials of Strategic Vision

- Challenge in developing a strategic vision that is creative and future directed.
- Forming a strategic vision is an exercise in intelligent entrepreneurship.
- A well-articulated strategic vision creates enthusiasm in organisation.
- Vision statement illuminates the direction in which organization is headed.

Mission

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

Points must be considered while writing a mission statement of a company are:

To establish the special identity of the business - one that typically distinct it from other similarly positioned companies.

Needs which business tries to satisfy, customer groups it wishes to target and the technologies and competencies it uses and the activities it performs.

Good mission statements should be unique to the organisation for which they are developed.

The mission of a company should not be to make profit. Surpluses may be required for survival and growth, but cannot be mission of a company.

Goals and Objectives

Goals

Goals are broad statements that describe what a company aims to achieve in the long term.

They are typically high-level, overarching statements that reflect the company's vision and values.

Goals are often qualitative and may be open-ended, allowing the company to continually strive towards achieving them.

Objectives

Objectives are specific, measurable, and time-bound statements that define what a company wants to achieve in the short to medium term.

They are concrete and detailed statements that provide direction and focus on what the company needs to do to achieve its goals.

Objectives are often quantitative and include specific metrics that can be used to track progress and success.

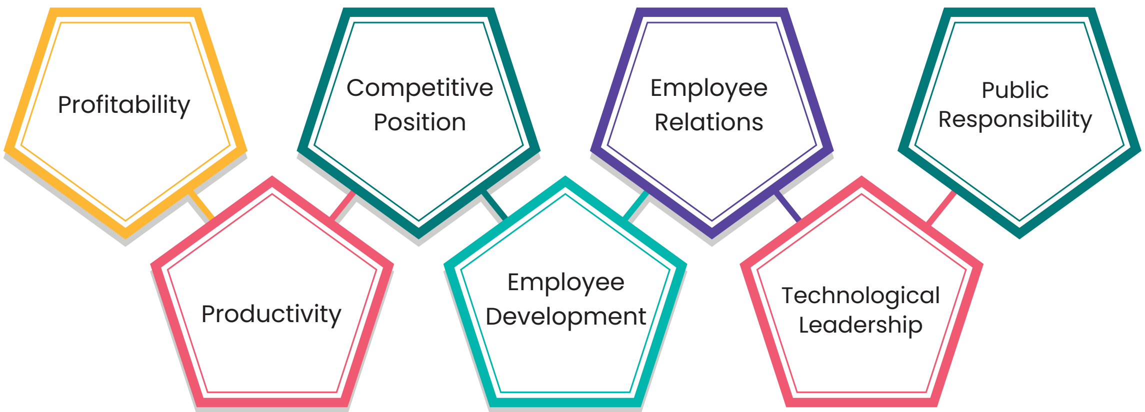
However, in practice, no distinction is made between goals and objectives and both the terms are used interchangeably.

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

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

Long-term objectives:

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



Values/Value System

While Strategic Intent is the purpose that an organisation aims to achieve, **Values** form the omnipresent foundation of each and every decision that the management takes. **An organisation without values is like an organisation with no real intent.**

Values are the deep-rooted principles which guide an organisation's decisions and actions. Collins and Porras succinctly define core values as being inherent and sacrosanct; **they can never be compromised, either for convenience or short-term economic gain.**

Values often reflect the values of the company's founders—Hewlett-Packard's celebrated "HP Way" is an example. They are the source of a company's distinctiveness and must be maintained at all costs. A few common examples of values are; Integrity, Trust, Accountability, Humility, Innovation and Diversity.

Strategic Levels In an Organization

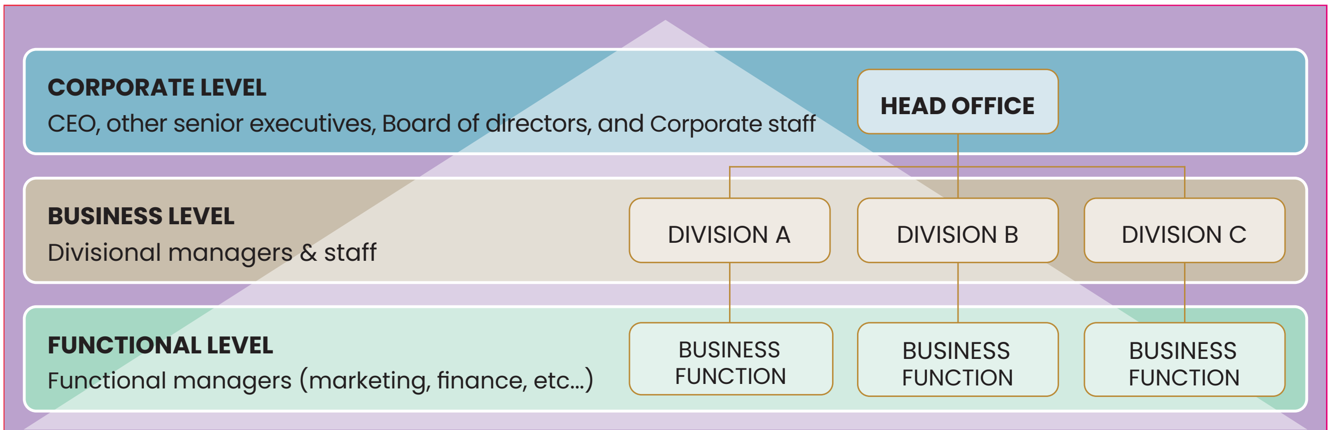
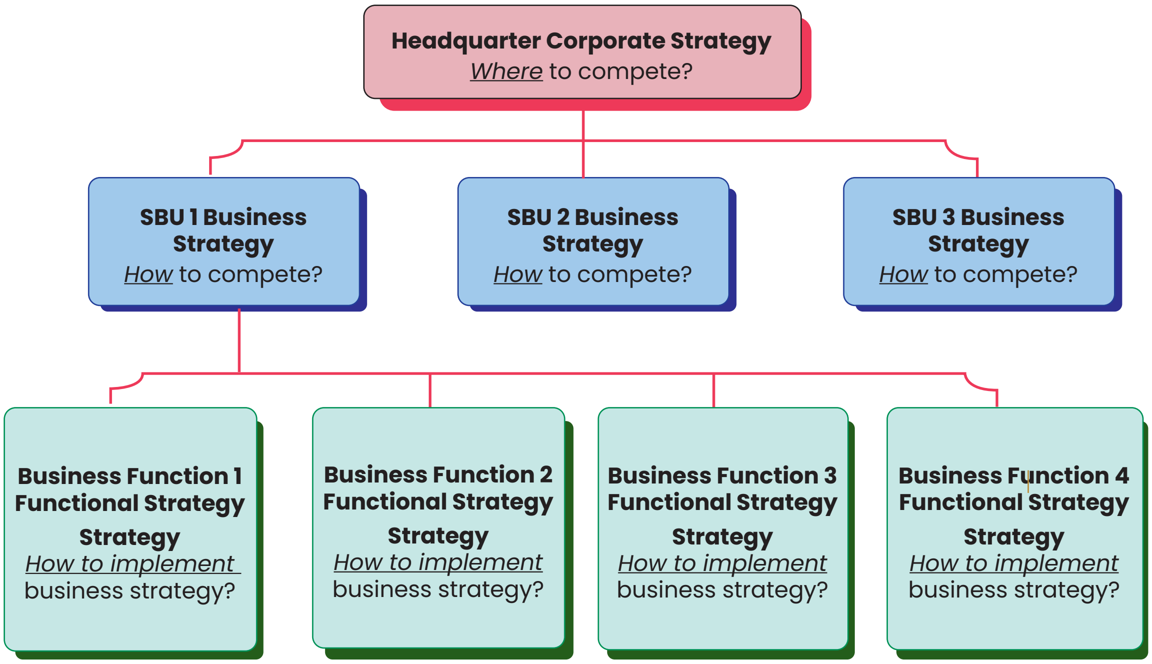


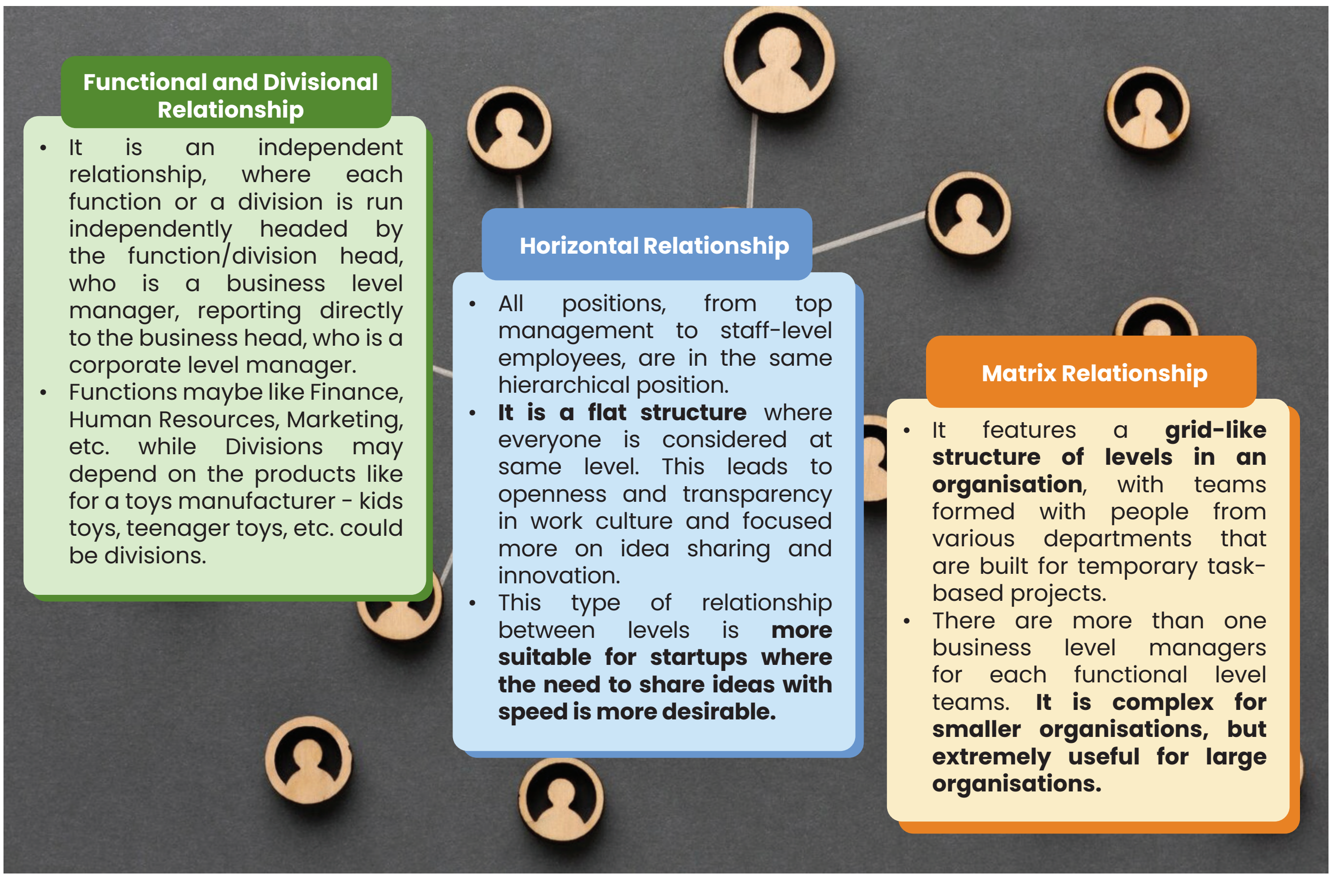
Figure: Levels of strategic management

Strategic Business Units (SBUs)

- The general managers of these divisions then become responsible for their particular product line.
- The overriding concern of the divisional managers is healthy growth of their divisions. They are responsible for deciding how to create a competitive advantage and achieve higher profitability with the resources and capital they have at their disposal.



Network of Relationship between the three level



In the organizational structure, Jayant oversees the growth of the consumer goods segment, while Kritika is in charge of B2B sales. Priya, responsible for the legal function in consumer care, notifies Jayant about newly implemented laws prohibiting consumer goods companies from sponsoring government activities. In response, Jayant promptly contacted Abhay, the finance head of consumer care, to reallocate budget resources from marketing to travel. Considering this scenario, what can be inferred about the relationship between functions and divisions within the organization?

Ans: Strategic Business Unit. The SBU has a head – Jayant. Each SBU has its own functional heads – Priya and Abhay operated independently.
Reasoning: In an SBU structure, each unit operates as a semi-autonomous entity with its own functional areas and heads, allowing for more independent decision-making and strategic control. In this case, Jayant overseeing the consumer goods segment with Priya and Abhay as heads of legal and finance functions, respectively, indicates a level of autonomy and independence that is characteristic of an SBU within the larger organizational structure.

In his pursuit to expand the family business to Dubai, Dharam Veer Singh, the successor of the renowned architect Late Shri Lala Ram Pal Singh, faced a dilemma. Despite receiving positive feedback from various potential investors, a common trend emerged where the emphasis was primarily on swift construction, neglecting the importance of structural longevity. Dharam finds himself at a crossroads. What strategic approach could assist him in formulating a robust and coherent business roadmap that aligns with his vision for sustainable growth?

Ans: Values/Value system
Reasoning: In this scenario, the most appropriate strategic approach to help Dharam Veer Singh formulate a robust and coherent business roadmap aligned with his vision for sustainable growth would be to focus on values or a value system.

Chapter 2: Strategic Analysis: External Environment

Strategic Analysis

The majority of the rapidly expanding organisations use strategic planning throughout various stages of their operations.

Strategic analysis is a component of business planning that has a methodical approach, makes the right resource investments, and may assist business in achieving its objective. It forces to think about the rivals and aids in the evaluation of business plans to stay ahead of the competition.

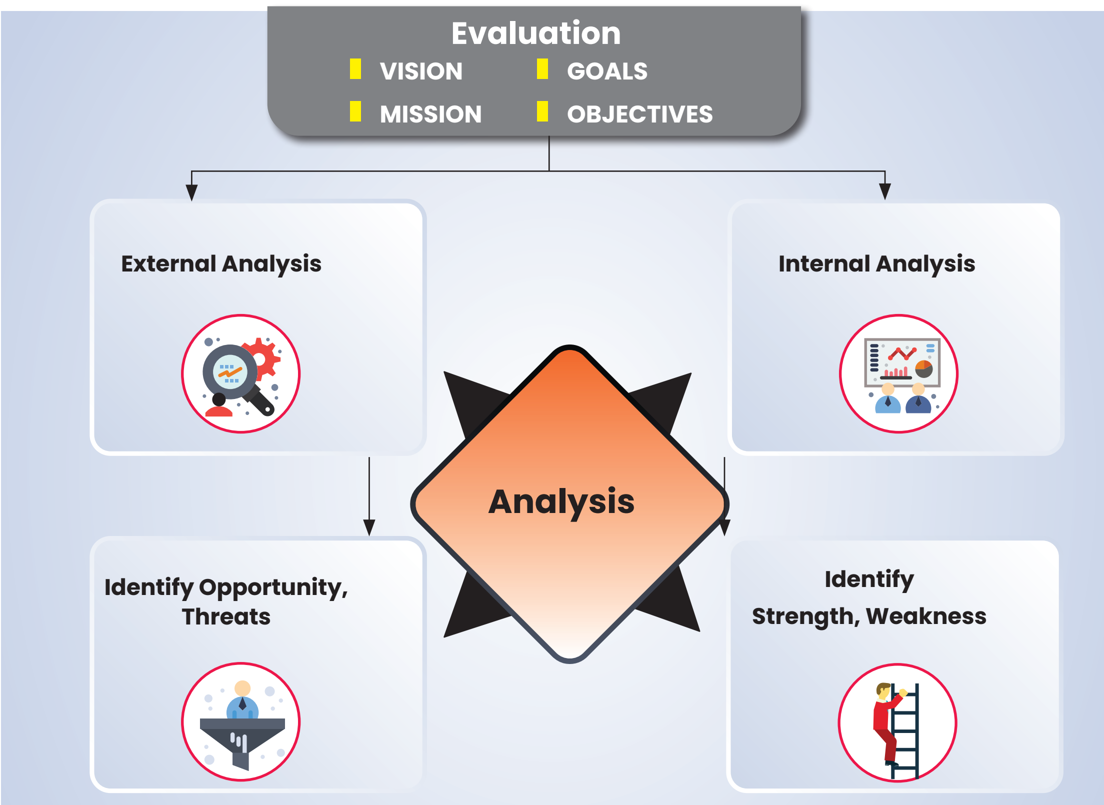
<u>The two important situational considerations are:</u>

(1) industry and competitive conditions, and

(2) an organisation's own capabilities, resources, internal strengths, weaknesses, and market position.

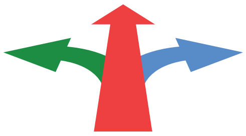
Accurate diagnosis of the business situation is necessary for managerial preparation to decide on a sound long-term direction, setting appropriate objectives, and crafting a winning strategy.

Strategic Analysis



Strategic Analysis: External Environment

Issues to Consider for Strategic Analysis



STRATEGY EVOLVES OVER A PERIOD OF TIME

Each strategic decision must balance the different factors that impact and constrain strategy. A key element of strategic analysis is the probable outcome of everyday decisions.

BALANCE OF EXTERNAL AND INTERNAL FACTORS

In practise, strategic analysis necessitates creating a reasonable balance between many conflicting challenges, because a perfect fit between them is unlikely.

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.

Strategic Risk

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

Interaction B/W Strategy & Environment helps with the following :

MICRO ENVIRONMENT → **Close to the business** → **Easier to control** → **Specific to it**

MACRO ENVIRONMENT → **Far from business** → **Difficult to Control** → **Common for all**

Elements of Macro Environment

Demographic Environment
- Characteristic of the Population
- Define Market Size
- Helps identify Trends

Socio-Cultural Environment
- Beliefs and Value System of the Population
- Helps define product

Economic Conditions
- GDP, Forex, Import-Export, Interest Rates
- Profitability Analysis

Political Legal Environment
- Power/Influence of Politics
- Ease of Doing Biz
- Eg : Dubai vs India vs USA vs North Korea

Technological Environment
- The country's investment attitude
- Skills available in the workforce

Strategic Analysis: External Environment

Macro Environment Analysis Tool: PESTLE Analysis

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

Internationalization of Business: Characteristics of a Global Business

It is a conglomerate of multiple units (located in different parts of the globe) but all linked by common ownership.

Multiple units draw on a common pool of resources, such as money, credit, information, patents, trade names and control systems.

The units respond to some common strategy. Besides, its managers and shareholders are also based in different nations.

How to Develop Internationally: Steps Involved

Why do Businesses go Global?

Growth Necessity: Organisations need to grow, and expanding internationally is a fundamental requirement for this growth.

Cost Reduction: Establishing overseas plants can cut transportation costs by producing near target markets.

Reduced Time and Distance: Faster communication, efficient transportation, increased financial flow, and technological advancements have shrunk time and distance barriers globally.

Sales and Cash Flow: Expanding abroad can lead to higher sales and improved cash flow, especially when foreign markets open up.

Domestic Market Insufficiency: Domestic markets are often inadequate, and international markets offer new opportunities and reduced competition.

Services and Economic Integration: The service sector's global prominence and regional economic integration drive international expansion.

Access to Resources: Companies seek reliable, cost-effective sources of raw materials, labour, and talent, often found abroad.

Ease of forming Strategic Alliances: Globalization promotes international partnerships to mitigate threats and utilize shared strengths.

Analysing International Environment: The Areas Involved

Multinational Analysis

- Identifying and monitoring global environmental factors.
- Understanding economic and macro elements on a global scale.
- Assessing government tendencies in economies.
- Evaluating their present and future impact.

Regional Analysis

- In-depth evaluation of critical factors in a specific geographic area.
- Focused on discovering market opportunities within that location.

Country Analysis

- Deep examination of key environmental factors.
- Study of economic, legal, political, and cultural dimensions.
- Customised for each country to develop effective market entry strategies.

Understanding Product and Industry:

Business products have certain characteristics which are follow

Tangible vs. Intangible Products	Tangible products can be physically touched and seen (e.g., car, book).	Intangible products are not physical goods (e.g., telecom services, insurance).
Pricing Dynamics	Prices are determined by supply, demand, quality, marketing, and target audience.	Competition often sets market prices, requiring businesses to focus on cost management for profitability.
Product Features for Satisfaction	Product features satisfy consumer needs and impact pricing.	Features are adjusted during development to enhance the user experience.
Products are pivotal for business	Products are central to business operations.	They drive production, quality, sales, marketing, and logistics activities.
Product Lifecycle	Products have a useful life and a lifecycle.	They may need replacement or reinvention over time (e.g., mobile phones replacing fixed line telephones).

TWO **Concepts for Understanding "Product" and how it lives through the market and creates value for the**

The **product life cycle** is a marketing concept that describes the stages a product goes through, including introduction, growth, maturity, and decline, affecting sales and marketing strategies.

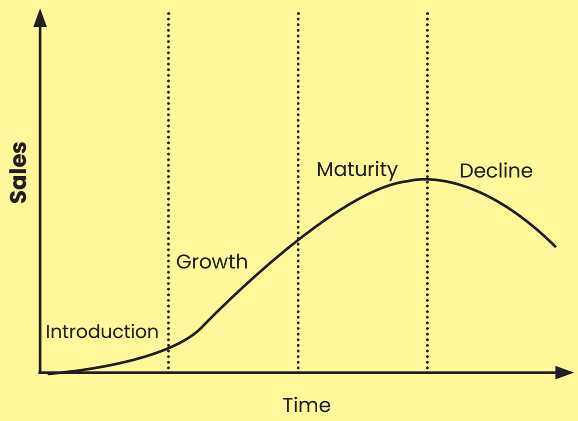


Figure: Product Life Cycle

Value chain analysis helps identify areas where a firm can gain a competitive advantage by optimising operations, reducing costs, and enhancing value throughout the production and distribution process.

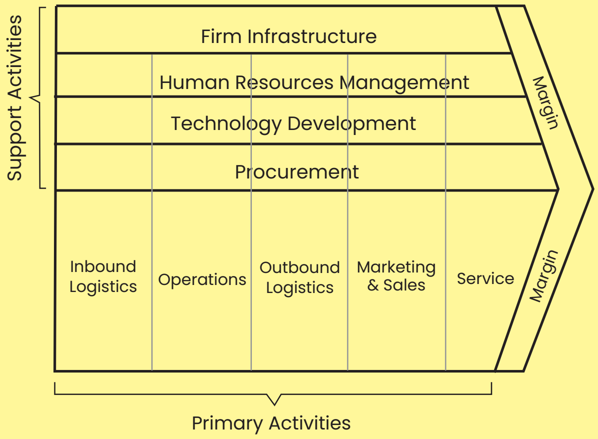
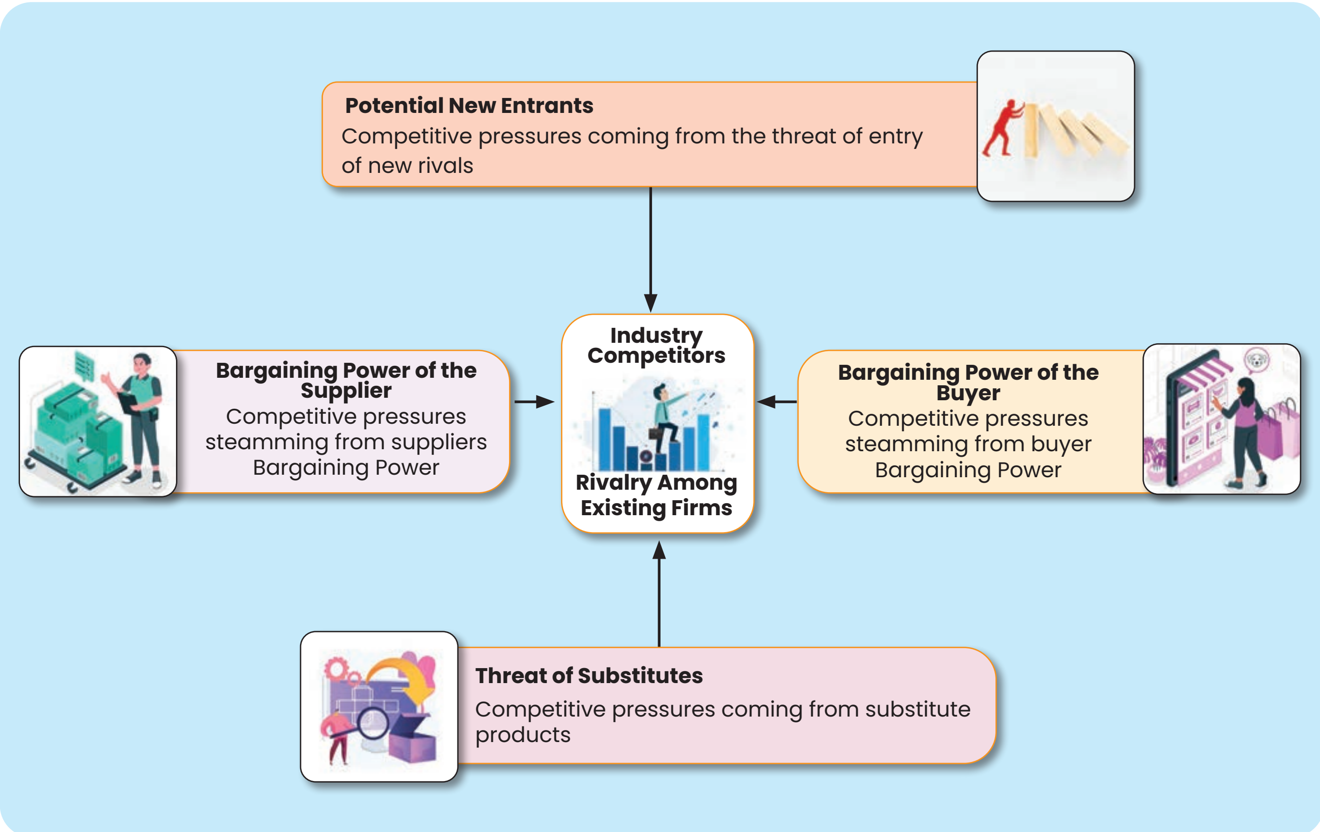


Figure: Value Chain (Michael Porter)

Michael Porter's 5 Forces of Competition



Michael Porter's Force #1

Entry Barriers

Capital Requirements
High capital needs restrict new entrants, benefiting existing firms.

Economies of Scale
Large firms enjoy cost advantages, discouraging new competition.

Product Differentiation
Creating unique products deters entry due to high costs.

Switching Costs
Buyers face expenses and resistance when switching, inhibiting entry

Brand Identity
Building brand identity requires significant resources and time

Distribution Channels
Control over distribution hinders new entrants

Possibility of Aggressive Retaliation
Cutting prices and increasing advertising can deter new entrants

Michael Porter's Force #2

Bargaining Power of the Buyer exists, when...

INFORMATION:
Buyers are well-informed about product sources and substitutes.

SIGNIFICANT SPENDING:
Buyers are major purchasers in the industry.

PRODUCT IMPORTANCE:
Industry's product isn't vital to buyers, and they are concentrated, making it easy to switch to alternatives.

Michael Porter's Force #3

Bargaining Power of the Supplier exists, when...

- Their products are crucial to the buyer and substitutes are not available.
- They can erect high switching costs.
- They are more concentrated than their buyers.

Michael Porter's Force #4

Rivalry among competitors tends to be cutthroat and industry profitability low under various conditions:

Industry Leader
A dominant leader can deter price wars due to financial strength, making smaller rivals hesitant.

Number of Competitors
Rivalry intensity increases with more competitors, making communication of expectations challenging.

Fixed Costs
High fixed costs drive firms to cut prices with excess capacity, lowering industry profitability.

Exit Barriers
Few exit barriers lead to higher profitability as competitors can exit, reducing downward pressure on profits.

Product Differentiation
Product differentiation can shield firms from price wars, boosting profitability.

Slow Growth
Slower-growing industries see fiercer rivalry as firms compete for market share, reducing overall profitability.

Michael Porter's Force #5

Threat of Substitutes; Substitute Products' Impact on Industry

Competition Catalyst: Substitute products can unexpectedly intensify competition in an industry, especially when they offer price advantages or better performance.

R&D Investments: Industries investing heavily in R&D are susceptible to substitute threats.

Price and Profit Limitation: Substitutes typically constrain prices and industry profits.

Identifying Substitutes: Firms should identify products that serve the same function as their offerings to anticipate profit pressure. For example, real estate, insurance, bonds, and bank deposits are substitutes for common stocks, affecting investment choices.

Attractiveness of Industry: What Makes an Industry Attractive?

Growth Potential: Is the industry's future growth sustainable and promising?

Current and Future Competition: Are current competitive conditions favourable for profitability, and will they get stronger or weaker?

Driving Forces: How will prevailing industry forces impact profitability?

Competitive Position: What's the organisation's competitive standing, and will it improve or weaken?

Exploiting Weak Rivals: Can the company leverage weaker rivals' vulnerabilities for opportunities?

Defense Mechanisms: Can the company defend against industry unattractiveness factors?

Risk and Uncertainty: What are the levels of risk and uncertainty in the industry's future?

Value Creation

The process of increasing the overall worth or utility of a product, service, or business, exceeding the cost of resources used.

It involves delivering benefits that exceed customer expectations, fostering growth, and generating a competitive advantage in the marketplace, resulting in increased customer satisfaction and profitability.

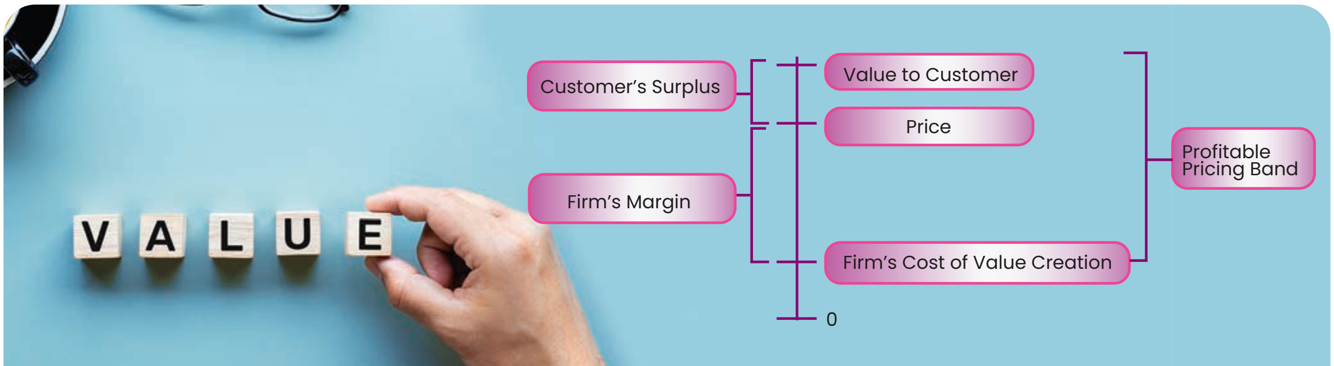


Figure: Value Creation

Market & Customer

CUSTOMER

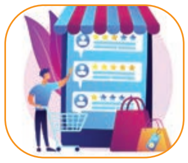
- A customer is a person or business that buys products or services from another organisation.
- Customers are important because they provide revenue.
- All businesses vie for customers, either by aggressively marketing their products or by lowering their pricing to boost their customer base.

CUSTOMER ANALYSIS

- Customer analysis is vital in strategic planning, identifying target customers, assessing their needs, and aligning products.
- It involves evaluating consumer desires, using surveys and data, crafting customer profiles, and selecting segmentation strategies to create effective customer profiles.

CUSTOMER BEHAVIOUR

- Customer behaviour moves beyond the identification of customers to explain how they purchase products.
- It examines elements like shopping frequency, product preferences, and the perception of your marketing, sales, and service offerings.
- Understanding these details allows businesses to communicate with customers in an effective manner.



Consumer Decision-Making

External Influences	Advertisement, peer recommendations, and social norms affect consumer choices, divided into marketing efforts and environmental factors.
Internal Influences	Psychological factors like motivation and attitudes shape consumer decisions.
Decision-Making Process	Involves problem recognition, seeking alternatives, information gathering, and making a final choice. Most significant for high-impact purchases like cars, TVs, and refrigerators.
Post-Decision Processes	After purchase, consumer reactions vary based on satisfaction, leading to repeat purchases and recommendations or dissatisfaction and dissonance.

Competitive Strategy

The **competitive strategy** of a firm within a certain business field is analyzed using two criteria:

the **creation of competitive advantage** and the **protection of competitive advantage**.

Key Factors for Competitive Success

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.**

Key success factors vary from industry to industry and even from time to time within the same industry as driving forces and competitive conditions change.

Only rarely does an industry have more than three or four key success factors at any one time.

3 The Answers To 3 Questions Help Identify an Industry's Key Success Factors

What resources and competitive capabilities does a seller need to have to be competitively successful, better human capital, quality of product or quantity of product, cost of service, etc.?

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

What does it take for sellers to achieve a sustainable competitive advantage, something that can be sustained for long term?

?

Mayank, the marketing wizard of Ize Creem, continually urges the product and design teams to dedicate 90% of their efforts to creating a menu that aligns with customer preferences. Ize Creem aims to target two broad markets: Kids and Couples. Based on this scenario, which aspect of the business environment is Mayank focusing on the most, and why?

ANSWER

Macro Environment – Demographic Aspect

✓

By concentrating on the demographic aspect of the macro environment, Mayank is identifying trends and preferences based on the characteristics, spending power, and purchase locations of customers. This focus helps Ize Creem tailor its offerings to meet the specific needs of Kids and Couples, ensuring that the menu resonates with their preferences and maximizes market appeal.

?

Kanika, popularly known as the "Desi Taylor Swift," launched her own lipstick brand called Kolor. Despite being aware of the intense international and domestic competition in the beauty segment, her passion for beauty drives her ambition to expand rapidly. Although her business is still lacking in some foundational aspects, she has successfully garnered significant attention for Kolor, thanks to her impressive 45 million followers on social media. Based on this scenario, which aspect of Michael Porter's Five Forces is working in favor of Kolor?

ANSWER

Brand identity for new entrants is typically challenging, but for Kolor, it is a significant strength.

✓

Kanika's substantial social media following provides her with a powerful platform to promote her brand, effectively overcoming the usual challenges new entrants face in establishing brand identity. Her existing fame and influence allow Kolor to gain immediate visibility and credibility in the competitive beauty market, leveraging her personal brand to attract customers and differentiate Kolor from other newcomers.

Chapter 3: Strategic Analysis: Internal Environment

Understanding Key Stakeholders

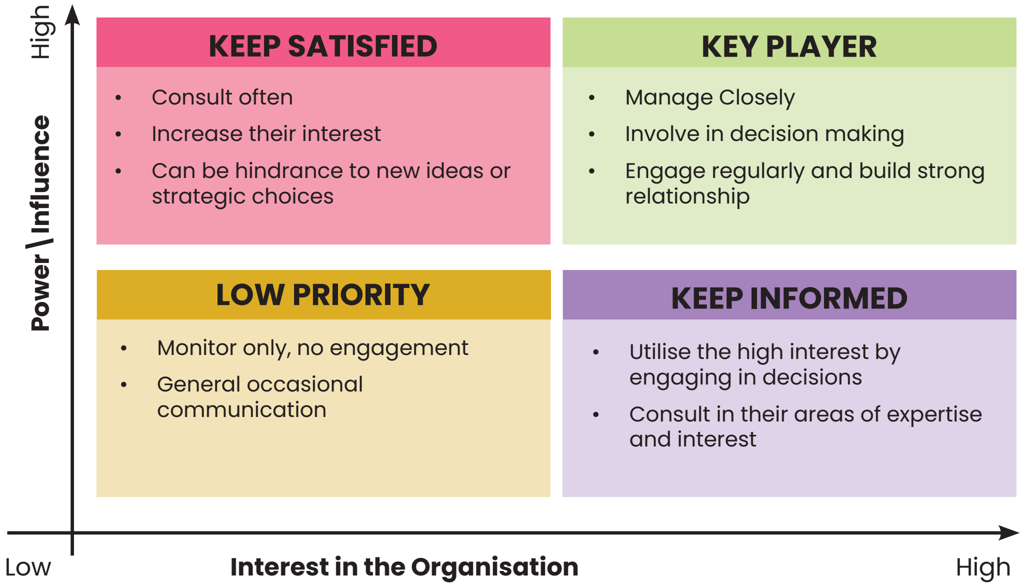
Generally, stakeholders include management, employees, shareholders, customers and vendors. Additionally, other individuals and groups, such as governments, labour unions and local groups, which are often considered as stakeholders depending on their impact on the particular organisation. Each stakeholder or stakeholder group will be affected by the business strategy that the organisation chooses and implements.

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)	• Better deals - Pricing Benefits • Value for money • Continuous supply
Employees	• Wages and benefits • Stability of employment • Pride of working for a reputed organisation

Mendelow's Matrix

Mendelow's Stakeholder Matrix helps manage stakeholders by analysing their Power (influence on strategy) and Interest (commitment to organizational success). It categorises stakeholders into groups based on these metrics, guiding how to prioritise and engage them.



Keep Satisfied Stakeholders

High power, less interested people - Organisation should put in enough work with these people to keep them satisfied with their intended information on a regular basis. For example, banks, government, customers, etc.

Key Players Stakeholders

High power, highly interested people - Organisation's aim should be to fully engage this group of stakeholders, making the 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 - Organisation should only monitor them with no actions to satisfy their expectations. Strategically, 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 - Organisation should adequately inform this group of people and communicate with them to ensure that no major issues arise. This audiences can also help with real time feedbacks and areas of improvement for an organisation. For example, employees, vendors, suppliers, legal experts, etc

Strategic Drivers

There can be varied ways to assess the current performance of a business and it is highly subjective based on the managements metrics and ways of doing business. It can either be profit driven, purpose driven or any other metrics that the management seems to fit in.

But in general, the key strategic drivers of an organisation include:

Industry and Markets

Customers

Products/ Services

Channels

Strategic Driver: Industry and Markets

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

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**.

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.

Analysing Industry and Markets

Industry and market analysis is extremely important to identify one's position as compared to the competitors, who can be of equal size and value, or bigger in size and value or even smaller and newer. A tool used for this is called **- Strategic Group Mapping.**

Strategic Group Mapping

A strategic group consists of those rival firms which have similar competitive approaches and positions in the market.

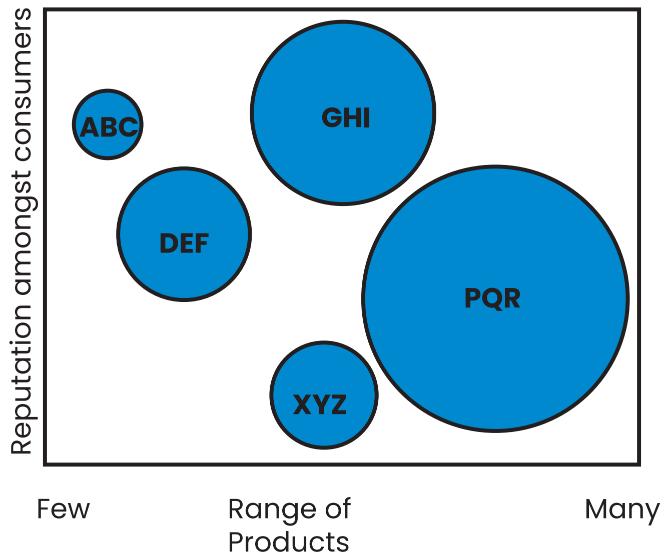
Companies in the same strategic group can resemble one another in any of the several ways: they may have comparable product-line breadth, sell in the same price/quality range, emphasise the same distribution channels, use essentially the same product attributes to appeal to similar types of buyers, depend on identical technological approaches, or offer buyers similar services and technical assistance.

At the other extreme, there are as many strategic groups as there are competitors when each rival pursues a distinctively different competitive approach and occupies a substantially different competitive position in the marketplace.

Explanation of Diagram (Strategic Group Mapping)

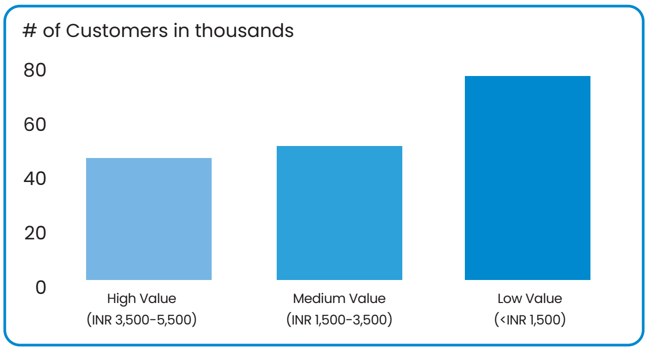
In a Strategic Group Mapping diagram, companies like ABC, DEF, GHI, XYZ, and PQR (all selling laptops) are plotted based on reputation (Y-axis) and product range (X-axis). The size of the bubble reflects each company's reputation, with height on the Y-axis showing how reputable they are. The X-axis represents their product range, from few to many models. For example, ABC has few models but a strong reputation, while GHI has both a wide product range and a high reputation. Comparing companies visually, strategists can assess competition and market position based on multiple factors in a single graphical view.

Strategic Group Mapping



Strategic Driver: Customers

Understanding the different types of customers to whom the organisation's products/services are sold or provided, is not only important but also the first step in deciding the product/service. Different customers may have different needs and require different sales models or distribution channels.

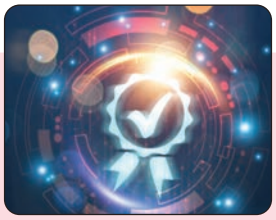


From a pricing perspective - the customer is of more importance and from value creation and design/usability, consumer needs to be the kept at the center of decision making.

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. **For exampl**e, baby diapers are bought by parents (customers) who are willing to pay higher price for higher quality, while the real consumers are the babies, who are more concerned about the comfort and easiness of the diaper. If babies do not accept the product i.e. if consumers aren't satisfied, it is difficult to retain the buyer i.e. customers as well.

Strategic Driver: Product/Services



Product stands for the combination of 'goods-and-services' that the company offers to the target market. Strategies are needed for managing existing product over time, adding new ones and dropping failed products. Strategic decisions must also be made regarding branding, packaging and other product features such as warranties. The products can also be classified based on industrial or consumer products, essentials or luxury products, durables or perishables.

Quite often the differentiation is psychological rather than physical. It is enough if customers are persuaded to believe that the marketer's product is different from others. For example, shampoos with different branding namely Head & Shoulders, Olay, Old Spice, Pantene are all produced by the same company P&G.

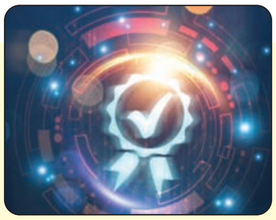
For a new product, pricing strategies for entering a market need to be designed and for that matter at least three objectives must be kept in mind:

- Have customer-centric approach while making a product.
- Produce sufficient returns through a reasonable margin over cost.
- Increasing market share.

Over the years, various strategic marketing approaches have evolved to help businesses effectively reach customers and compete in the market.

SOCIAL MARKETING	It refers to the design, implementation, and control of programs seeking to increase the acceptability of a social ideas, cause, or practice among a target group to bring in a social change.
AUGMENTED MARKETING	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. It can be in the form of introduction of hi-tech services like movies on demand, online computer repair services, secretarial services, etc.
DIRECT MARKETING	Marketing through various advertising media that interact directly with consumers, generally calling for the consumer to make a direct response. Direct marketing includes catalogue selling, e-mail, telecomputing, electronic marketing, shopping, and TV shopping.
RELATIONSHIP MARKETING	The process of creating, maintaining, and enhancing strong, value-laden relationships with customers and other stakeholders. For example, airlines offer special lounges at major airports for frequent flyers.
SERVICES MARKETING	This marketing requires different marketing strategies since it has peculiar characteristics of its own such as inseparability, variability etc.
PERSON MARKETING	People can also be marketed. Person marketing consists of activities undertaken to create, maintain or change attitudes and behaviour towards particular person. For example, politicians, sports stars, film stars, etc. i.e., market themselves to get votes, or to promote their careers.
ORGANISATION MARKETING	It consists of activities undertaken to create, maintain, or change attitudes and behaviour of target audiences towards an organisation. Both profit and non-profit organisations practice organisation marketing.
PLACE MARKETING	Place marketing involves activities undertaken to create, maintain, or change attitudes and behaviour towards particular places say, marketing of business sites, tourism marketing.
ENLIGHTENED MARKETING	It is a marketing philosophy holding that a company's marketing should support the best long-run performance of the marketing system that is beyond the prevailing mindset; its five principles include customer-oriented marketing, innovative marketing, value marketing, sense-of-mission marketing, and societal marketing.
DIFFERENTIAL MARKETING	It is a market-coverage strategy in which a firm decides to target several market segments and designs separate offer for each. For example, Hindustan Unilever Limited has Lifebuoy, Lux and Rexona in popular segment and Dove and Pears in premium segment.
SYNCHRO-MARKETING	When the demand for a product is irregular due to season, some parts of the day, or on hour basis, causing idle capacity or overworked capacities, 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 price over weekdays to generate demand.
CONCENTRATED MARKETING	It is a market-coverage strategy in which a firm goes after a large share of one or few sub-markets. It can also take the form of 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. This happens when there is overfull demand. For example, buses are overloaded in the morning and evening, roads are busy for most of times, zoological parks are over-crowded on Saturdays, Sundays and holidays. Here demarketing can be applied to regulate demand.

Strategic Driver: Channels



Channels are the distribution system by which an organisation distributes its product or provides its service. To understand the concept of channels let us see some examples of how the following companies distribute their products and services;

LAKMÉ

Sells its products via retail stores, intermediary stores (like Nykaa, Westside, Reliance Trends), as well as online mode like Amazon, Flipkart, Nykaa online and its own website.

LAKMĒ
INSPIRED HAIRCARE

BOAT HEADPHONES

Only online, via e-commerce platforms like Flipkart and Amazon.

boAt

COCA COLA

Retail shops across the nation, in each district, each town as well as online mode via Dunzo, Blinkit, etc.

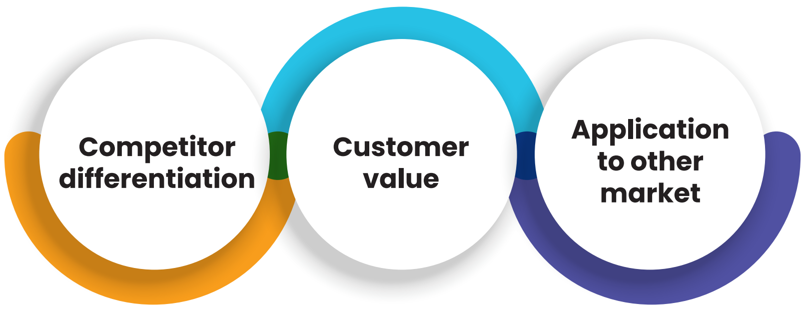
Coca-Cola

Core Competencies

The characteristic is to have a combination of skills and techniques, which makes the whole organisation utilise these several separate individual capabilities.

Therefore, core competencies cannot be built on one capability or single technological know-how, instead, it has to be the integration of many resources. The optimal way to define core competence is to consider it as sum of 5- 15 areas of developed expertise.

According to C.K. Prahalad and Gary Hamel, major core competencies are identified in three areas:



Building Core Competency

Competitor differentiation is one of the main three conditions. The company can consider having a core competence if the competence is unique and it is difficult for competitors to imitate. This can provide a company an edge compared to competitors. For example, it is quite difficult to imitate patented innovation, like Tesla has been winning over competition in electric vehicles.

The second condition to be met is 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. If customer has chosen the company without this impact, then competence is not a core competence, and it will not affect the company's market position. Without it, the core competency does not make sense.

The last condition refers to application of competencies to other markets. Core competence must be applicable to the whole organisation; it cannot be only one particular skill or specified area of expertise.

Strategic Analysis: Internal Environment

Criteria For Building Core Competencies (CC)

VALUABLE

Valuable capabilities are the ones that allow the firm to exploit opportunities or avert the threats in its external environment. A firm created value for customers by effectively using capabilities to exploit opportunities. Finance companies build a valuable competence in financial services. In addition, to make such competencies as financial services highly successful require placing the right people in the right jobs. Human capital is important in creating value for customers.

RARE

Core competencies are very rare capabilities and very few of the competitors possess this. Capabilities possessed by many rivals are unlikely to be sources of competitive advantage for any one of them. Competitive advantage results only when firms develop and exploit valuable capabilities that differ from those shared with competitors.

COSTLY TO IMITATE

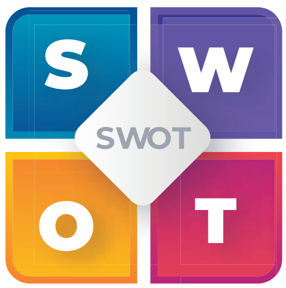
Costly to imitate means such capabilities that competing firms are unable to develop easily. For example, Intel has enjoyed a first-mover advantage more than once because of its rare fast R&D cycle time capability that brought SRAM and DRAM integrated circuit technology and brought microprocessors to market well ahead of the competitor. The product could be imitated in due course of time, but it was much more difficult to imitate the R&D cycle time capability.

NON-SUBSTITUTABLE

Capabilities that do not have strategic equivalents are called non-substitutable capabilities. This final criterion for a capability to be a source of competitive advantage is that there must be no strategically equivalent valuable resources that are themselves either not rare or imitable.

SWOT Analysis

	Helpful to achieving the objective	**Harmful** to achieving the objective
Internal origin (attributes to the organization)	**STRENGTHS** › Same day delivery within the city › Urban core has under one hour delivery expectancy › High-quality foods › 200+ drivers › Trusted and high product sales exposure	**WEAKNESSES** › Costly › No monthly subscription options or scaled payment arrangement › Inaccessible to a larger consumer audience › Poorly optimised SEO tags
External origin attributes to the environment	**OPPORTUNITIES** › Optimised current mobile app for responsiveness and built-in feedback › Attract a larger, wider target consumer audience › SEO focus can help drive a great amount of online traffic and improve online product sales ranking/metrics	**THREATS** › Can operate at a loss to drive away competition › Costly state laws to oversee grocery delivery and accountability under review/ evaluation



Competitive Advantage Using Michael Porter's Generic Strategies

- It is a set of unique features of a company and its products that are perceived by the target market as significant and superior to the competition.
- In other words, an organisation is said to have competitive advantage if its profitability is higher than the average profitability for all companies in its industry.

"If you don't have a competitive advantage, don't compete"
- Jack Welch

Michael Porter's Generic Strategies

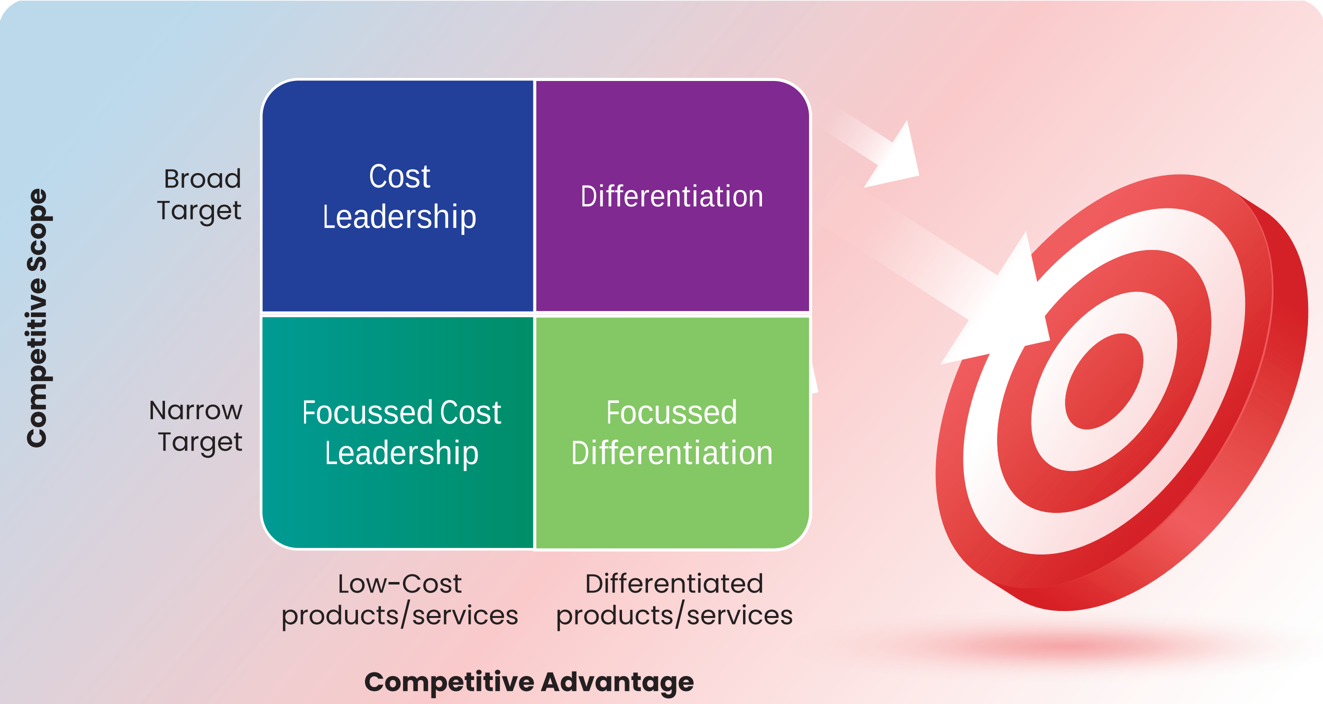


Figure: Michael Porter's Generic Strategies

Michael Porter's Generic Strategies: Cost Leadership

Striving 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.

Some risks of pursuing cost leadership are;

- that competitors may imitate the strategy, therefore driving overall industry profits down
- that technological breakthroughs in the industry may make the strategy ineffective; or that buyer interests may swing to other differentiating features besides price.

Achieving cost leadership strategy to achieve cost leadership, following actions could be taken

- Prompt forecasting of demand of a product or service.
- Optimum utilisation of the resources to achieve cost advantages.
- Achieving economies of scale; thus, lower per unit cost of product/service.
- Standardisation of products for mass production to yield lower cost per unit. (Example of McDonald's)
- Invest in cost saving technologies and using advance technology for smart efficient working.
- Resistance to differentiation till it becomes essentialmay swing to other differentiating features besides price.

Michael Porter's Generic Strategies : Differentiation

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. The uniqueness can be associated with product design, brand image, features. technology, dealer network or customer service.

A risk associated with pursuing a differentiation strategy is that the unique product may not be valued high enough by customers to justify the higher price.

When this happens, a cost leadership strategy will easily defeat a differentiation strategy.

Another risk of pursuing a differentiation strategy is that competitors may develop ways to copy the differentiating features quickly.

To achieve differentiation, following strategies could be adopted by an organisation:

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

- 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.
- Strategies such as market penetration (new product for existing customers) and market development (new product for new customers) offer substantial focusing advantages.
- Midsize and large firms can effectively pursue focus-based strategies only in conjunction with differentiation or cost leadership-based strategies. All firms in essence follow a differentiated strategy.
- Because only one firm can differentiate itself with the lowest cost, the remaining firms in the industry must find other ways to differentiate their products.

Best-Cost Provider Strategy

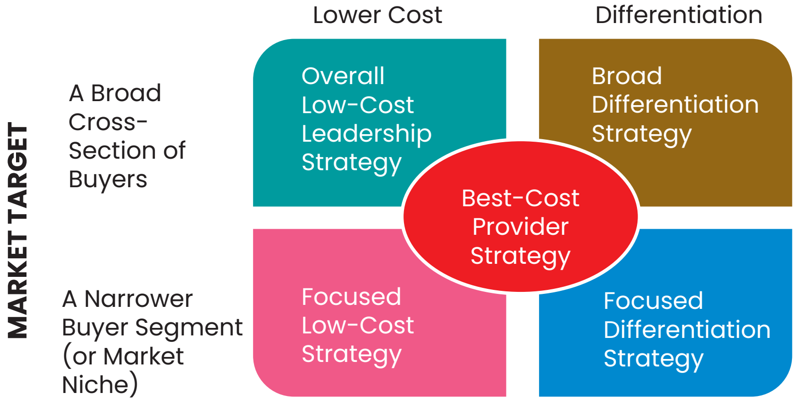


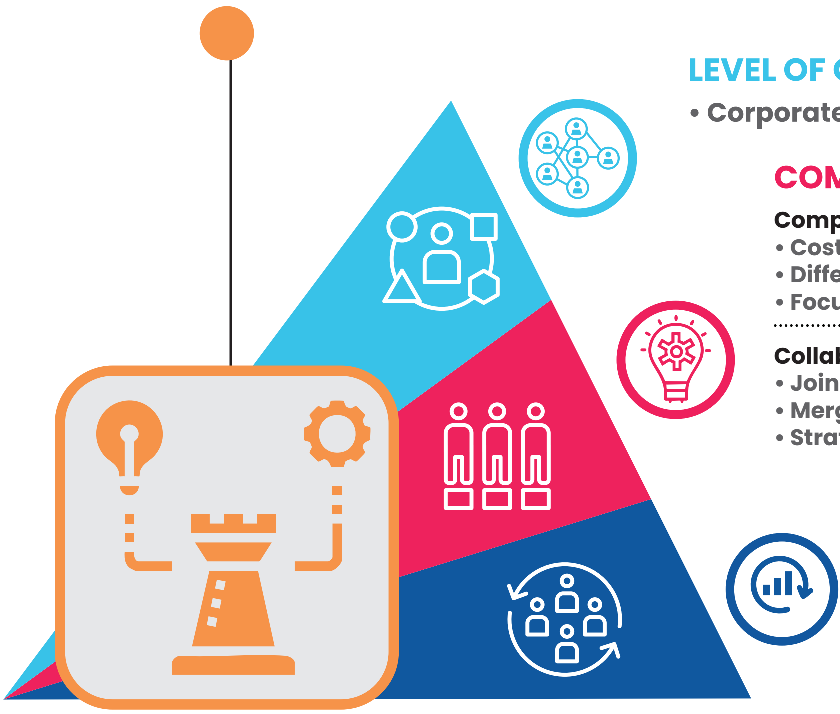
Figure: The Five Generic Competitive Strategies

Mayank, the marketing wizard of Ize Creem, continually urges the product and design teams to dedicate 90% of their efforts to creating a menu that aligns with customer preferences. Ize Creem aims to target two broad markets: Kids and Couples. Based on this scenario, which aspect of the business environment is Mayank focusing on the most, and why?

Cost reduction measures and operational efficiency improvements. In turnaround strategy, cost reduction measures and operational efficiency improvements are often primary focuses for companies facing financial distress.

Chapter 4: Strategic Choices

Basis of Classification for Strategic Choices Available to Businesses



LEVEL OF ORGANISATION

• Corporate • Business • Functional

COMPETITION ORIENTED

Competitive Strategies
- Cost Leadership
- Differentiation
- Focus

Collaboration Strategies
- Joint Ventures
- Mergers & Acquisitions
- Strategic Alliance

STAGES OF BUSINESS CYCLE

- **Introduction:** Market Penetration Strategy
- **Growth:** Growth/Expansion Strategy
- **Mature:** Stability Strategy
- **Decline:** Retrenchment/Turnaround Strategy

Strategic Choices

Corporate Level

Corporate-level strategic choices are made by top executives, such as the CEO and the board of directors. These decisions shape the overall mission, vision, and long-term goals of the entire organisation. Examples include decisions about diversification, mergers and acquisitions, entering new markets, and major investments in research and development. These choices define the organisation's scope and market positioning.

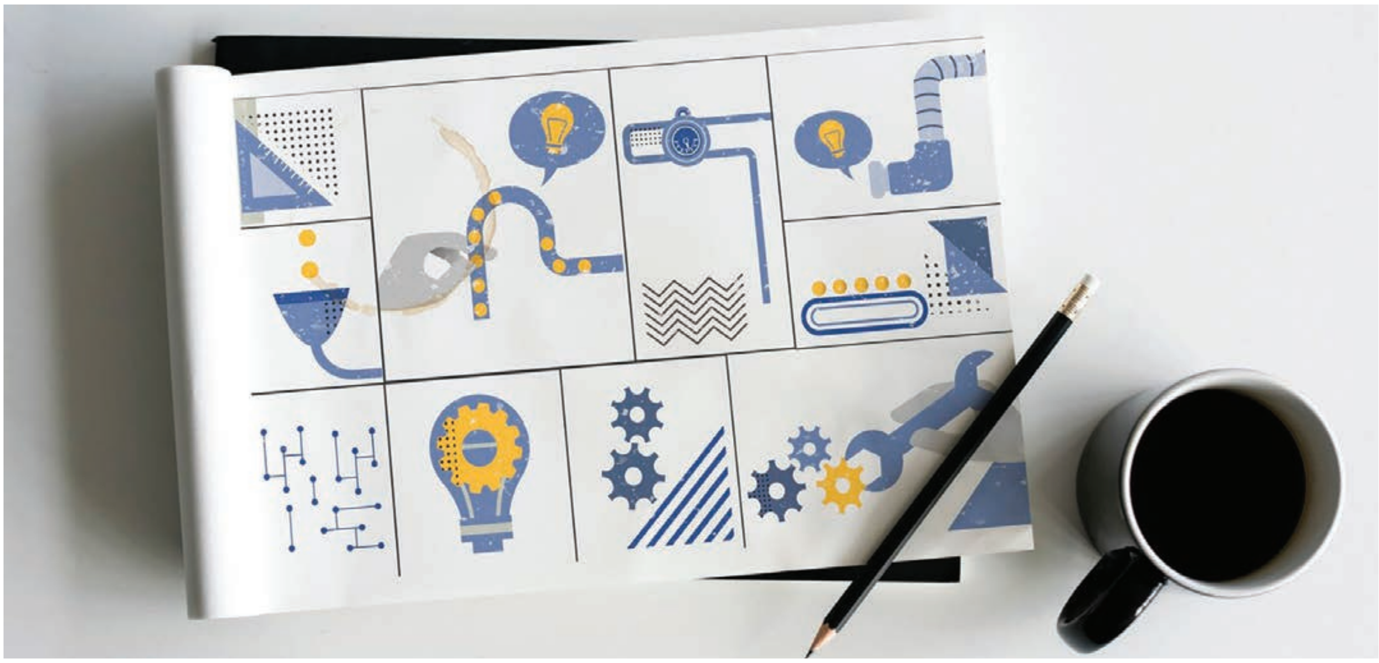
Business Level

Business-level strategic choices are made by middle managers responsible for specific business units or divisions within the organisation. They focus on how to compete effectively within a particular market or industry. Examples include market segmentation, product development, pricing strategies, and competitive positioning. These choices align with the corporate-level strategies but are specific to the business unit's objectives.

Functional Level

Functional-level strategic choices are made by departmental or functional managers, such as marketing, operations, finance, and HR. They involve decisions on how to support the business unit's strategies with the available resources and capabilities. Examples include process improvements, resource allocation, talent development, and technology adoption. These choices are critical for executing business unit and corporate-level strategies effectively.

Strategy	Basic Features
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 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.



When to Pursue Stability Strategy?

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

Characteristics of Stability Strategy

- Stability strategy maintains the same business and product-market posture, aiming for incremental improvements in functional efficiencies.
- It does not involve redefining the corporation's business and is considered a safe approach that maintains the status quo.
- This strategy requires minimal fresh investments and carries a lower level of risk.
- Organisations can focus on existing resources and businesses, helping build core competencies.
- It is typically chosen by firms with modest growth objectives.

Major Reasons for Stability Strategy

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

Examples of Stability Strategy

Steel Authority of India has adopted stability strategy because of overcapacity in steel sector. It has concentrated on increasing operational efficiency of its various plants rather than going for expansion. NTPC and ONGC have also adopted stability strategy instead of expansion.

Why don't Startups aim for Stability?

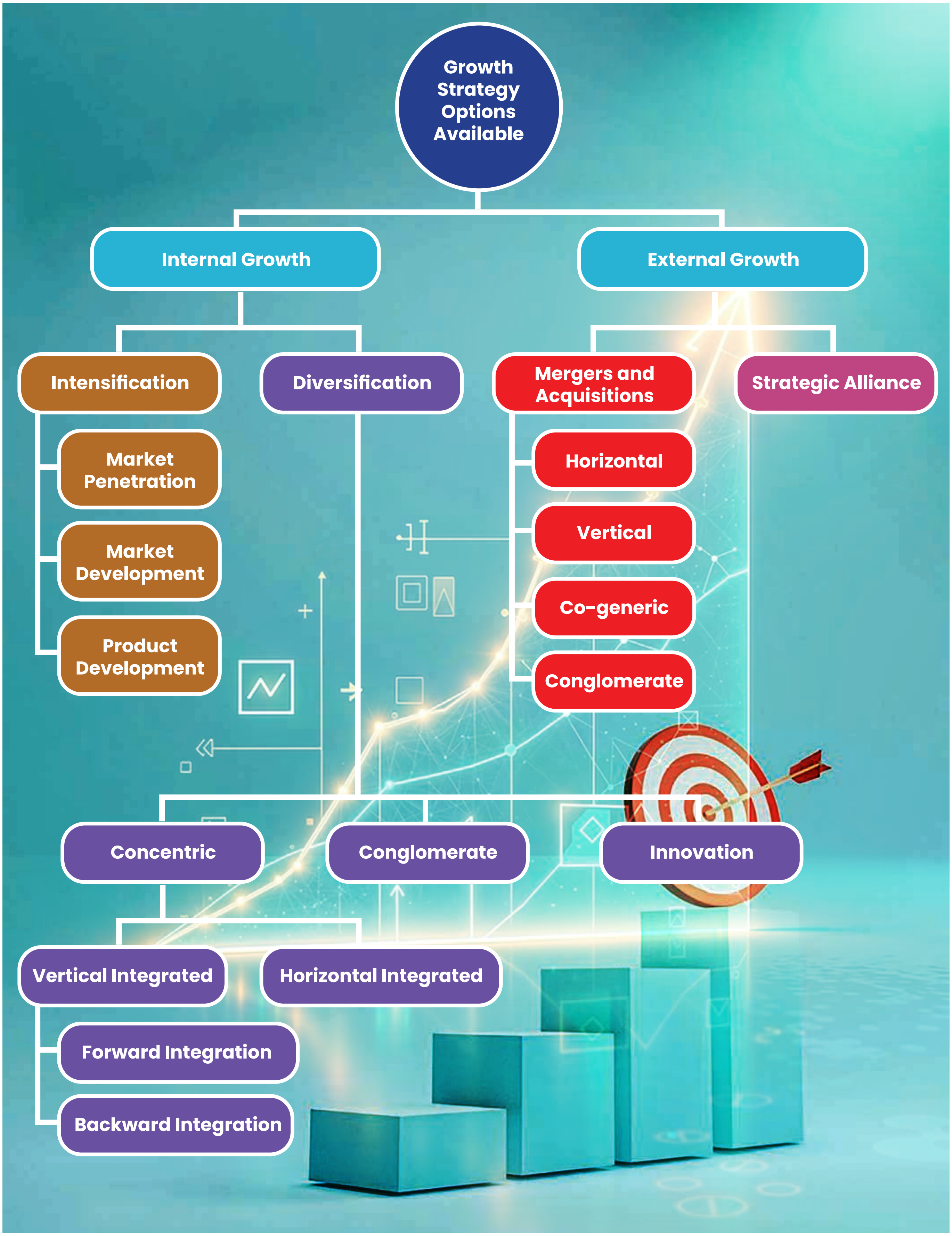
A startup is an entrepreneurial venture in the early stages of ideation and development, generally created for solving real-life problems through technology. For it, the most important factors are speed and agility, because of it being in a nascent stage of operations. Stability on the other hand is a 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.

Expansion as a Strategy

- **Expansion strategy involves a redefinition of the business.**
- **Expansion strategy is the opposite of stability strategy in the matter of risks, the two are the opposites of each other.**
- **Expansion strategy leads to business growth.**
- **The process of renewal of the firm through fresh investments and new businesses/products/markets is facilitated only by expansion strategy.**
- **Expansion strategy is a highly versatile strategy; it offers several permutations and combinations for growth.**

Major Reasons for Growth/Expansion Strategy

- It may become imperative when environment demands increase in pace of activity.
- Strategists may feel more satisfied with the prospects of growth from expansion; chief executives may take pride in presiding over organisations perceived to be growth-oriented.
- Expansion may lead to a greater control over the market vis à vis competitors.
- Advantages from the experience curve and scale of operations may accrue.


Growth Strategy Options Available
Internal Growth
External Growth
Intensification
Market Penetration
Market Development
Product Development
Diversification
Mergers and Acquisitions
Horizontal
Vertical
Co-generic
Conglomerate
Strategic Alliance
Concentric
Conglomerate
Innovation
Vertical Integrated
Horizontal Integrated
Forward Integration
Backward Integration

Strategic Choices

Intensification – What Strategic Options Do Businesses Have?	
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 product. a new- generation. Develop new product for the same market.
Market Development Expand geographically Target new segments.	**Diversification involving new products and new markets** Related / Unrelated.

Intensification

Market Penetration

Highly common expansion strategy is market penetration/ concentration on the current business. The firm directs its resources to the profitable growth of its existing product in the existing market.

Market Development

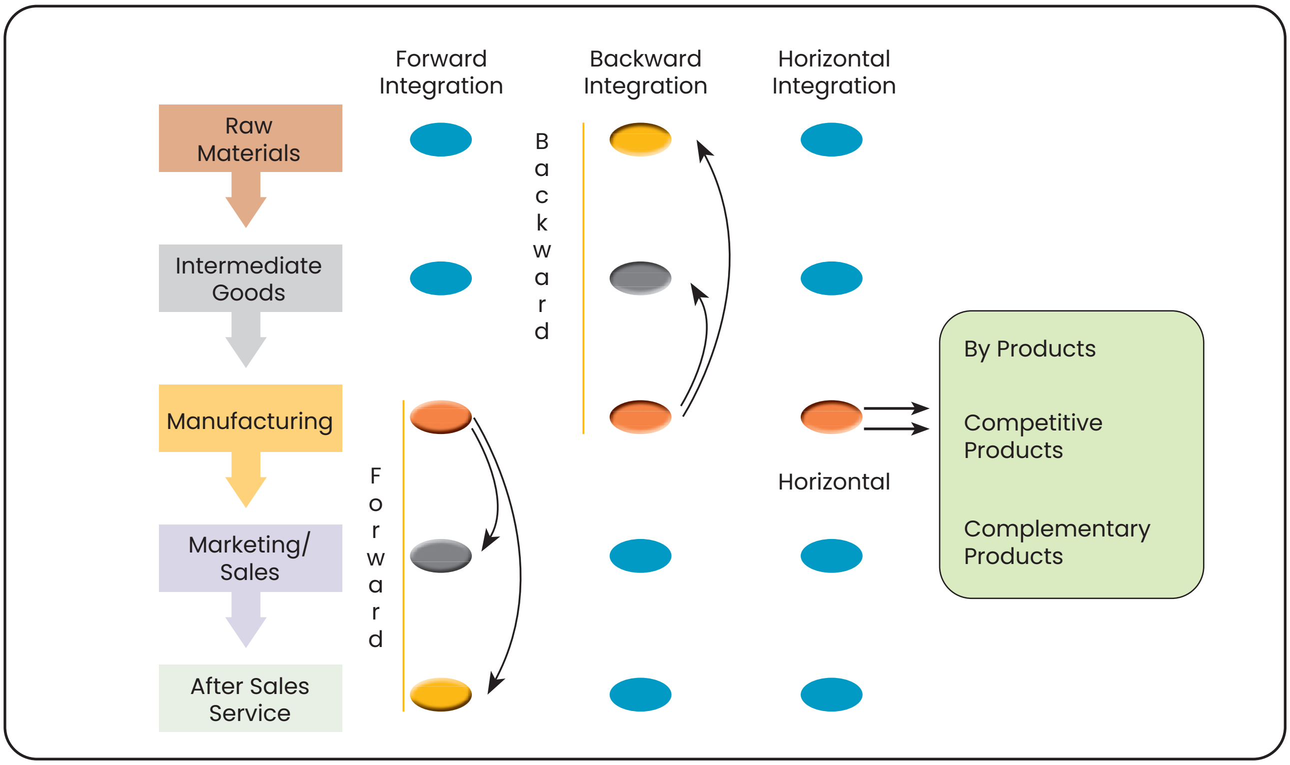
It consists of marketing present products, to customers in related market areas by adding different channels of distribution or by changing the content of advertising or the promotional media.

Product Development

Product development involves substantial modification of existing products or creation of new but related items that can be marketed to current customers through establish channels.

Diversification

Diversification endeavours can be related or unrelated to existing businesses of the firm. Based on the nature and extent of their relationship to existing businesses, diversification endeavours have been classified into four broad categories.



Vertically Integrated Diversification: In vertically integrated diversification, firms opt to engage in businesses that are related to the existing business of the firm. e firm remains vertically within the same process sequence moves forward or backward in the chain and enters specific product/process steps with the intention of making them into new businesses for the firm.

***Forward and Backward Integration*:**

Forward integration is moving forward in the value chain and entering business lines that use existing products.

On the other hand, backward integration is a step towards creation of effective supply by entering business of input providers.

Horizontal Integrated Diversification: Through the acquisition of one or more similar business operating at the same stage of the production-marketing chain that is going into complementary products, by-products or taking over competitors' products.

Related *Vs.* Unrelated Diversification

Concentric Diversification

Concentric diversification too amounts to related diversification. In concentric diversification, the new business is linked to the existing businesses through process, technology or marketing.

Conglomerate Diversification

In conglomerate diversification, no such linkages exist; the new businesses/ products are disjointed from the existing businesses/ products in every way; it is a totally unrelated diversification.

Think About It!

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.

But why should Business Innovate to Diversify?

Solve Complex Problems

- Sustainable Energy
- Healthcare

Increase Productivity

- Artificial Intelligence
- Machine Learning

Gives Competitive Advantage

- Charge Premium
- Become Monopoly

Expansion Through Mergers and Acquisitions

Acquisition or merger with an existing concern is an instant means of achieving the expansion. Merger and acquisition in simple words are defined as a process of combining two or more organizations together.

Merger is considered to be a process when two or more companies come together to expand their business operations. In such a case the deal gets finalized on friendly terms and both the organizations share profits in the newly created entity.

When one organization takes over the other organization and controls all its business operations, it is known as acquisitions. In this process of acquisition, one financially strong organization overpowers the weaker one.

Types of Mergers

HORIZONTAL MERGER
Horizontal mergers are combinations of firms engaged in the same industry.

VERTICAL MERGER
It is a merger of two organizations that are operating in the same industry but at different stages of production or distribution system.

CO-GENERIC MERGER
In 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.

CONGLOMERATE MERGER
Conglomerate mergers are the combination of organizations that are unrelated to each other. ere are no linkages with respect to customer groups, customer functions and technologies being used.

Advantages of Getting Into a Strategic Alliance

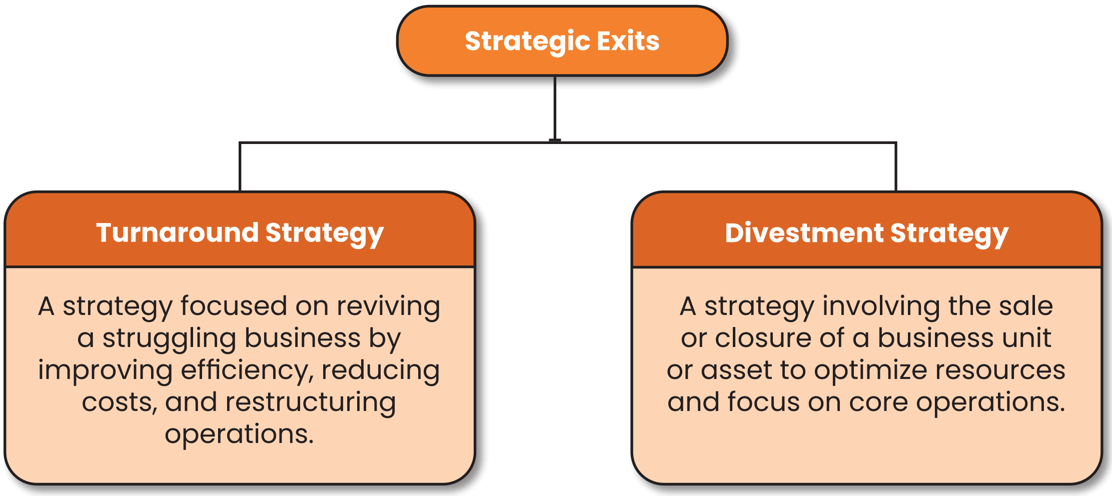
ORGANIZATION
Having a strategic partner who is well-known and respected also helps add legitimacy and creditability to a new venture.

ECONOMIC
There can be reduction in costs and risks by distributing them across the members of the alliance. partners can take advantage of co-specialisation, creating additional value.

STRATEGIC
Rivals can join together to cooperate instead of competing with each other. Vertical integration can be created where partners are part of supply chain. Strategic alliances may also be used to get access to new technologies or to pursue joint research and development.

POLITICAL
Sometimes strategic alliances are formed with a local foreign business to gain entry into a foreign market either because of local prejudices or legal barriers to entry.

But What if the Strategies Do Not Work Out? What Options Does a Business Have Then?



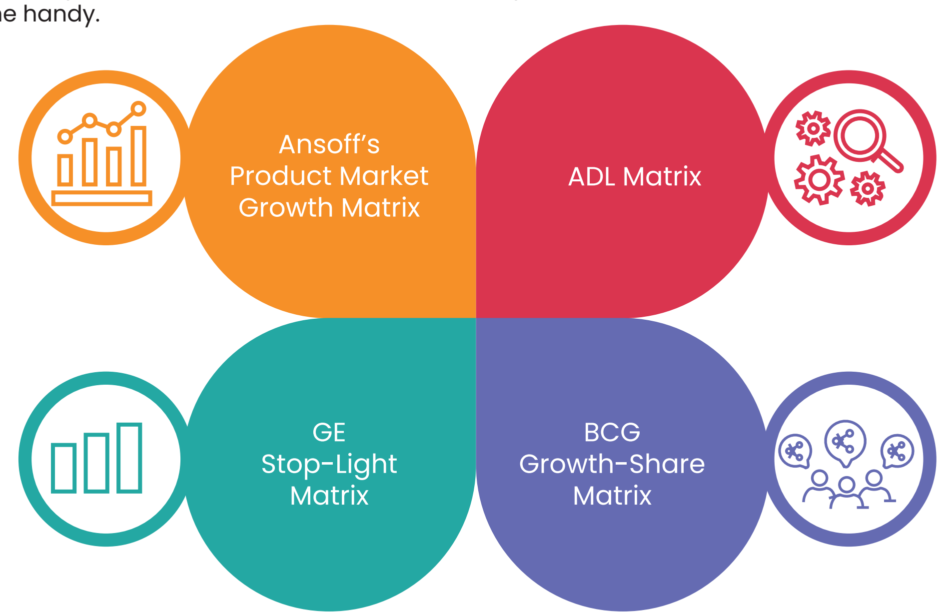
Strategic Choices

There are certain conditions or indicators which point out that a turnaround is needed if the company has to survive. These danger signals are:

Strategic Options

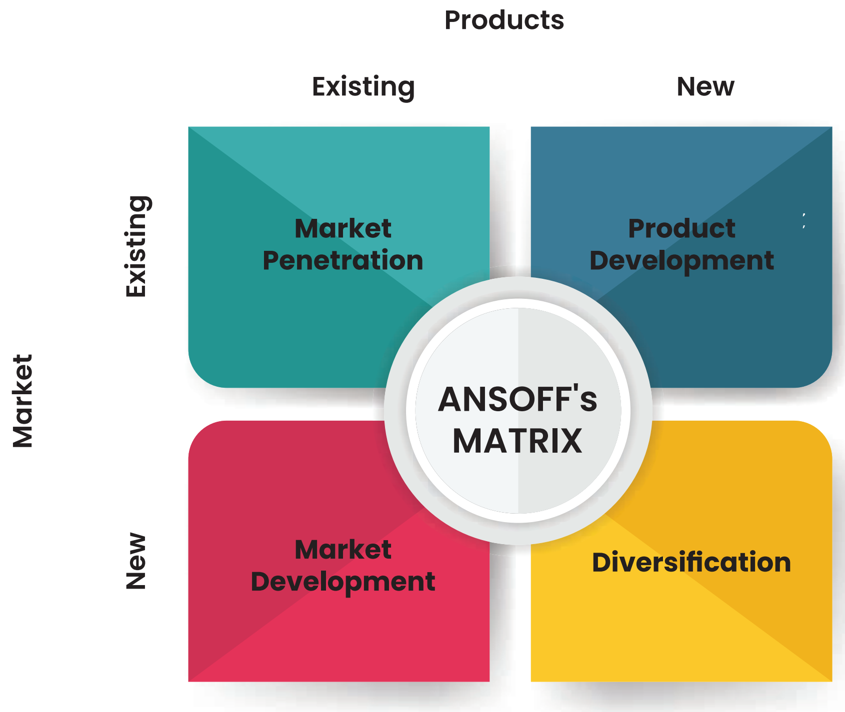
What happens when an organisation has many businesses to handle. How do they decide on which strategic decision should be best suited to a particular business?

To help top management make decisions on the strategic decisions for multiple businesses, following strategic matrices come handy.



1. **ANSOFF'S PRODUCT MARKET GROWTH MATRIX**
   - **Categorises businesses based on :** Market Newness vs Product Newness
   - **Options Available :** Market Penetration, Market Development, Product Development & Diversification
   - **Most suitable for :** businesses which are ready to experiment and innovate

Ansoff's Product Market Growth Matrix



2. **ADL STRATEGIC CONDITION MATRIX**

- **Categorises businesses based on :** Competitive Position vs Industry Lifecycle
- **Options Available :** Grow Fast, Hold Position, Slow Down, Withdraw & Stop the Business
- **Most suitable for :** Businesses which play in highly volatile competitive conditions

ADL Strategic Condition Matrix

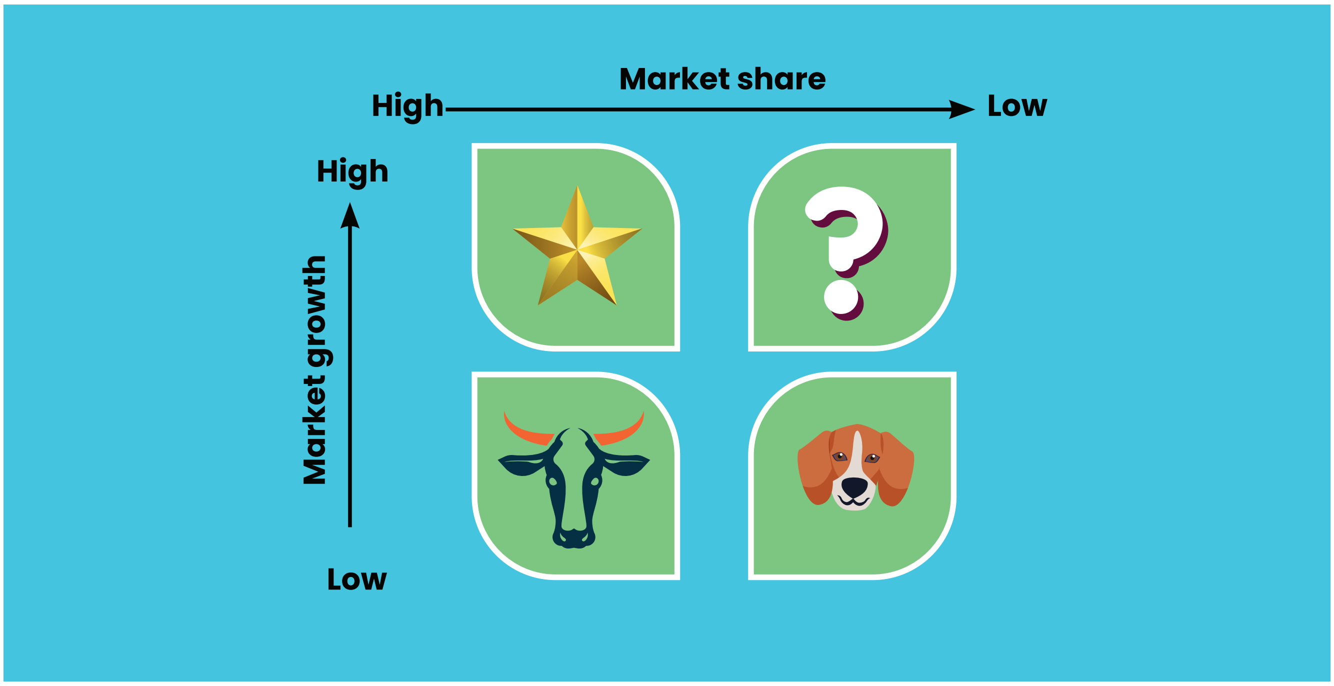
Industry Lifecycle Stage

Stage of industry maturity - Arthur D. Little (ADL) Matrix				
Competitive position	**Embryonic**	**Growth**	**Mature**	**Ageing**
Dominant	• Fast groow • Build barriers • Act offensively	• Fast groow • Attend cost leadership • Renew • Defend position • Act offensively	• Defend position • Attend cost leadership • Renew • Fast groow • Act offensively	• Defend position • Renew • Focus • Consider withdrawal
Stong	• Differentiate • Fast grow	• Differentiate • Lower cost • Attack small firms	• Lower cost • Focus • Differentiate • Grow with industry	• Find niche • Hold niche • Harvest
Favorable	• 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

3. **THE BCG GROWTH SHARE MATRIX**

- **Categorises businesses based on :** Market Growth vs Market Share
- **Options Available :** Grow (STAR), Harvest (CASH COW), Slow Down (QUESTION MARK), Terminate the Business (DOG)
- **Most suitable for :** Businesses having the potential to grow market share given relatively less competition and more space to grow

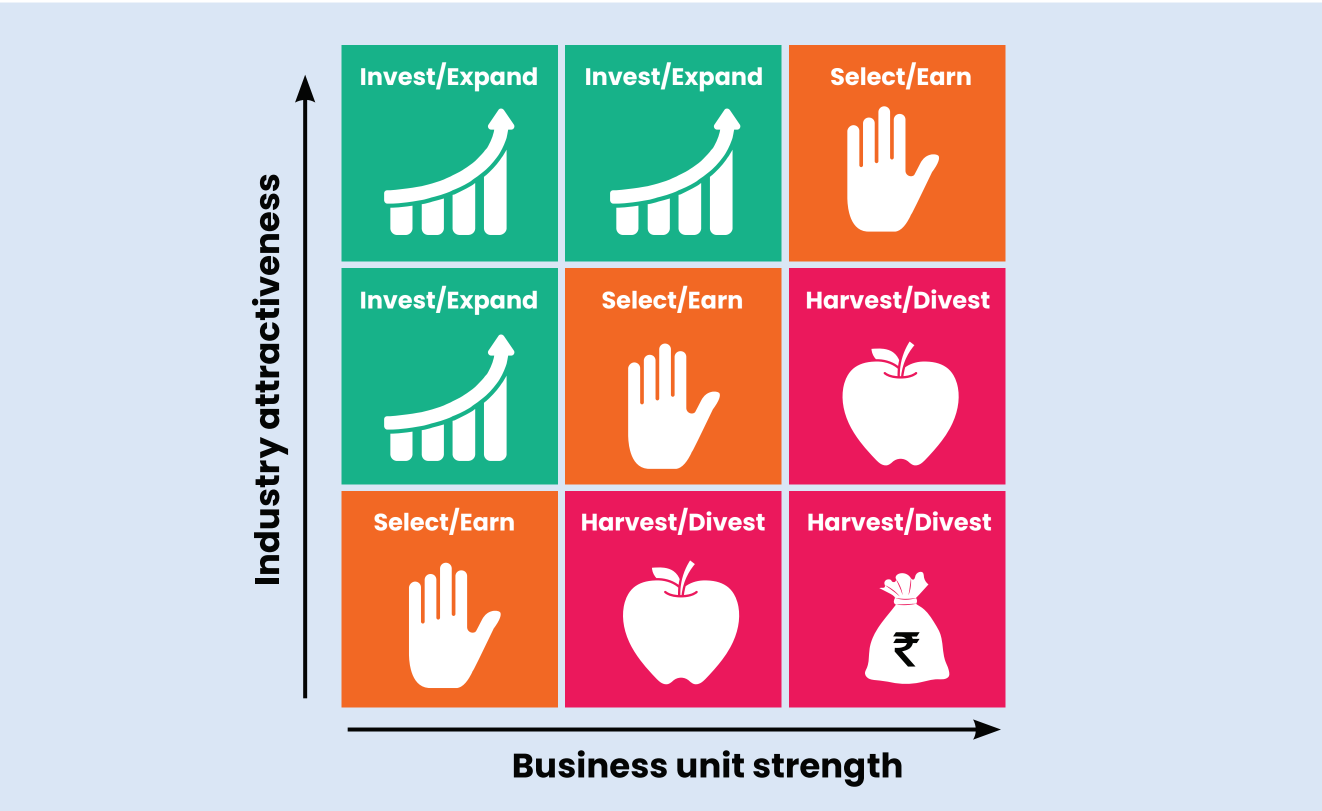
The BCG Growth Share Matrix



4. GE MATRIX (STOP LIGHT STRATEGIC MODEL)

- **Categorises businesses based on :** Industry Attractiveness (Profitability) vs Business Unit Strength
- **Options Available :** INVEST, PROTECT, DIVEST
- **Most suitable for :** Businesses having visibility of industry insights

GE-Mckinsey Matrix



Samaaj Co-Operative bank had deposits of INR 6,000 crores and the loans it had disbursed were more than INR 14,500 crores. With the bull sentiment in the stock market, a lot of people started withdrawing their deposits and this caused a trouble situation for the bank. Even when they marketed a +2% interest rate over the competition and subsitute investment products, customers did not really find their offering lucrative. It reached to a situation which was so bad that the bank had to file for troubled assets with RBI. Which of the following indicators of declining business early on could have saved the bank from reaching a near closure situation?

A) Declining Market Share

B) Threat of Substitutes

C) Persistent Negative Cash Flows

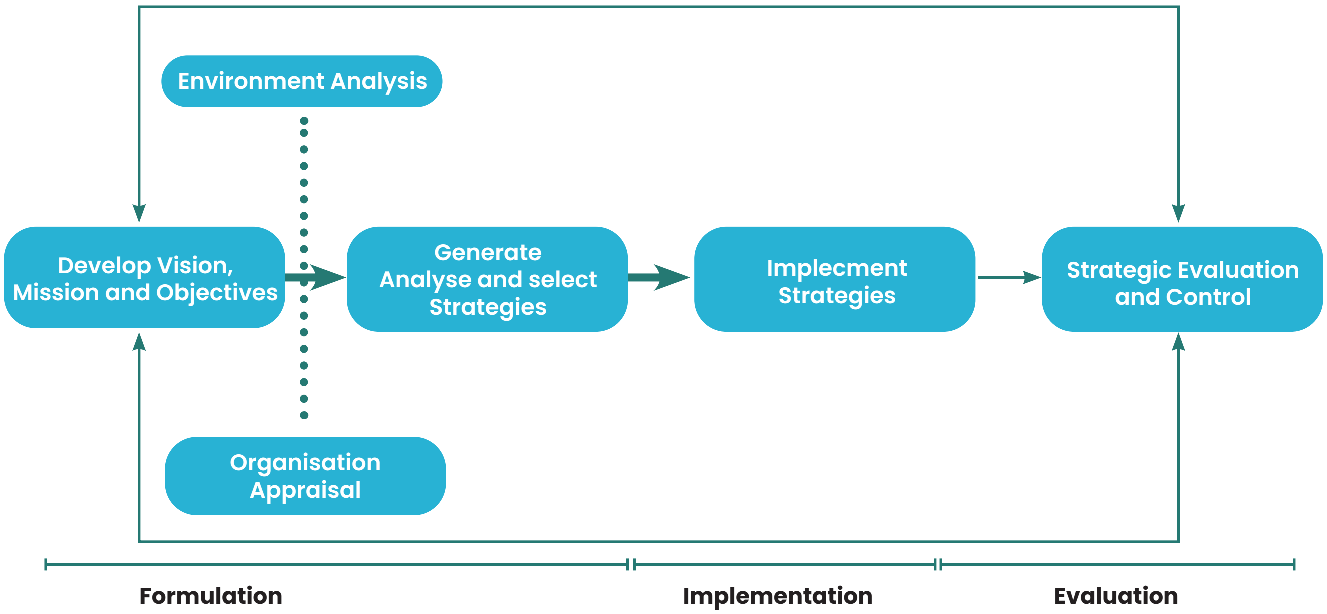
D) Mismanagement

ANSWER

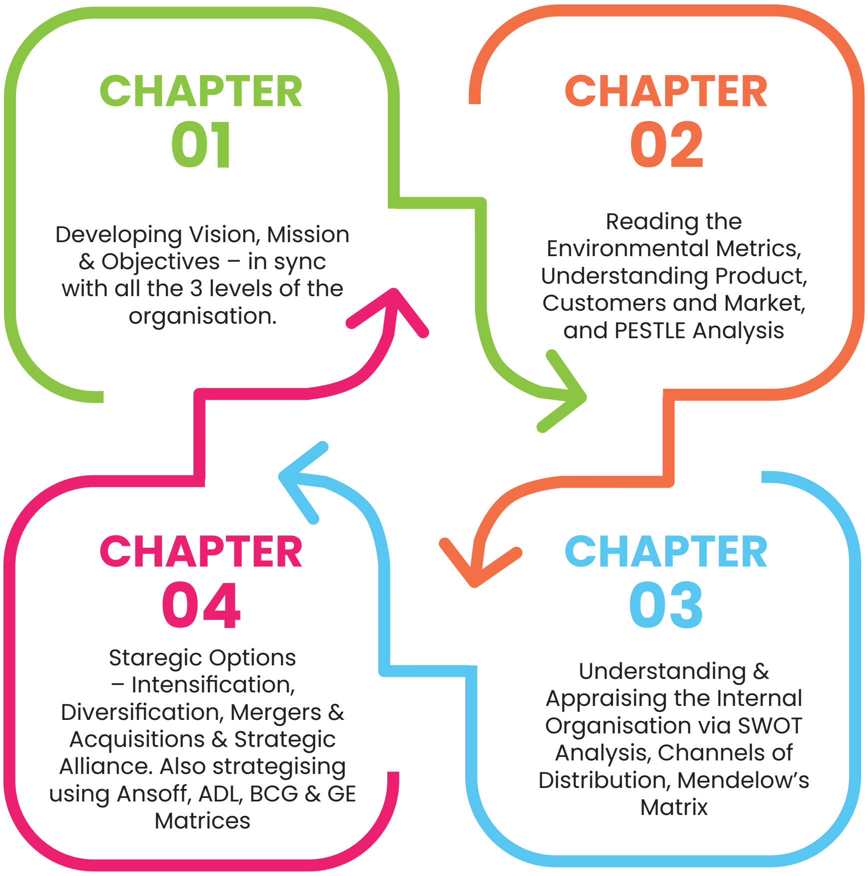
Option C) because the cashflow outflow of business was way more than the inflow as people were pulling out their deposits

Chapter 5: Strategy Implementation and Evaluation

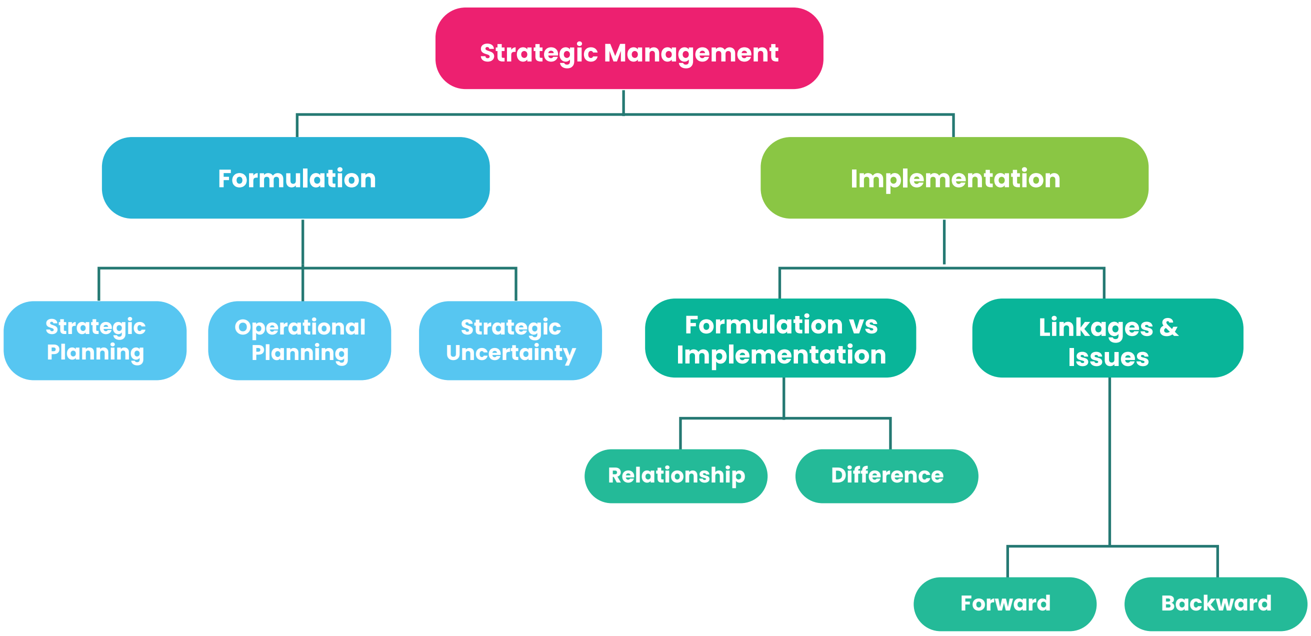
The Flow of Implementing a Strategy



If we read this carefully, the flow chart is actually what we have just studied in last four chapters;



Dreams come true when you take actions and thus, implementation is the key to success of any strategy. But what goes behind implementing it;



Formulation of Strategy can be categorised into 2 parts;

Corporate Strategy

- **Strategic Planning**
- **Operational Planning**

Characteristics of Strategic planning	**Characteristics of Operational planning**
• Shapes the organisation and its resources. • Assesses the impact of environmental variables. • Takes a holistic view of the organisation. • Develops overall objectives and strategies. • Is concerned with the long-term success of the organisation. • Is a senior management responsibility.	• Deals with current deployment of resources. • Develops tactics rather than strategy. • Projects current operations into the future. • Makes modifications to the business functions but not fundamental changes. • Is the responsibility of functional managers.

Like every decision has inherently has uncertainty, so does strategy. Strategic uncertainty refers to the unpredictability and unpredictability of future events and circumstances that can impact an organisation's strategy and goals. It can be driven by factors such as changes in the market, technology, competition, regulation, and other external factors. However, the management can deal with it by focusing on below factors;

Flexibility

Organisations can build flexibility into their strategies to quickly adapt to changes in the environment.

Diversification

Diversifying the organisation's product portfolio, markets, and customer base can reduce the impact of strategic uncertainty.

Monitoring and Scenario Planning

Organisations can regularly monitor key indicators of change and conduct scenario planning to understand how different future scenarios might impact their strategies.

Building Resilience

Organisations can invest in building internal resilience, such as strengthening their operational processes, increasing their financial flexibility, and improving their risk management capabilities.

Collaboration and Partnerships

Collaborating with other organisations, suppliers, customers, and partners can help organisations pool resources, share risk, and gain access to new markets and technologies.

Strategy Implementation and Evaluation

With the above information at the disposal of the management, it should be easy to implement a strategy. But most likely not, there still are chances of implementation being not up to the mark with the formulation or vice versa. What happens then?

Understanding the relation b/w Formulation and Implementation of Strategy

Square A

Square A is the situation where a company apparently has formulated a very competitive strategy but is showing difficulties in implementing it successfully. This can be due to various factors, such as the lack of experience (e.g. for startups), the lack of resources, missing leadership and so on. In such a situation the company will aim at moving from square A to square B, given they realise their implementation difficulties.

Square B

Square B is the ideal situation where a company has succeeded in designing a sound and competitive strategy and has been successful in implementing it.

Square C

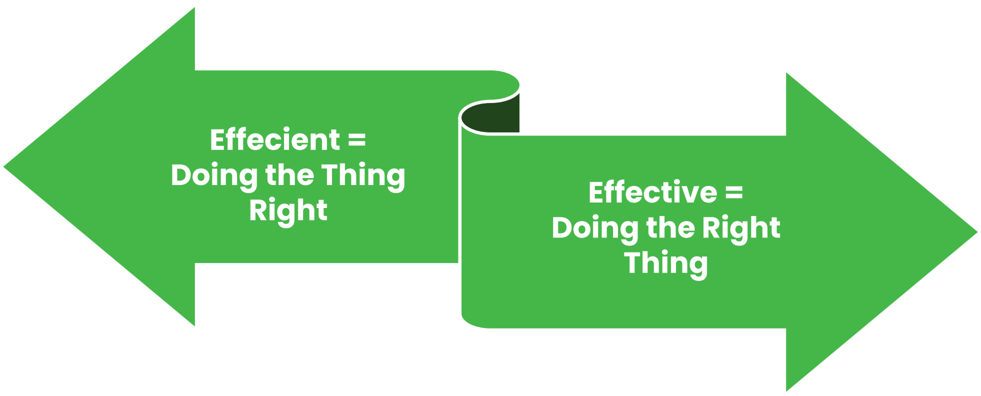
Square C is denotes for companies that haven't succeeded in coming up with a sound strategy formulation and in addition are bad at implementing their flawed strategic model. Their path to success also goes through business model redesign and implementation/execution readjustment

Square D

Square D is the situation where the strategy formulation is flawed, but the company is showing excellent implementation skills. When a company finds itself in square D the first thing, they have to do is to redesign their strategy before readjusting their implementation/ execution skills.

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

Do You Know the Difference Between Being Efficient vs. Being Effective?



How Do Effectiveness and Efficiency Impact Formulation and Implementation?

Strategic Formulation

Operational Management	Effective	Ineffective
Effective	1 Thrive	2 Die Slowly
Ineffective	3 Survive	4 Die Slowly

Figure: Principal combinations of efficiency and effectiveness

Noteworthy is the fact that while strategy formulation is primarily an entrepreneurial activity, based on strategic decision-making, the implementation of strategy is mainly an administrative task based on strategic as well as operational decision-making. Thus, there is a strong linkage between the two. But how?

FORWARD LINKAGES

The different elements in strategy formulation starting with objective setting through environmental and organisational appraisal, strategic alternatives and choice to the strategic plan determine the course that an organisation adopts for itself. With the formulation of new strategies, or reformulation of existing strategies, many changes have to be affected within the organisation. **For instance,** the organisational structure has to undergo a change in the light of the requirements of the modified or new strategy. The style of leadership has to be adapted to the needs of the modified or new strategies. In this way, the formulation of strategies has forward linkages with their implementation.

BACKWARD LINKAGES

Just as implementation is determined by the formulation of strategies, the formulation process is also affected by factors related with implementation. While dealing with strategic choice, remember that past strategic actions also determine the choice of strategy. Organisations tend to adopt those strategies which can be implemented with the help of the present structure of resources combined with some additional efforts. Such incremental changes, over a period of time, take the organisation from where it is to where it wishes to be.

Finally, no execution is devoid of its challenges, and so is the fact with implementation. A strategist, therefore, has to bring a wide range of knowledge, skills, attitudes, and abilities. The implementation tasks put to test the strategists' abilities to allocate resources, design organisational structure, formulate functional policies, and to provide strategic leadership. Therefore, some issues that need to be taken care of while implementing the business strategy are;

Strategies, by themselves, do not lead to action. They are, in a sense, a statement of intent. Implementation tasks are meant to realise the intent. **Strategies, therefore, have to be activated through implementation.**

Programmes lead to the formulation of projects. A project is a highly specific programme for which the time schedule and costs are predetermined. It requires allocation of funds based on capital budgeting by organisations. Thus, research and development programme may consist of several projects, **each of which is intended to achieve a specific and limited objective, requires separate allocation of funds, and is to be completed within a set time schedule.**

Strategies should lead to formulation of different kinds of programmes. A programme is a broad term, which includes goals, policies, procedures, rules, and steps to be taken in putting a plan into action. **Programmes are usually supported by funds allocated for plan implementation.**

Strategic Change Through Digital Transformation

In the age of change & transformation, digital ways and technologies have made it imperative for businesses to adapt quickly.

UPI (Unified Payments Interface)

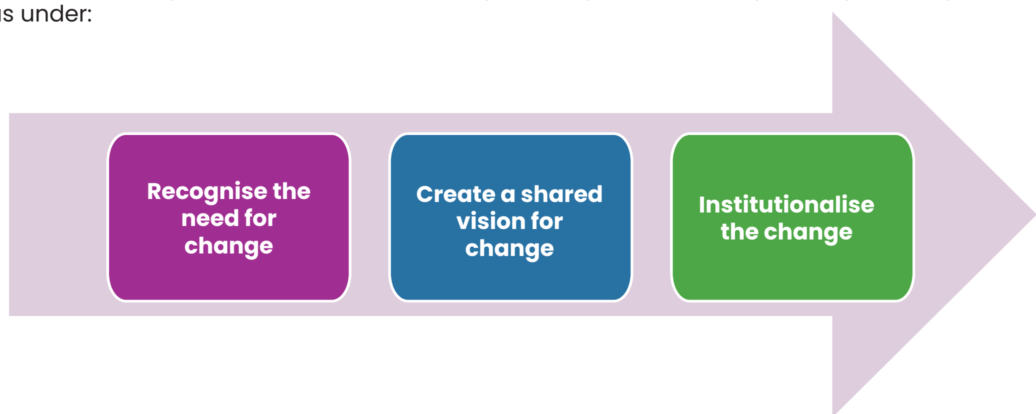
The digital transformation of payments for all businesses across

AI (Artifical Intelligence)

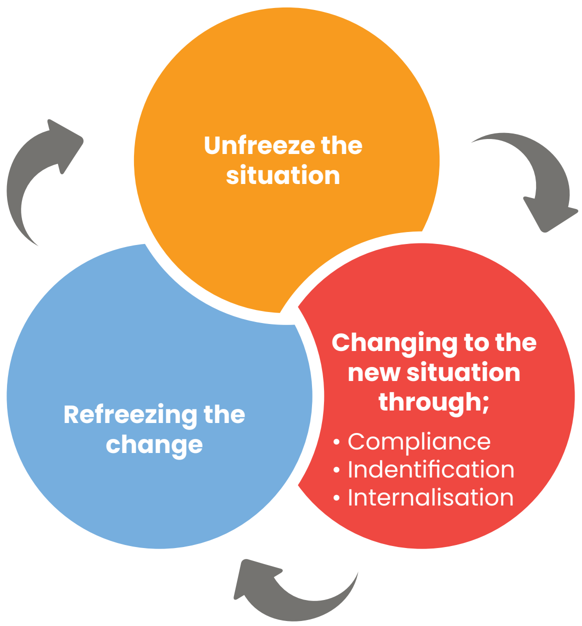
Taking over so many jobs that need the use of cognitive intelligence. Businesses need to adapt quick to the speed of AI

Strategic Change

The changes in the environmental forces often require businesses to make modifications in their existing strategies and bring out new strategies. Steps to initiate strategic change: For initiating strategic change, three steps can be identified as under:



Kurt Lewin's Model of Change: To make the change lasting, Kurt Lewin proposed three phases of the change process for moving the organisation from the present to the future. These stages are unfreezing, changing and refreezing



But the thing to understand is; how does digital transformation work?

Change management in the digital transition consists of four essential elements.

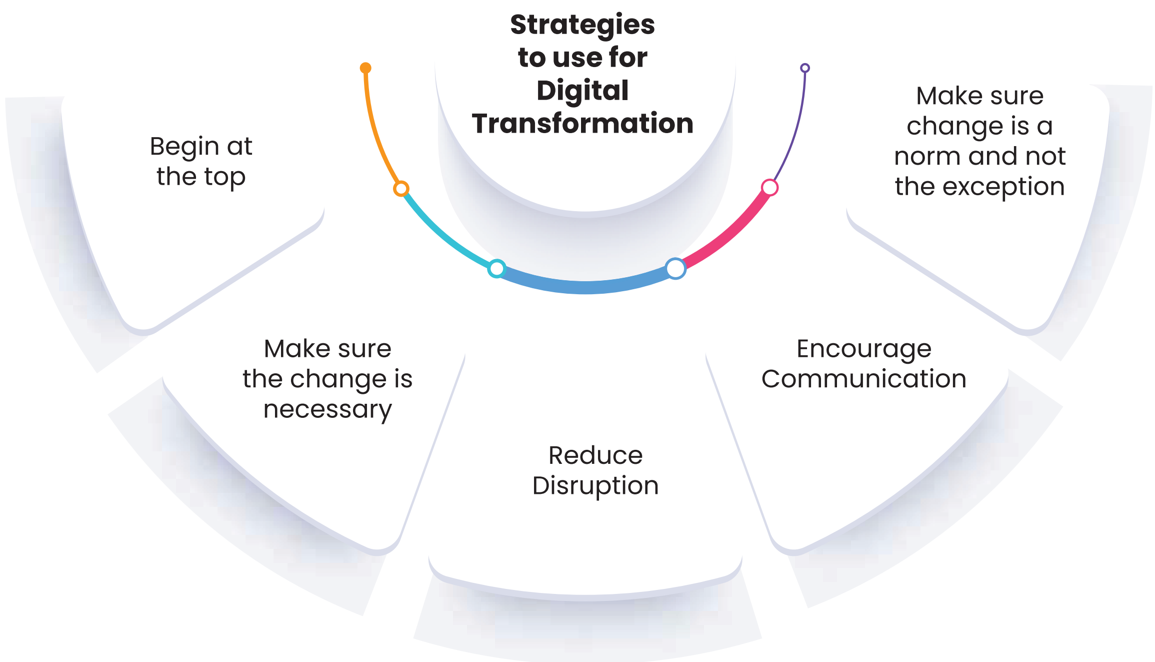
1. Defining Goals & Objectives of the transfomation
2. Assessing the current state of organisation & finding problem areas
3. Creating a roadmap for change with clear steps
4. Implementing & Managing the change at all three Levels of Organization

Role of Change Management in Digital Transformation

Digital transformation is a process of organisational change that enables an organization to use technology to create new value for customers, employees, and other stakeholders. A good change management strategy is necessary for a successful digital transformation. A properly implemented change management strategy can help an organisation to;

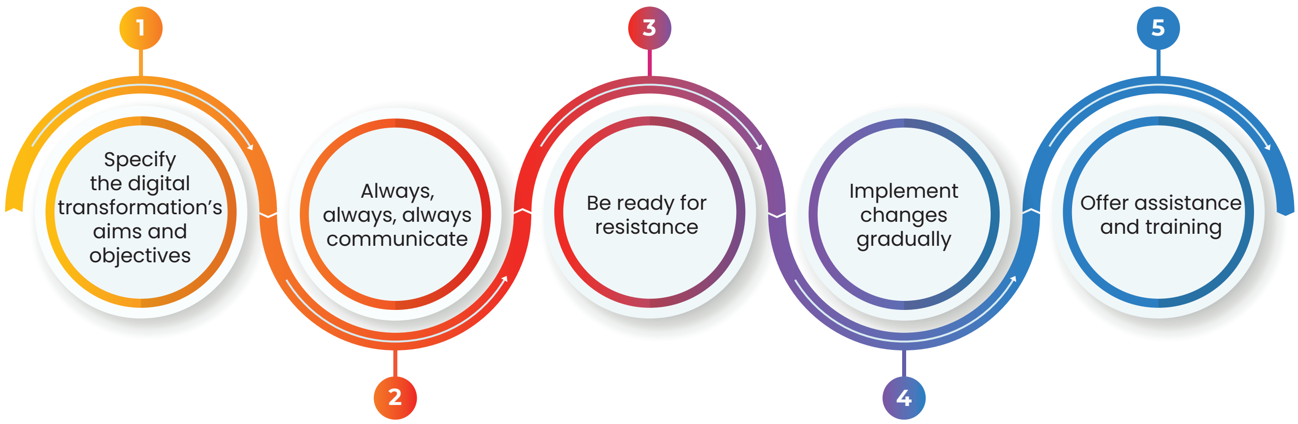
- Specify parameters of digital transformation
- Determine the Tools to be used
- Make a plan for implemeting improvements
- Involve Staff Members
- Track progress & make required course correction

Change Management Strategies for Digital Transformation



Bringing about a change is not easy, it needs to take a lead, and lead by example. Leaders are tested in real sense when they take charge of change management.

How to Manage Change During Digital Transformation?



Hard and Soft Management

Management approaches can range from a hard approach to a soft approach.

The hard approach relies on coercion, implicit threats, close supervision, and tight controls, essentially an environment of command and control.

The soft approach is to be permissive and seek harmony with the hope that in return employees will cooperate when asked to do so.

However, neither of these extremes is optimal. The hard approach results in hostility, purposely low-output, and hardline union demands. The soft approach results in everincreasing requests for more rewards in exchange for everdecreasing work output.

The McKinsey 7S Model

The McKinsey 7S Model refers to a tool that analyzes a company's "organisational design." The goal of the model is to depict how effectiveness can be achieved in an organisation through the interactions of hard and soft elements.

The McKinsey 7S Model

HARD ELEMENTS - Directly controlled by the Management

- **STRATEGY overall blueprint of core competency**
- **STRUCTURE basis avialable resources**
- **SYSTEMS basis daily tasks and team capacity**

SOFT ELEMENTS - Governed by the Culture, hence diffcult to define

- **SHARED VALUES of the organisational**
- **STYLE of Leadership**
- **STAFF - the talent pool available**
- **SKILLS - core competencies of the employees**

Organisation Structure

Structure can also influence strategy. If a proposed strategy required massive structural changes, it would not be an attractive choice. In this way, structure can shape the choice of strategy. But a more important concern is determining what types of structural changes are needed to implement new strategies and how these changes can best be accomplished.

Let us now examine and understand the types of Organisational Structures

Organisational structure is the company's formal configuration of its intended roles, procedures, governance mechanisms, authority, and decision-making processes. organisational structure, influenced by factors such as an organisation's age and size, acts as a framework which reflects managers' determination of what a company does and how tasks are completed, given the chosen strategy. The most important issue is that the company's structure must be congruent with or fit with the company's strategy.

Simple Structure

When ONE Strategy & ONE line or ONE geographical coverage of product.

Little specialisation of tasks, few rules, little formalisation, unsophisticated information systems and direct involvement of owner-manager.

Functional Structure

A functional structure groups tasks and activities by business function, such as production/operations, marketing, finance/accounting, research and development, and management information systems

Functional specialists often may develop a myopic (or narrow) perspective, losing sight of the company's strategic vision and mission. When this happens, this problem can be overcome by implementing the multidivisional structure

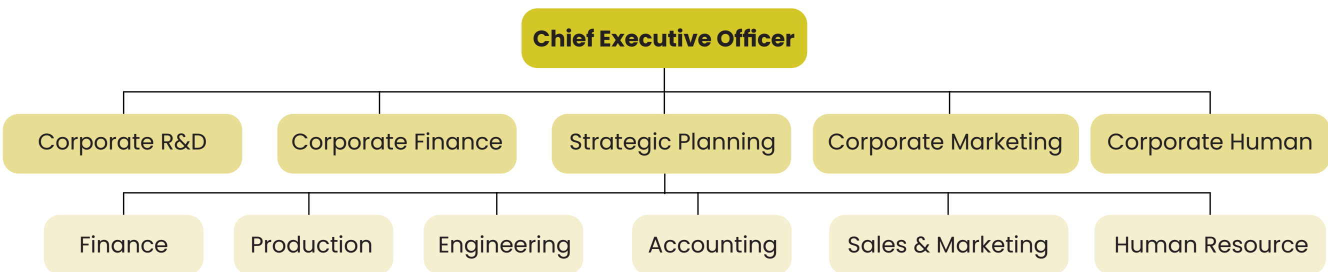


Figure: Functional Structure

Divisional Structure

The divisional structure can be organised in one of the four ways: by geographic area, by product or service, by customer, or by process.

With a divisional structure, functional activities are performed both centrally and in each division separately.

A divisional structure has some clear advantages. First and the foremost, accountability is clear.
That is, divisional managers can be held responsible for sales and profit levels.

Perhaps the most important limitation is that a divisional structure is costly;

- First, each division requires functional specialists who must be paid.
- Second, there exists some duplication of tasks.
- Third, managers must be well qualified thus requires higher salaries.

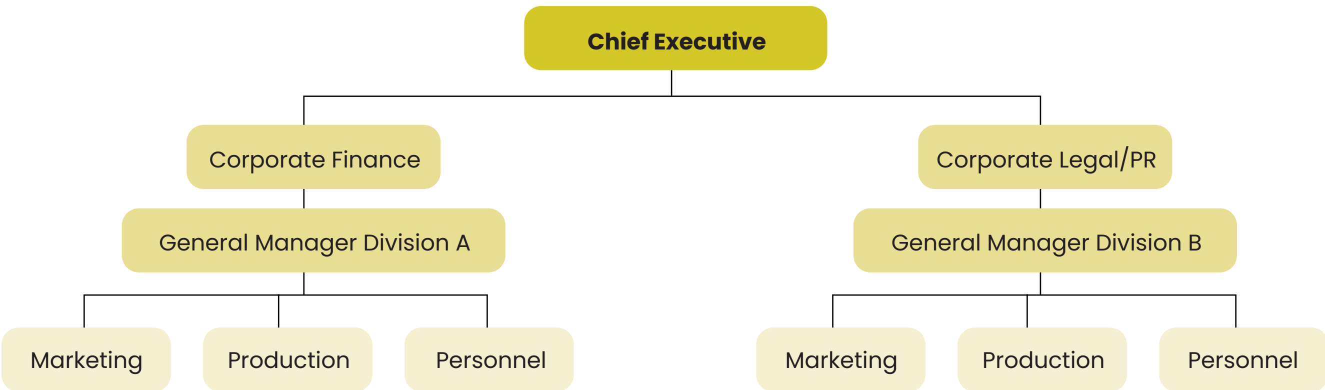


Figure: Divisional Structure

Multi-Divisional Structure

Multidivisional (M-form) structure is composed of operating divisions where each division represents a separate business.

By such delegation, the corporate office is responsible for formulating and implementing overall corporate strategy and manages divisions through strategic and financial controls.

Multidivisional structure calls for:

- Creating separate divisions, each representing a distinct business.
- Each division would house its functional hierarchy;
- Division managers would be given responsibility for managing day-today operations;
- A small corporate office that would determine the long-term strategic direction of the firm and exercise overall financial control over the semi-autonomous divisions.

Strategic Business Unit (SBU)

Multidivisional structure calls for:

By such delegation, the corporate office is responsible for formulating and implementing overall corporate strategy and manages SBUs through strategic and financial controls.

Individual SBUs are treated as profit centres and controlled by corporate headquarters that can concentrate on strategic planning rather than operational control so that individual divisions can react more quickly to environmental changes.

It is a single business or a collection of related businesses which might feasibly standalone from the rest of the organisation.

It has its own set of competitors.

It has a manager who has responsibility for strategic planning and profit performance, and who has control of profit-influencing factors.

Chief Executive Officer

- Corporate R&D
- Corporate Finance
- Strategic Planning
  - Strategic Business Unit A
  - Strategic Business Unit B
    - Division
    - Division
    - Division
  - Strategic Business Unit C
  - Strategic Business Unit D
    - Division
    - Division
    - Division
- Corporate Marketing
- Corporate Human

Matrix Structure

- The matrix structure, in contrast, may be very appropriate when organisations conclude that neither functional nor divisional forms.
- Even when combined with horizontal linking mechanisms like strategic business units, are right for the implementation of their strategies.
- In matrix structure, functional and product forms are combined simultaneously at the same level of the organisation.
- Employees have two superiors, a product or project manager and a functional manager.
- In order for a matrix structure to be effective, organizations need planning, training, clear mutual understanding of roles and responsibilities, excellent internal communication, and mutual trust and confidence.

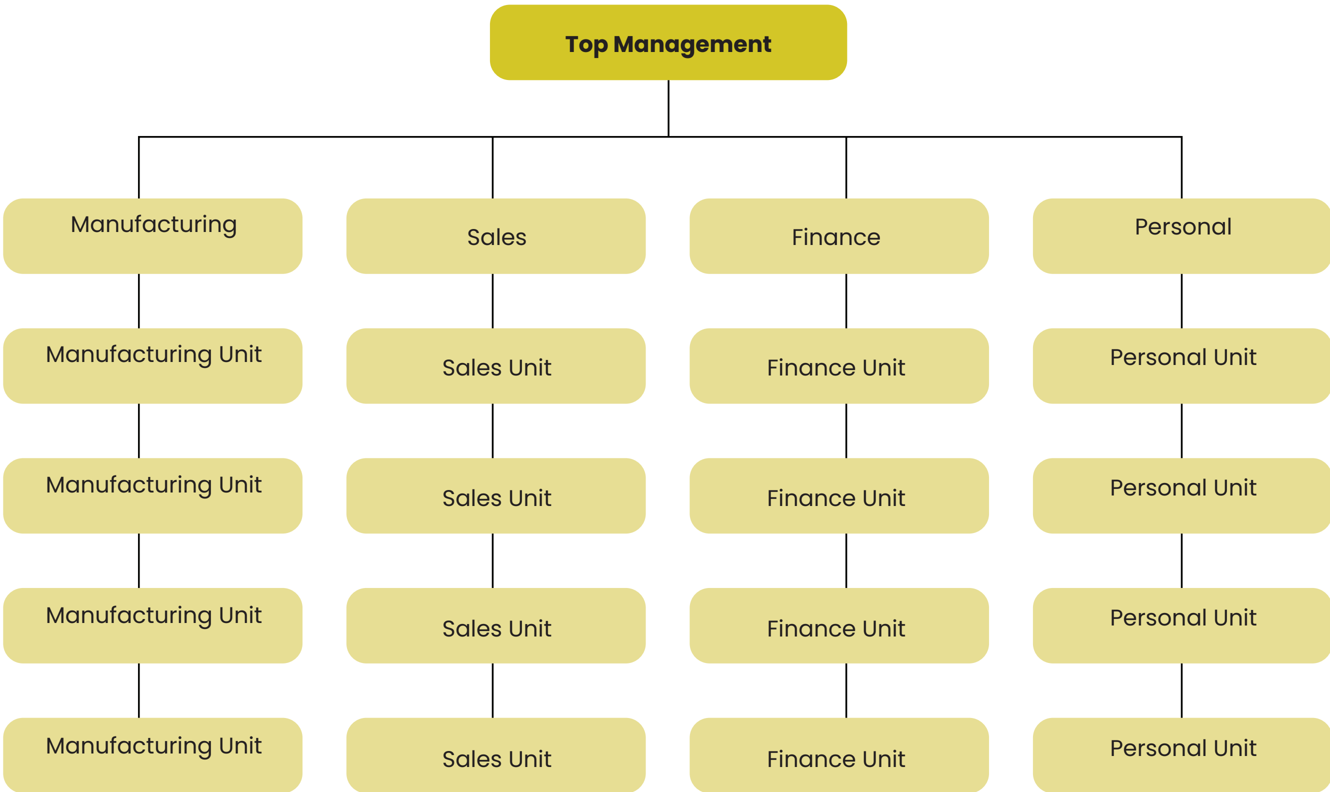


Figure: Matrix Structure
(Changing organisational design)

Network Structure

A radical organisational design, the network structure is an example of what could be termed a "nonstructure" by its virtual elimination of in-house business functions.

Many activities are outsourced.

A corporation organized in this manner is often called a virtual organisation because it is composed of a series of project groups.

The network structure becomes most useful when the environment of a firm is unstable and is expected to remain so

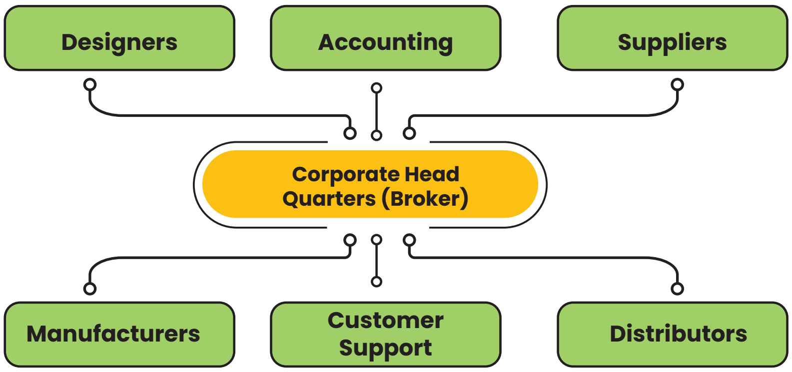


Figure: Network Structure

Hourglass Structure

The role played by middle management is diminishing as the tasks performed by them are increasingly being replaced by the technological tools.

Hourglass organisation structure consists of three layers with constricted middle layer. The structure has a short and narrow middle-management level.

Information technology links the top and bottom levels in the organisation taking away many tasks that are performed by the middle level managers.

A shrunken middle layer coordinates diverse lowerlevel activities.

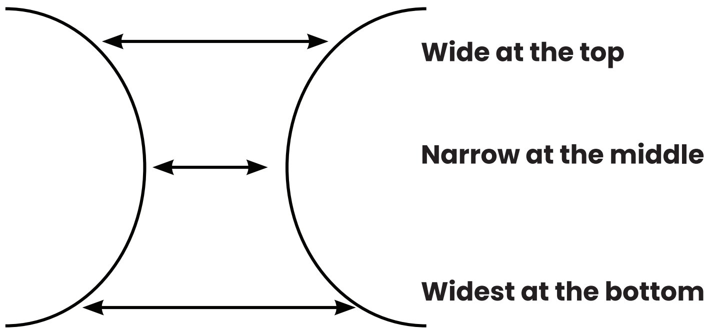


Figure: Hourglass Organisation Structure

Every organisation has to maintain a fine balance between a range of "hard" and "soft" management as even though a structure is appropriate for the time it is established, by the time it is implemented, reality has already changed, especially in today's world

Elements of Soft Management

Culture

Company's culture emerges from the stories that get told over and over again to illustrate to newcomers the importance of certain values.

When the culture is in conflict with some aspect of the company's direction, performance targets or strategy, the culture becomes a stumbling block that impedes successful strategy implementation and execution.

A strong strategy-supportive culture nurtures and motivates people to do their jobs in ways conducive to effective strategy execution.

Changing a problem culture is very difficult because of the heavy anchor of deeply held values and habits-people cling emotionally to the old and familiar.

Strategic Leadership

Transactional Leadership

- Focuses more on designing systems and controlling the organisation's activities and are more likely to be associated with improving the current situation.
- Transactional leaders try to build on the existing culture and enhance current practices.
- Transactional leadership style uses the authority of its office to exchange rewards, such as pay and status.
- They prefer a more formalised approach to motivation, setting clear goals with explicit rewards or penalties for achievement or non-achievement.

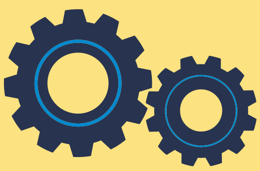
Transformational Leadership

- Uses charisma and enthusiasm to inspire people to exert them for the good of the organisation.
- Transformational leadership style may be appropriate in turbulent environments.
- 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 organisational performance.
- Such a leadership motivates followers to do more than planned.

Strategic Control

Post execution on strategy, structure and leadership, what matters the most is adequate Strategic Control.

THE PROCESS OF CONTROL HAS THE FOLLOWING ELEMENTS



(a) Objectives of the business system which could be operationalised 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.

Types of Strategic Controls

PREMISE CONTROL Check on assumptions of env	**SPECIAL ALERT CONTROL** Being alert on big impactful changes
STRATEGIC SURVEILLANCE Random update on things happening around	**IMPLEMENTATION CONTROL** • Monitoring thrusts • Milstone Reviews

Strategic Performance Measures

Types of Strategic Performance Measures

A company's performance depends heavily on execution of strategy. Companies that continuously outperform their competitors are those who execute well. Executives in a variety of businesses should explore about utilising strategic performance measurement (SPM).

FINANCIAL MEASURES	Financial measures, such as revenue growth, return on investment (ROI), and profit margins, provide an understanding of the organisation's financial performance and its ability to generate profit.
CUSTOMER SATISFACTION MEASURES	Customer measures, such as customer satisfaction, customer retention, and customer loyalty, provide insight into the organisation's ability to meet customer needs and provide high-quality products and services.
MARKET MEASURES	Market measures, such as market share, customer acquisition, and customer referrals, provide information about the organisation's competitiveness in the marketplace and its ability to attract and retain customers.
EMPLOYEE MEASURES	Employee measures, such as employee satisfaction, turnover rate, and employee engagement, provide insight into the organisation's ability to attract and retain talented employees and create a positive work environment.
INNOVATION MEASURES	Innovation measures, such as research and development (R&D) spending, patent applications, and new product launches, provide insight into the organisation's ability to innovate and create new products and services that meet customer needs.
ENVIRONMENTAL MEASURES	Environmental measures, such as energy consumption, waste reduction, and carbon emissions, provide insight into the organisation's impact on the environment and its efforts to operate in a sustainable manner.